


Chapter 3

Green Auditing: A Mechanism for Aligning With Climate Objectives via Emissions Reduction

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ABSTRACT

The paper aims to analyze the relationship between green audits and climate target alignment and study the factors that mediate and moderate the relationship between green audits and climate target alignment. This exploratory, cross-sectional, quantitative study analysed data from senior executives, accountants, auditors, academics, and researchers. Data were gathered via a structured online form and analyzed using descriptive statistics, SEM, mediation, and moderation analysis. The study found a direct relationship between green auditing and climate target alignment and a positive relationship between emissions reduction and climate target alignment.

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Sector-specific factors significantly influence the climate target alignment. Emission reduction mediates the relationship between green auditing and climate-target alignment. Technical expertise significantly moderated the impact of green auditing on the alignment of climate targets. Barriers negatively moderated the influence of green auditing on sector-specific factors.

1. INTRODUCTION

Climate change is a global challenge owing to rising temperatures, extreme weather events, and ecological disruptions. The role of business organizations in mitigating such challenges is crucial. Therefore, business organizations need to align their operational strategies with climate targets, as emphasized by Khalaf and Hamad (2023). Climate target alignment, as described by Sharma et al. (2018), is a process by which businesses and institutions alter their practices to facilitate global efforts to reduce greenhouse gas emissions and climate change impacts. This strategy is not only significant for environmental sustainability but also for long-term value creation in a rapidly vulnerable environment. According to Afolabi et al. (2023) and Dalhuijsen et al. (2023), green auditing has evolved as a vital tool for business organizations striving to improve their environmental performance and align themselves with climate targets. Green auditing, also known as environmental auditing, involves a systematic evaluation of organizations' environmental practices, policies, and impacts. It assists business organizations in multiple ways, such as assessing compliance with environmental regulations, determining areas for improvement, and offering a basis for environmental reporting and decision-making, as noted by Rajapakse et al. (2022) and Banu et al. (2023). Green auditing has the potential to promote substantial transformations in organizational behavior and performance. This has gained significant attention from both academics and industry practitioners in debating the subject of considerable interest, as highlighted by Afolabi et al. (2023) and Gidage et al. (2024).

The connection between green auditing and climate target alignment is multifaceted and has potential sustainability implications. Green audits have the potential to offer valuable insights into the environmental footprints of business organizations, energy utilization patterns, and areas of inefficiency to frame strategies for minimizing environmental impact and aligning operations in line with climate goals. However, the nature and extent of this relationship remain a topic of ongoing research and debate, as discussed by Khalaf and Hamad (2023), Banu et al. (2023), and Gidage et al. (2024).

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