

# Disclosures Strategies by Key Bodies in the Australian Mining Industry in Response to Climate Change: A Test of Legitimacy Theory

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## Abstract

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**Purpose:** This study explores how disclosure is used by key bodies in the Australian mining industry as a means to respond to the climate change and ensure their social licence to operate.

**Design/methodology/approach:** The study utilises the legitimacy theory framework and uses a multi-case analysis to examine the disclosure practices via a variety of media of two mining companies and two industry bodies.

**Findings:** It is revealed that a combination of legitimising strategies are undertaken by key bodies in Australia's mining industry in response to the proposed ETS and climate change, however to differing degrees depending on the organisation. There is also support for the notion that different media plays a critical role in facilitating the legitimacy seeking behaviours of the companies and industry bodies.

**Research Implications/Limitations:** This study extends existing literature on legitimacy theory by highlighting the value of utilising this framework to explore contemporary phenomena such as corporate responses to climate change. The findings of this study have practical significance as they are expected to have important policy ramifications.

**Originality/Value:** One of the differentiating features of this paper, compared to prior studies utilising a legitimacy theory framework, is the examination of legitimising disclosure strategies at an industry level, which complements a company level analysis

**Keywords:** Australian mining industry, climate change, corporate disclosure strategies, emissions trading scheme, greenhouse gas emissions, legitimacy theory, low emissions technologies

## 1. Introduction

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The proposed emissions trading scheme, which is one of the key mechanisms for combating climate change, constitutes the largest structural economic reform since the 1980s when the Australian economy was opened, and hence this landmark reform, represents a potentially radical change for Australia's emissions intensive trade exposed mining industry (Treasury, 2008; Garnaut, 2008). Consequently, the proposed emissions trading scheme and the ongoing debates regarding climate change have been highly topical issues receiving significant media attention, with research indicating that Australians rate climate change as an important issue and that there is widespread public support for an emissions trading scheme (ACA, Video, CSIRO, 2009; Shanahan, 2008).

This exploratory study is motivated by the need to consider the significance of the community's increasing awareness in relation climate change and environmental issues. In particular, focus is on the carbon emissions of Australia's environmentally sensitive, emissions intensive trade exposed mining industry, where it is considered that the bounds and norms of the implicit social contract have altered, due to society's changing expectations and values.

Findings provide substantial evidence to support the proposition that the public's heightened awareness in relation to climate change and greenhouse gas emissions are placing key bodies in Australia's mining industry under increasingly more pressure to pursue a portfolio of corporate legitimising strategies simultaneously via a variety of media. These findings support the notion that the implicit terms of the social contract are changing.

This exploratory study extends the extant literature and hence provides unique contributions to legitimacy theory as well as media richness (Lodhia 2005; 2006; 2007) highlighting a link; where a variety of communication media may be employed to execute a combination of corporate legitimising strategies as well as substantive and symbolic activities, concurrently. Furthermore, in contrast with prior studies that utilise a legitimacy theory framework to focus on individual companies, a unique contribution of this research is the examination of legitimising disclosure

strategies at both an industry and company level, with comparative analysis revealing important differences.

Given this exploratory study addresses the contemporary reporting practices of Australia's emissions intensive trade exposed (EITE) mining industry in response to the ongoing debates regarding climate change, which are currently both at a national and international level, the findings have great practical significance as they are expected to have important policy ramifications. Specifically, policy considerations include: refinements to the design of the emissions trading scheme, modifications with respect to EITE issues, promoting complementary policies in relation to investments in ongoing RD&D for low emissions technologies, ensuring that the Australian ETS has a flexible design during the transition period where there is no comprehensive global protocol and encouraging a collaborative approach between industry and government.

Evidently, the results of this research are expected to be of interest to various stakeholder groups including: government and policy makers, industry, the research community, non-government organizations and society at large.

The rest of the paper is structured as follows. Section 2 presents the research question and objectives. Section 3 reviews the literature in relation to legitimacy theory, where Section 4 covers the research scope and justification. Section 5 illustrates the research design and methodology. Section 6 presents the findings and provides a discussion. Section 7 provides concluding comments, policy implications and avenues for future research.

## **2. Research Question**

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This exploratory study further expands current literature on corporate environmental reporting by key bodies in the Australian mining industry to gain a deeper understanding of how Australia's extractive industry is responding to climate change.

The central research question is as follows:

How is disclosure used by key bodies in the Australian mining industry as a means to respond to the climate change and ensure their social licence to operate?

In addressing this question, the research intends to accomplish the following objectives:

- Determine how the proposed emissions trading scheme and the current debate surrounding climate change, has altered the bounds and expectations of society, and therefore triggered the need for organisations in the Australian mining industry to maintain their legitimacy;
- Identify how various communication media are utilised by key bodies in the Australian mining industry to execute particularly corporate legitimising strategies and to communicate to society at large how they are seeking to reduce their carbon emissions, in order to ensure their social licence to operate;
- How the proposed emissions trading scheme has changed the dynamics of corporate disclosures made by key players in the Australian mining industry with respect to their carbon and greenhouse gas emissions.

### **3. Legitimacy theory**

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Legitimacy theory has been extensively employed to explain the motivation for environmental disclosures by organizations, particularly in environmentally sensitive industries, and is the most popular theory in explaining voluntary disclosures (Dowling and Pfeffer, 1975; Lindblom, 1993; Deegan and Rankin; 1996; Patten, 2002; Lodhia, 2005).

The notion of a social contract between an organisation and the society in which it operates underpins legitimacy theory. The social contract has existed for many centuries and was discussed by philosophers in the 16<sup>th</sup> and 17<sup>th</sup> centuries and may be defined as the “multitude of implicit and explicit expectations that society has about how an organisation should conduct its operations” (Deegan, 2007, pg. 123). The underlying assumption is that society, as a collection of individuals, allows organisations to continue their operations so long as they consider the rights of the public at large and conform to society’s expectations (Deegan, 2007). According to Dowling and Pfeffer (1975, pg. 131), legitimacy can be considered “*a constraint on behaviour, organizations in which values, output, or methods of operation are currently at variance with social norms and values will tend to alter these values, outputs, or methods of operations to conform to social values*”.

The need to consider social and environmental issues is most prominent in the extractive industry, due to the sensitive nature of its operations. In the past, the Australian mining industry has been criticised for its social and environmental performance and, as a result, there was a negative public opinion of the sector (Peck and Sinding, 2003). According to Peck and Sinding (2003, pg. 131) the *“discovery, extraction and processing of mineral resources is widely regarded as one of the most environmentally and socially disruptive activities undertaken by humankind”*.

The bleak portrayal of the mining industry has, in part, been due to the fact that mining is considered to be an unsustainable industry due to the depletion of the limited stock of natural resources (Peck and Sinding, 2003). Mining companies are under continuous public scrutiny due to their *“highly visible environmental impacts”* to conduct their operations in a more environmentally sustainable manner and consider the effect of their activities on various stakeholders (Lodhia, 2007, pg. 190).

As a result, mining companies realised that in order to survive and ensure their right to exist they needed to conform to society’s expectations in relation to their social and environmental performance, which is referred to as the *“social licence to operate”* (Lodhia, 2007, pg. 189). According to Lodhia (2007, pg. 189) *“companies in the minerals industry must recognise the changing social (environmental) and political contexts in which they operate”*. Consequently, for organisations to uphold their social licence to operate they must recognise the ever-changing values and expectations of the society within they operate (Mitchell et al. 1997; Peck and Sinding, 2003).

Lindblom (1993, pg. 4) states that *“legitimacy is a condition or status, the process of legitimation underlies the condition”*. Furthermore, legitimation is *“the process whereby an organization justifies to a peer or subordinate system its right to exist”* (Lindblom, 1993, pg. 4). As legitimacy is a variable and not static, legitimate behaviour at a particular point in time, may not necessarily be perceived as legitimate at another point in time (Deegan and Blomquist, 2006; Cormier and Gordon, 2001). Therefore, companies and industries *“must not only do what is expected, they need to inform society about their activities, and changes therein”* (Deegan and Blomquist, 2006, pg. 347). Given that legitimacy is a status and that legitimation is the process that underpins this status, *“much of the voluntary disclosure issued by corporations may be viewed as efforts at legitimation, i.e. efforts to achieve the status of legitimacy”* (Lindblom, 1993, pg. 12).

According to Lindblom (1993), organisations may pursue four corporate disclosure strategies, either individually or in combination, in order to gain, maintain or enhance their legitimacy, which include:

1. Informing the community about any real changes in the organisation's operations, methods, goals and performance by making internal changes to minimise the legitimacy gap;
2. Endeavouring to alter society's perceptions, without changing actual corporate behaviour or society's expectations. Corporate social disclosures may be utilised to educate society about the firm's methods and goals and demonstrate their appropriateness by providing explanations of the company's policy and an account of facts;
3. Attempting to alter society's external expectations about its performance, where the corporation is not making internal changes to minimise the legitimacy gap. Again, the corporation focuses on education, by bringing societal views in conformity with organizational goals, outputs and methods;
4. Endeavouring to manipulate society's perceptions, rather than educating society, by redirecting attention from the central issue towards another associated issue, through for example, emotive symbols. The corporation endeavours to "*associate itself with symbols having high legitimate status*" where corporate disclosures will be highly positive (Lindblom, 1993, pg. 15).

Alternatively, legitimising strategies may be divided into two broad categories: substantive activities and symbolic activities (Savage et al. 2000). Substantive activities entail "*real, material change to organizational goals, structures and processes or in socially institutionalized practices. Society generally favours concrete substantive responses*" (Savage et al. 2000, pg. 48). In contrast, symbolic activities do not entail "*real changes, but attempts to portray corporate activities as compatible with societal norms and values. Management generally favours symbolic assurances, since they are more economical and flexible than substantive actions*" (Savage et al. 2000, pg. 48).

Furthermore, according to Mezner and Nigh (1993; 1995) organisations may pursue a buffering strategy by influencing the social contract terms, such as lobbying the government to block legislation, conducting public relations campaigns and advocacy advertising. On the contrary, bridging strategy may be pursued by illustrating how the organisation is adapting in order to

comply with the terms of the social contract, including changing to meet societal expectations, such as compliance with expected legislation (Meznar and Nigh, 1993; 1995).

Prior literature suggests that maintaining organisational legitimacy is easier compared to gaining or restoring organisational legitimacy (Suchman, 2002). The way organisations make attributions regarding negative events, namely, how internal failings are addressed; either by recognising responsibility or blaming external, influences organisational legitimacy (Tilling, 2005). Tilling (2005, pg. 25) states that “*poor performance or accidents can be internalised or externalised, poor performing firms are likely to externalise, internalisation is a better legitimising technique*”.

Prior literature suggests that events or issues are a key catalyst for a threat to organisational legitimacy (Nasi et al. 1997; Patten, 1992; O’Donovan, 1999). Therefore, to manage organisational legitimacy and minimise the legitimacy gap, organizations need to recognize potential events or issues that may threaten their legitimacy, identify the relevant publics, evaluate the possible impacts of the event or issue on the organization and devise corporate disclosure responses to these key events and issues (O’Donovan, 1999).

Traditionally the annual report was the key mechanism for reporting corporate information, including environmental issues, where various studies have tested for legitimacy motives in annual reports (Brown and Deegan, 1998; Neu et al. 1998; Cormier and Gordon, 2001). O’Donovan (2002c, pg. 63). Over time sustainability and environmental reporting practices have embraced alternative media of communication. Frost et al (2005) found that for Australian listed companies the annual report was the least useful means of communication for sustainability issues, with discrete reports and corporate websites providing a wider variety of disclosures on environmental issues.

This paper provides additional dimensions to the extant literature on legitimacy theory by identifying the various corporate disclosure legitimising strategies executed by key bodies in the Australian mining industry in response to climate change. Further, the study determines the extent to which bodies are pursuing a combination of strategies and links these strategies with various media of communication, at both a company and industry level.

#### 4. Research Scope and Justification

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In recent times, the concept of sustainability; meeting the needs of the current generations without sacrificing the needs of future generations, has become increasingly more important in a world with an increasing population and scarce resources (Deegan, 2007). We have reached a point where economic activity and the environment are not separate and independent, but rather are intertwined (Dep. Climate Change, White Paper, 2008). Many scientists believe that we have reached a critical point with respect to climate change, where immediate action is essential (Garnaut, 2008, Submissions Report to the Garnaut Review, 2008).

The emissions trading scheme proposed by the Federal Government endeavours to address this issue by seeking to strike a balance between the pursuit of economic activities and the conservation of the natural environment, by promoting a smooth transition to a low pollution and carbon constrained economy of the future (Dep. Climate Change, White Paper, 2008, Treasury, 2008, Garnaut, 2008).

Based on a gap in the literature, this study takes the position that the ongoing debate regarding carbon emissions and climate change, particularly following the 2006 book and documentary conducted by Al Gore, entitled ‘An Inconvenient Truth’, and the 2008 Garnaut Review have heightened society’s concerns in relation to carbon emissions, and therefore changed the implied terms of the social contract. The emissions trading scheme has placed increasingly more pressure on constituents in emissions intensive industries, such as mining, to pursue activities that appear legitimate in order to maintain their social licence to operate.

In July 2008, a Newspoll survey confirmed that there is widespread public support for an emissions trading scheme in Australia with 60 per cent of voters backing the adoption of a scheme, regardless of the actions of other nations. The survey also indicated that the strongest supporters of an ETS are younger people (Shanahan, 2008).

In 2008, there were almost 4000 public submissions to the *Garnaut Climate Change Review*, with the ETS discussion paper receiving the largest public response, indicating that climate change and the carbon emissions are significant issues for businesses, governments, interest groups, consumers and society at large (Dep. Climate Change, 2008). Also in 2008, the Department of



Climate Change received hundreds of submissions from organisations and individuals in response to the Carbon Pollution Reduction Scheme green paper (Dep. Climate Change, 2008).

Furthermore, research conducted by the CSIRO regarding education, public awareness and public's perceptions with respect to climate change, reveals that 90 per cent of respondents in public surveys rate climate change as an important issue, where Australians think it is important to tackle climate change and that Australia should take a leadership position (ACA Video CSIRO, 2009).

Therefore, the ongoing debates surrounding climate change and the proposed ETS constitute topical issues and events, which according to prior literature (Lindblom, 1993; O'Donovan, 1999; Savage et al. 2000), are expected to be a key catalyst for corporate disclosures. These issues have intensified the need for constituents in the Australian mining industry to maintain their legitimacy with respect to their greenhouse gas emissions and have triggered the need to conduct their activities in an environmentally sustainable manner; by reducing their carbon footprint and informing society at large, in order to operate within the ever-changing bounds of the social contract.

## **5. Research Design and Methodology**

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In light of the preceding discussion, this exploratory study employs a multi-case research design to identify the legitimising strategies of key bodies in the Australian mining industry as well as the extent to which various strategies are employed.

Utilising a legitimacy theory framework to explain the corporate disclosure practices of constituents in the Australian mining industry in response to climate change and the proposed emissions trading scheme, from a social contract perspective is justified, particularly as the extant literature has indicated that legitimacy motives describe the reporting practices of Australia's minerals and mining industry (Lodhia, 2005; 2007).

### **Data**

The key bodies in Australia's mining industry selected for this study include: BHP Billiton and Rio Tinto, which are among the largest mining companies in the world (BHP Billiton, 2009; Rio Tinto, 2009), the Minerals Council of Australia, whose member companies generate over 85 per

cent of Australia's annual mineral output (MCA, 2009), and the Australian Coal Association, where Australia is the world's largest coal exporter and coal is Australia's largest export commodity (ACA, 2009).

In examining the corporate disclosure strategies via a legitimacy framework, this study is unique in that it analysed legitimising strategies at both a company level and an industry level, in order to discover whether there are potential differences between corporate legitimising strategies executed directly by companies, individually as well as indirectly, via industry bodies, which provide a collective voice for the members. This provides the opportunity to undertake a comparative analysis between companies, between industry bodies and between companies and industry bodies.

These bodies have been selected seeing as the mining and minerals sectors are considered to be one of Australia's most emissions intensive and trade exposed sectors (CPRS Green Paper, 2008), and hence, have a higher likelihood of responding to, and being sensitive to climate change and the proposed emissions trading scheme. The largest constituents in the mining industry were chosen as they are more environmentally sensitive and face greater levels of public and political scrutiny as prior literature suggests (Deegan, 2007)<sup>1</sup>.

As this research examines disclosure strategies in response to climate change and the proposed emissions trading scheme, the timeframe for the study is between 2008 and 2009, seeing as the Garnaut Review and the Carbon Pollution Reduction Scheme green and white papers were released in 2008, and ongoing debates, Senate votes and the United Nations Climate Change Summit taking place during 2009.

## **Disclosure and Document Analysis**

In examining the corporate legitimising strategies pursued by key bodies in Australia's extractive industry, a variety of media of communication were considered, due to the increasing use of alternative vehicles for communication in practice. Existing literature suggests that an extensive

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<sup>1</sup> Note however that other large mining companies in the industry, which are constituents of the ASX/S&P50, such as: Fortescue Metals, Newcrest Mining and OZ Minerals, surprisingly, did not make a submission to the CPRS Green Paper and a review of their annual and sustainability reports reveals that they do not, in sufficient detail, address the issue of climate change, carbon emissions or the proposed emissions trading scheme. Hence, it appears that ASX/S&P 50 classification is inappropriate for identifying companies engaging in voluntary corporate environmental reporting practices.

array of vehicles may provide many benefits for the communication of environmental information (Lodhia et al. 2004; Lodhia, 2005; 2006a; 2006b; 2007, Frost et al, 2005). Lodhia (2006b, pg. 66-67) highlights the potential for alternative communication media to enhance media richness where “the web has the ability to provide information in real time, has mass communication and interactive capabilities, and provides various tools for succinct presentation and organization of information”. As a result, one of the media of communication analysed in this study is corporate websites. Table 1 below shows the details of the websites that were analysed.

**Table 1: Websites of Key Bodies that were Analysed**

Name of Organisation	Website	Level of Analysis
BHP Billiton	<a href="http://www.bhpbilliton.com.au/bb/home.jsp">http://www.bhpbilliton.com.au/bb/home.jsp</a>	Company Level
Rio Tinto	<a href="http://www.riotinto.com/">http://www.riotinto.com/</a>	Company Level
Australian Coal Association	<a href="http://www.australiancoal.com.au/">http://www.australiancoal.com.au/</a>	Industry Level
Minerals Council of Australia	<a href="http://www.minerals.org.au/">http://www.minerals.org.au/</a>	Industry Level

The various media that were analysed include: the Carbon Pollution Reduction Scheme green paper responses, annual reports, sustainability reports, media releases, corporate websites and videos. By considering a variety of media of communication, this research has employed a more comprehensive framework in order to uncover the potential linkages between organizational legitimacy strategies and communication media. The table below illustrates the media of communication that were analysed for the key bodies.

**Table 2: Communication Media that were analysed for the Key Bodies<sup>2</sup>**

	BHP Billiton	Rio Tinto	MCA	ACA
<b>Annual Report</b>	√	√	√	--
<b>Sustainability Report</b>	√	√	--	--
<b>Media Releases</b>	√	√	√	√
<b>Website</b>	√	√	√	√

<sup>2</sup> All media that were available was analysed, hence if a particular medium of communication was not examined it is because that body does not produce this particular medium.

<b>CPRS Green Paper Submission</b>	√	√	√	√
<b>Videos</b>	--	--	--	√

In analysing the various corporate disclosures, a consistent, systematic approach was employed in this multi-case research design. The Carbon Pollution Reduction Scheme green paper submissions, annual reports, sustainability reports, websites and media releases, were analysed individually, in order to identify the various categories of disclosures, in relation to the proposed emissions trading scheme, greenhouse gases and climate change. In examining the categories of disclosures for the various bodies, individual corporate legitimising strategies were identified as explaining particular disclosures or narratives, which were linked to specific communications media. This systematic approach facilitated subsequent comparative analysis.

In examining the disclosures, a variety of forms were considered, including: qualitative and descriptive narratives; physical information, such as tonnes of carbon dioxide, physical measures of material and energy flows and stocks; monetary information, to gauge the economic effect of low emissions technology initiatives; as well as tables, graphs and diagrams for quantitative information.

While the focus this exploratory study is on four key bodies, the in-depth analysis indicates that the results are likely to provide many analytical and methodical generalisations, with benefits to both academia and practice.

## **6. Findings and Discussion**

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Climate change is considered to be a catalyst for organisations in the emissions intensive and trade exposed mining industry to pursue corporate legitimising disclosures. Based on a multi-case study of key bodies in the Australian mining industry, the findings reveal that all four corporate legitimising strategies suggested by Lindblom (1993) are executed in response to the proposed emissions trading scheme and climate change, however to differing degrees. The study presents substantial evidence to support the proposition that in response to climate change and the proposed emissions trading scheme, corporate disclosure practices conducted by key bodies in the Australian mining industry can be explained in the context of a legitimacy framework.

Key bodies utilise a variety of media of communication, demonstrating the significance of media richness (Lodhia, 2005; 2006; 2007) when engaging in corporate legitimising strategies, including: the Carbon Pollution Reduction Scheme green paper submissions, annual reports, sustainability reports, media releases, corporate websites and videos. In contrast to most prior studies that employ a legitimacy theory framework and focus on individual companies, this research provides evidence to show that legitimising disclosure strategies are pursued at an industry level, where comparative analysis reveals that the extent of the strategies executed as well as the media utilised to execute these strategies differs between companies and industry bodies. The table below exemplifies the various legitimising strategies employed by the key bodies as well as communication media used.

**Table 3: Media of Communication Utilised in Executing Corporate Legitimising Strategies by Key Bodies in the Australian Mining Industry between 2008 and 2009**

Media <sup>3</sup> /Key Body	BHP Billiton	Rio Tinto	Minerals Council of Australia	Australian Coal Association
<b>Annual Report<sup>4</sup></b>	Making real changes Changing society's perceptions Associating with emotive symbols	Making real changes Changing society's perceptions Associating with emotive symbols	Changing society's perceptions Lobbying; changing society's expectations	--
<b>Sustainability Report<sup>5</sup></b>	Making real changes Changing society's perceptions Association with emotive symbols	Making real changes Changing society's perceptions Association with emotive symbols	--	--
<b>Media Releases<sup>6</sup></b>	--	--	39 media releases 9 – making real changes 34 – lobbying; changing society's expectations	46 media releases 20 – making real changes 32 – lobbying; changing society's expectations

<sup>3</sup> Note each medium of communication can be employed to execute more than one corporate legitimising strategy simultaneously.

<sup>4</sup> The Australian Coal Association does not produce annual reports.

<sup>5</sup> Both the Minerals Council of Australia and the Australian Coal Association do not generate sustainability reports.

<sup>6</sup> At the company level, media releases do not mention climate change, the proposed ETS or greenhouse gas emissions and instead cover corporate and investor news, indicating that for companies media releases are not utilised for corporate legitimising strategies. Further, at the industry level, a media release may be pursuing more than one corporate legitimising strategy concurrently.

			3- associating with emotive symbols	3- associating with emotive symbols
<b>Website</b>	Making real changes Changing society's perceptions Associating with emotive symbols	Making real changes Changing society's perceptions Lobbying; changing society's expectations Associating with emotive symbols	Lobbying; changing society's expectations Associating with emotive symbols	Making real changes Lobbying; changing society's expectations
<b>CPRS Green Paper Submission</b>	Making real changes Lobbying; changing society's expectations	Making real changes Lobbying; changing society's expectations	Lobbying; changing society's expectations	Making real changes Lobbying; changing society's expectations
<b>Videos<sup>7</sup></b>	--	--	--	Making real changes Lobbying; changing society's expectations Associating with emotive symbols

### Comparative Analysis between Companies

BHP Billiton and Rio Tinto utilised similar communication media to execute parallel corporate legitimising strategies. For example, both bodies employed annual reports and sustainability reports in order to: inform society at large about real changes within the company's internal processes, systems, methods and outputs; to change society's perceptions about their performance by demonstrating the appropriateness of their methods and goals, by highlighting their policies, standards, frameworks and carbon pricing protocols. For example, the frameworks include: the World Resources Institute and the World Business Council for Sustainable Development Greenhouse Gas Protocol, the Global Reporting Initiative, the United Nations Global Compact, the International Council on Mining and Metals Sustainable Development Framework, the FTSE4Good, Dow Jones Sustainability World Index, the Climate Disclosure Leadership Index and the Community Corporate Responsibility and Environmental Indexes.

Further, these media are also utilised to associate with emotive symbols, which are perceived to have high legitimacy status, such as non-government organisations, the Carbon Disclosure

<sup>7</sup> Only the Australian Coal Association has a variety of videos on their website concerning climate change.

Project and charities. However, BHP Billiton relative to Rio Tinto, had a more extensive variety of figures and graphs, highlighting their performance in relation to greenhouse gas emissions.

Surprisingly, however, despite both companies' ongoing commitment to reduce greenhouse gas emissions, their carbon emissions actually increased and in turn, both are behind their targets (BHP Billiton, Sustainability Report, 2009; Rio Tinto, Sustainability Report, 2008). However, these results were provided with an explanation, which suggests they are attempting to repair legitimacy and are internalising, which is a superior legitimising technique according to Tilling (2005). Overall, the reports are highly positive, which is consistent with the extant literature describing Australian companies' reporting practices as "self laudatory" (Frost et al. 2005, pg. 91).

For companies, media releases were found to be an inappropriate medium of communication in relation to the proposed ETS and climate change as their content was mainly concerned with corporate and investor news. Also, neither company had educational videos on their websites relating to climate change or the proposed ETS.

Responses to the CPRS Green Paper were the primary mechanism to execute the third legitimising strategy; which involved changing society's expectations in an attempt to align the public's values with those of the organisation, otherwise known as buffering. Both companies, via their responses, lobbied the government in relation to the proposed ETS, and highlighted the need to reconsider fundamental design issues, where both endeavoured to work in collaboration with the government to achieve a mutually agreeable outcome. In addition, in their responses both companies emphasised how they are making real changes to reduce the emissions intensity of their businesses and are undertaking substantial investments in carbon capture and storage technology with the aim of promoting the research, design, development, deployment and commercialisation of low emissions technologies (BHP Billiton, Green Paper Response, 2008; Rio Tinto, Green Paper Response, 2008).

Corporate websites were another major vehicle for BHP Billiton and Rio Tinto in executing corporate legitimising strategies, including: informing society at large about real internal changes, educating and informing the public about the appropriateness of their policies, protocols and systems in place, analogous to changing society's perceptions as well as associating with emotive symbols. Surprisingly, however, Rio Tinto in contrast to BHP Billiton utilised its website to lobby the government's proposed emissions trading scheme, in attempt to change societal expectations.

## **Comparative Analysis between Industry Bodies**

In relation to the industry bodies, while there were some similarities between the MCA and ACA with respect to their corporate legitimising strategies and media of communication utilised, there were also some interesting differences. The major distinguishing characteristic between the two bodies is that the MCA is quite critical of the proposed emissions trading scheme, in its current form and attempts to change society's expectations and values by predominantly pursuing a buffering strategy in its entire media of communication. In contrast, whilst the ACA also lobbies the government and attempts to change society's expectations, its other predominant corporate legitimising strategy involves educating and informing society at large in relation to real changes, consistent with a bridging strategy, by highlighting its investments in cutting edge low emissions technologies, where society generally favours substantive responses (Savage et al. 2000).

The MCA produced an annual report, however the ACA did not generate annual reports and neither organisation produced sustainability reports. The MCA employed the annual report as an instrument to mainly execute the third legitimising strategy; changing society's expectations in relation to the proposed emissions trading scheme and lobbying the government. The MCA emphasised its active public campaign to point out significant flaws in the design of the ETS (MCA, Annual Report, 2008). It also briefly mentioned the appropriateness of its policies and frameworks in place, analogous to changing society's perceptions.

In their submissions to the Carbon Pollution Reduction Scheme green paper, both industry bodies lobbied the government, in an attempt to alter societal expectations, recommending design changes and refinements. The MCA was much more critical relative to the ACA. The MCA did not make any mention about real changes it is making, however in contrast, the ACA utilised its response to highlight how the coal industry is making numerous real changes, particularly with the COAL21 Fund, which aims to raise \$1 billion over the next decade, COAL21 Partnership, the Global CCS Institute and various other initiatives. The ACA has made the development and demonstration of innovative low emissions coal technologies is the industry's primary mechanism for dealing with climate change (ACA, Green Paper Response, 2008).

Both bodies utilised their corporate websites as a vehicle for lobbying the government and changing society's expectations. In addition, the MCA associated with emotive symbols, such as the Sustainable Development conference (MCA, Website, 2009). On the contrary, the ACA has a modern and interactive website and of all the bodies examined, is the most informative and educational when it comes to climate change, greenhouse gas emissions and carbon capture and



storage technology, where the organisation highlights its real internal changes (ACA, Website, 2009).

The ACA, in contrast to the MCA, has an extensive array of videos and R&D TV, primarily focusing on real changes, from credible sources including the Prime Minister, Minister for Resources and Energy and the CSIRO, all aimed at educating society at large about the urgency of climate change and that immediate action is needed (ACA, Videos, 2009). The ACA also promotes its various initiatives and low emissions coal technologies, which is consistent with the first legitimising strategy or bridging where it is undertaking substantive activities. A few videos also attempted to change societal expectations as they lobbied the government's proposed emissions trading scheme.

Media releases were a key medium of communication for the industry associations. Between 2008 and 2009, in relation to climate change, the emissions trading scheme and low emissions carbon capture and storage technologies, the MCA and ACA generated 39 and 46 media releases, respectively. For both bodies, it appears that the majority of media releases are utilised mainly to lobby the government by pursuing a buffering strategy as well as changing society's expectations (ACA, Media Releases 2008; 2009 and MCA, Media Releases, 2008; 2009). Relative to the MCA, consistent with its overall corporate legitimising strategy, the ACA employed more media releases to highlight real internal changes and substantive activities. Additionally, both bodies employed a few media releases in an attempt to associate with emotive symbols, including: environmental practitioners and non-government organisations (NGOs), where the ACA mentioned NGOs, such as Greenpeace, the World Wide Fund for Nature (WWF) and the Climate Institute (ACA, Media Releases, 2008; 2009).

### **Comparative Analysis between Companies and Industry Bodies**

An analysis between the companies and industry bodies reveals that, while companies pursue all four forms of corporate legitimising strategies, they are more likely to emphasise real changes and substantive activities, which society generally favours (Savage et al. 2000), as well as changing societal perceptions and associating with emotive symbols, via annual reports, sustainability reports and corporate websites . In relation to changing societal expectations and lobbying the government, BHP Billiton and Rio Tinto did not pursue this strategy to the full extent as the others, however when they did they primary mechanism was the Carbon Pollution Reduction Scheme green paper submission.

In contrast, for industry associations, particularly the MCA, lobbying and changing societal expectations was the key corporate legitimising strategy and was executed via a variety of media of communication, including: the annual report, website, media releases and Carbon Pollution Reduction Scheme response paper. Their CPRS response was the most detailed, specific and technical, given that its target audience is the government and policy makers.

The ACA, similar to the companies, pursued the first corporate legitimising strategy as well as substantive activities to a significant extent by educating and informing society about real internal changes via an extensive array of media, such as: media releases, website, videos and the CPRS Green Paper response. Whilst all bodies attempted to change societal perceptions, the results suggest that the companies did so to a greater extent. Further, all bodies attempted to associate with emotive symbols and hence pursue symbolic activities with the companies utilising their reports and websites and industry bodies employing press releases, videos and websites.

Finally, the comparative analysis indicates that companies do not tend to alter societal expectations and lobby the government individually, via their own media of communication, but rather, perhaps lobby indirectly via the industry bodies, particularly seeing as BHP Billiton and Rio Tinto are members of the MCA (MCA, Members, 2009) and Rio Tinto is a member of the ACA (ACA, Members, 2009). In fact, between August and November 2009, the MCA and ACA produced 18 and 19 media releases, respectively, in response to the proposed emissions trading scheme (ACA, Media Releases, 2009 and MCA, Media Releases, 2009), suggesting that the industry bodies, which provide a collective voice for their constituent member companies, are lobbying the government.

The table below illustrates the how the key bodies uses a variety of communication media to execute various legitimising strategies.

**Table 4: Linking Media of Communication with Corporate Legitimising Strategies between 2008 and 2009**

Strategy/Media	Annual Report <sup>8</sup>	Sustainability Report <sup>9</sup>	Media Releases <sup>10</sup>	Corporate Website	CPRS Green Paper Submission	Videos
<b>Legitimising Strategy 1</b>	BHP Billiton	BHP Billiton	MCA	BHP Billiton	BHP Billiton	ACA
	Rio Tinto	Rio Tinto	ACA	Rio Tinto	Rio Tinto	

<sup>8</sup> The ACA does not produce an annual report.

<sup>9</sup> The MCA and ACA do not produce sustainability reports.

<sup>10</sup> Press releases for BHP Billiton and Rio Tinto cover corporate and investor information and therefore are not applicable

				ACA	ACA	
<b>Legitimising Strategy 2</b>	BHP Billiton Rio Tinto MCA	BHP Billiton Rio Tinto	---	BHP Billiton Rio Tinto	---	---
<b>Legitimising Strategy 3</b>	MCA	---	MCA ACA	Rio Tinto MCA MCA ACA	BHP Billiton Rio Tinto MCA ACA	ACA
<b>Legitimising Strategy 4</b>	BHP Billiton Rio Tinto	BHP Billiton Rio Tinto	MCA ACA	BHP Billiton Rio Tinto MCA	---	ACA

## 7. Concluding Comments, Policy Implications and Future Research

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This exploratory study has advanced the literature on legitimacy theory by examining the dynamics of contemporary corporate disclosure practices pursued by key bodies in Australia’s mining industry in response to climate change, employing a legitimacy theory framework and social contract perspective. As a result, this research is expected to contribute to academia as well as practice.

The proposed emissions trading scheme is one of the main instruments for dealing with climate change and has been described as the most important economic and environmental reform in Australian history (ACA, Media Release, 9 November 2009). The ongoing debates regarding climate change and imminent emissions trading scheme have been highly topical issues and are expected to be ranked highly by key bodies in Australia’s environmentally sensitive mining industry. These issues have received significant media attention and therefore increased the public’s awareness in relation to environmental issues; where a reduction in greenhouse gas emissions is becoming an increasingly important dimension of an entity’s environmental performance. As a result, these events are considered to be a catalyst for key bodies Australia’s emissions intensive and trade exposed mining industry to pursue corporate legitimising disclosures in order to retain their social licence to operate.

This research has disciplinary importance as it has extended the current literature on legitimacy theory using a multi-case study. Findings reveal that a combination of corporate legitimising strategies are executed concurrently in response to climate change and the proposed emissions trading scheme, including: making real internal changes, changing societal perceptions, changing societal expectations as well as manipulating societal perceptions by associating with emotive symbols. Additionally, this study demonstrates the significance of employing various media of communication, such as Carbon Pollution Reduction Scheme green paper submissions, annual reports, sustainability reports, media releases, websites and videos, in order to execute the various legitimising strategies. In turn, certain corporate legitimising strategies as well as substantive and symbolic activities can be linked to particular media.

Furthermore, in contrast with prior studies that utilise a legitimacy theory framework to focus on individual companies, a unique contribution of this research is the examination of legitimising disclosure strategies at both an industry and company level, with comparative analysis revealing important differences.

A comparative analysis between the companies and industry bodies reveals that while the companies, BHP Billiton and Rio Tinto pursue a portfolio of corporate legitimising strategies simultaneously, they are more likely to emphasise real changes and substantive activities, which society generally favours (Savage et al. 2000), as well as changing societal perceptions, by highlighting their voluntary initiatives, and associating with emotive symbols, such as non-government organizations, not-for-profit organizations and research institutes, via annual reports, sustainability reports and corporate websites. At the company level, changing societal expectations was not pursued to the full extent as the other strategies, however when they did they primary mechanism was the CPRS Green Paper response.

Surprisingly, despite both companies' ongoing commitment to reduce greenhouse gas emissions, their carbon emissions actually increased and in turn, both are behind their targets. However, these results were provided with an explanation, suggesting the companies are attempting to repair legitimacy and are internalising, which is a superior legitimising technique according to Tilling (2005).

At the industry level, changing societal expectations was the key corporate legitimising strategy, particularly for the MCA and was executed via a variety of media of communication, including: the annual report, website, media releases and CPRS response paper. The comparative analysis indicates that companies do not tend to alter societal expectations or lobby the government,

individually via their own media of communication, but rather, perhaps lobby indirectly via the industry bodies. Further, for the ACA, its other predominant corporate legitimising strategy involved educating and informing society at large in relation to real internal changes via media releases, website, videos and CPRS Green Paper were utilised.

This exploratory study has examined current real world phenomena and the contemporary reporting practices of key bodies in the Australian mining industry in response to climate change and the proposed emissions trading scheme. As a result, this research provides various policy implications and recommendations; particularly as an emissions trading scheme has not yet been legislated and the emission trading legislation failed to pass the Senate for the second time in 2009 (MCA, Media Release, 2 December 2009).

The findings indicate that all of the bodies express their support for the establishment of an emissions trading scheme and given the breadth of the proposed scheme, a key policy implication is that its design, formulation and implementation require a collaborative approach between industry and government. The results reveal that there is an apparent need to refine the design of the proposed scheme, with some key recommendations in relation to: setting a narrow price cap, consideration of design, tax, legal and governance issues, policy revisions with respect to emissions intensive trade exposed (EITE) eligibility, improving the methodology for estimating fugitive emissions from open-cut mines based on solid science (ACA, Green Paper Response, 2008) and adopting a phased approach for the auctioning of permits for EITE sectors (MCA, Green Paper Response, 2008).

It is considered imperative that an emissions trading scheme have a flexible design during the transitional period where there is no comprehensive global protocol on emissions reductions (Rio Tinto, Green Paper Submission, 2008). In this way, the efficacy of the ETS would be enhanced, by taking into account Australia's unique export profile, in order to maintain Australia's comparative advantage in energy and resources (ACA, Green Paper Response, 2008). If Australia can take a leadership position and "demonstrate that it is possible to make the transition to a lower emissions economy without forsaking jobs, international competitiveness and living standards, other nations will be more likely to follow our example" (MCA, Media Release, 2 December 2009, pg. 1).

The implementation of complementary policies and measures that encourage investments in ongoing research development and demonstration (RD&D) of low emissions technologies as well

as energy efficiency are indispensable to promote the efficacy of an emissions trading scheme (Rio Tinto, Green Paper Response, 2008). As the price of carbon is highly technology dependent, an emission trading scheme and investments in cutting edge low-emissions technologies are inseparable, and accordingly, must be considered jointly (ACA, Green Paper Response, 2008). A policy recommendation could be that the government earmark a portion of the revenues raised from the ETS for investment in the development, deployment and commercialisation of low emission and clean coal technologies (MCA Green Paper Response, 2008)

Whilst legitimacy theory provides a solid framework for explaining and predicting the corporate reporting practices of organizations, there are inherent limitations, due to its positive nature. As the findings indicate that organizations may simultaneously pursue a variety of corporate legitimising strategies as well as a combination of substantive and symbolic activities, the theory lacks guidance and does not shed light on which strategy is the optimal corporate legitimising strategy for a particular organization at a particular point in time (Nasi et al. 1997). Furthermore, it may be difficult to associate particular legitimising strategies to certain conferring publics as there may be numerous conferring publics of varying importance with conflicting interests (O'Donovan, 1999).

Whilst this exploratory study utilises a legitimacy theory framework and social contract perspective to explain the corporate reporting practices of key bodies in the Australian mining industry in response to climate change, future research could endeavour to utilise complementary frameworks and theories, such as reputation risk management, stakeholder theory or institutional theory, in an attempt to explain disclosure strategies or organizational activities.

This study has considered the responses by key bodies in Australia's mining industry; an emissions-intensive and trade-exposed sector (Dep. Climate Change, 2008), to the proposed emissions trading scheme, and discovered substantial evidence to support the initial proposition of this research. In turn, future research could extend this study by examining the responses of constituents in other emissions-intensive and trade-exposed industries. Also, future research could endeavour to examine how organizations together with non-government organizations (NGOs), such as Greenpeace, the World Wide Fund for Nature (WWF), are working collaboratively in response to an emissions trading scheme.

Cross-country comparisons in relation to emissions trading schemes and climate change would be particularly interesting and insightful; given that there is a general consensus that climate change

is a global problem that requires a global solution and the establishment of a binding multilateral trading regime (Dep. Climate Change, 2008, Treasury, 2008).

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