The Current State of Corporate Human Rights Disclosure of the Global Top 500 Business Enterprises: Measurement and Determinants

Kerstin Lopatta
Email: kerstin.lopatta@uni-hamburg.de
Universität Hamburg
Fakultät für Wirtschafts- und Sozialwissenschaften
Sozialökonomie/Betriebswirtschaftslehre
Rentzelstraße 7
20146 Hamburg, Germany

Sebastian A. Tideman (corresponding author)
Email: satidema@syr.edu
Syracuse University
Martin J. Whitman School of Management
Joseph I. Lubin School of Accounting
721 University Avenue
13244 Syracuse, NY, USA

Carolin Scheil
Email: carolinalide.scheil@gmail.com
University of Oldenburg
Accounting and Corporate Governance
Ammerländer Heerstraße 114
26129 Oldenburg, Germany

Naser Makarem
Email: n.makarem@abdn.ac.uk
University of Aberdeen
Accountancy Department
King's College
Aberdeen, UK

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Abstract

This study contributes to the ongoing debate on business and human rights by providing insight into the current state and determinants of corporate human rights disclosures among the top 500 largest business enterprises worldwide. To do so, we use a 13-item human rights disclosure score to evaluate disclosure in two dimensions: scope and quality. Overall, the measured global level of corporate human rights disclosure is low, with business enterprises scoring on average only 3.72 out of 13 points. This indicates a lack of transparency, awareness, and sensitivity regarding corporate responsibility to respect human rights as described in the United Nations Guiding Principles on Business and Human Rights. However, there are considerable differences across countries. The higher-scoring business enterprises are predominantly based in Australia and Europe. Multivariate analyses reveal that corporate visibility, sector sensitivity in terms of higher litigation risk, and institutional pressure in the form of soft law are positively associated with corporate human rights disclosure levels. However, we find that current forms of national mandatory regulation do not achieve the desired impact on high-quality corporate human rights disclosure, which suggests more targeted and concrete reporting requirements as well as better enforcement may be necessary to improve corporate human rights disclosures.

Key Words:

Human Rights; UN Guiding Principles on Business and Human Rights; Human Rights Disclosure; Human Rights Due Diligence

Data Availability: Data are available from the sources cited in the text.

1. INTRODUCTION

"Human rights are part of a long and honorable tradition of dissent, resistance and rebellion against the oppression of power and the injustice of law" (Douzinas, 2007, p. 13). Businesses are thought to contribute to this oppression and injustice. This is reflected in the soaring number of alleged violations of human rights by large corporations (e.g., Cîrlig, 2016; Schrempf-Stirling & Wettstein, 2017).[1] As a result, business enterprises today face ever greater pressure to show respect for human rights in their daily activities. Not only is the number of critical consumers on the rise, the number of legislative acts that oblige business enterprises to act and report on their human rights engagement is growing, too.[2]

Given the growing expectations placed on business enterprises, the following question arises. What exactly is the responsibility of business when it comes to human rights? Following a heated debate on this question, the "Protect, Respect and Remedy" framework of 2008 and the corresponding United Nations Guiding Principles on Business and Human Rights of 2011 (hereafter UNGP) offer clarification: states remain the principal bearers of the duty to protect human rights. However, business enterprises are responsible for ensuring respect for human rights throughout their operations, for instance, by acting with due diligence and conducting human rights risk assessments.

Although individual states play a pivotal role in protecting human rights, large firms may enjoy the upper hand due to the weak and disadvantaged position of host states caused by factors such as their dire need for foreign investment. The lack of a global regulatory entity to hold business enterprises accountable (Schrempf-Stirling & Wettstein, 2017) is often thought to create a governance gap that paves the way for corporate human rights violations (Ruggie, 2008). This governance gap likely widened during the COVID-19 pandemic (Ahmad et al., 2022).

Admittedly, business operations in today's globalized economy are highly complex due to widely diversified and intransparent supply chains with many suppliers and sub-suppliers that

[1] The Business & Human Rights Resource Centre currently has in its online database more than 200 lawsuits against corporations for human rights abuses (Business & Human Rights Resource Centre, 2021). Prominent recent cases include the lawsuit filed against Apple, Google, Tesla, Alphabet, Microsoft, and Dell for alleged child labor in cobalt supply chains in the Democratic Republic of Congo, and the lawsuit filed against Total for allegedly breaching its duty of vigilance during a mining project in Uganda (both filed in 2019).

[2] Existing federal and national legislation in the field of business and human rights includes the Dodd-Frank Act of 2010, the California Transparency in Supply Chains Act of 2010, the UK Modern Slavery Act of 2015, the French Duty of Vigilance Law of 2017, the Australian Modern Slavery Bill of 2018, the Dutch Child Labor Due Diligence Act of 2019, and the German Supply Chain Due Diligence Act of 2021. Similar to the Dodd-Frank Act in the United States, an EU Conflict Minerals Regulation was adopted in 2017. Also within the European Union, the Directive on Disclosure of Non-Financial Information and Diversity Information (2014/95/EU) obliges larger corporations to report, inter alia, on human rights matters. A proposal to amend the Directive has been adopted in 2021 and aims to extend the scope of affected corporations as well as to concretize reporting requirements, which would also touch upon human rights issues. During the public stakeholder consultation in 2020 in the context of the revision of the Non-Financial and Diversity Disclosure Directive (2014/95/EU), nearly 70% voted in favor of including the UNGP to a reasonable or large extent if there were a common European standard for non-financial reporting (also see: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en#review).

are difficult to identify and monitor. It is incrementally challenging for multinational business enterprises to ensure compliant behavior along their supply chains, also because complying with human rights standards may create trade-offs, e.g., lower profits (Bernaz, 2017). However, respecting fundamental human rights is considered an undeniable ethical imperative (Wettstein, 2009). A rising number of investors have begun to consider a corporation’s handling of its human rights responsibilities in addition to its financial performance (Thompson, 2018). Considering the growing public pressure on business enterprises to assume human rights responsibility paired with the complexity and sensitivity of human rights matters, especially for large multinational business enterprises, there is an urgent need to examine to what extent business enterprises currently report on their commitment to human rights and the underlying drivers.

This study aims to evaluate the current state and determinants of corporate human rights disclosure. We suspect that despite the growing pressure on business enterprises to respect human rights, the power asymmetry between large firms and states in favor of the former has allowed business enterprises to neglect their human rights responsibility. We expect this lack of commitment to be reflected in the human rights disclosures of large firms. We also aim to identify differences across sectors and countries in order to better comprehend corporate approaches to human rights reporting. This study attempts to help NGOs, critical investors, regulators, and other stakeholders by providing insight into the strengths and weaknesses of corporate human rights reporting. Moreover, identifying determinants of human rights disclosure might indicate potential ways to improve human rights commitment. Refining our understanding of the degree to which business enterprises reportedly engage in human rights disclosure and their reasons for doing so could be the starting point to raise awareness, identify injustice, and develop adequate responses (Dillard & Vinnari, 2017). We acknowledge that corporate disclosures are not necessarily true and unbiased representations of a firm’s actual behavior. Nonetheless, analyzing the current state of disclosure is essential, as prior research has shown that critical stakeholder groups use corporate reporting to monitor firms’ behavior and then demand corrective action (Deegan & Blomquist, 2006; Thijssens et al., 2015).

This research may also help to strengthen awareness of the importance of accounting for human rights (Gray & Gray, 2011; Islam & McPhail, 2011). Accounting can help hold business enterprises answerable for their actions (Gray & Gray, 2011); this is particularly important when it comes to corporate human rights behavior, especially given the increasing power of large multinationals (McPhail & McKernan, 2011). The main role of accounting in this context is to foster accountability and transparency relating to human rights (Gallhofer et al., 2011).

Empirical research on corporate human rights engagement and its drivers is limited to date (e.g., Hamann et al., 2009; Preuss & Brown, 2012; Whelan & Muthuri, 2017); it is mainly non-academic research that has investigated if business enterprises address all aspects of the corporate responsibility to respect human rights as defined in the UNGP (Corporate Human Rights Benchmark Limited, 2017; Langlois, 2017). To the best of our knowledge, this study is the first to address this gap by measuring levels of corporate human rights disclosure and identifying its determinants on a global scale.

The present study focuses on human rights disclosure of the 500 largest global business enterprises by revenue for the reference year 2017. We closely examine both the scope and the quality of disclosure using a 13-item score that is based on a dedicated catalogue of criteria. Such a score is necessary even though specific reporting standards (e.g., GRI Standards, developed by the Global Reporting Initiative) already exist. Parsa et al. (2018) highlight that human rights disclosures cannot simply be approximated by whether companies claim to adhere to GRI guidelines. They find that business enterprises often ignore the GRI's specific requirements, claiming to address the guidelines, albeit in a very generic way or by using boilerplate language, if at all. Our score helps identify human rights disclosure items reported vaguely (or not at all), as well as items reported more frequently.

We use a multi-theoretical framework for our analysis. We build on legitimacy and stakeholder theory to investigate the influence of corporate visibility on corporate human rights disclosures. Then again, we refer to legitimacy and stakeholder theory to analyze whether sector sensitivity is linked to corporate human rights disclosures. Lastly, we utilize legitimacy and institutional theory to see whether institutional pressure is associated with corporate human rights disclosures.

Our empirical findings suggest that the measured global level of corporate human rights disclosure is low, with business enterprises scoring, on average, only 3.72 out of 13 points. This suggests a lack of corporate awareness, commitment, and sensitivity towards human rights. The low level of human rights disclosure we identify corresponds to the findings of prior studies (Corporate Human Rights Benchmark Limited, 2017; Langlois, 2017; Preuss & Brown, 2012). Our analysis reveals that only 12% of the largest 500 business enterprises worldwide report human rights issues uniquely salient to them. Given this low percentage, Frankental's (2011) call for more material disclosures becomes even more relevant.

Our human rights disclosure score is a meaningful tool for comparing corporate human rights disclosures across states and industries. Our results show significant differences across countries and sectors. Higher-scoring business enterprises are mostly based in Europe and Australia. Twenty-six percent of business enterprises scored zero points, most of which are based in China and the USA. Regarding particular industries, 26.2% of business enterprises in the financial sector scored zero points and 17.7% in the energy sector did the same. Prior evidence indicates that corporate human rights disclosure levels are low in certain industries and countries. For instance, Preuss and Brown (2012) report that only 22.4% of their sample of 98 British firms had a publicly available human rights policy. While prior evidence on human rights disclosure is limited to a specific setting, we extend it to the global level.

The results on the determinants of human rights disclosure partially correspond with the conclusions of prior studies; consistent with Morrison and Vermijs (2011) and Obara (2017), we find a positive impact of institutional pressure in the form of soft law and litigation risk on human rights disclosure. In terms of sector sensitivity, we find a positive impact of litigation risk on the human rights score, which is in line with Schrempf-Stirling and Wettstein (2017). Unlike Preuss and Brown (2012), we do not find that operating in a sector under public scrutiny has a positive influence on the score. Also, we find a positive impact of corporate visibility on the score, which contradicts the finding of Hamann et al. (2009) but is consistent with previous research suggesting that organizations engage in disclosure to secure societal approval for legitimacy purposes (Cho & Patten, 2007; Savage et al., 2001). Our results suggest more stakeholder pressure and more reporting guidance by institutions could enhance corporate human rights responsibility.

Our study allows for a differentiated view on effective regulatory action, which is particularly urgent given that corporations have increasing power to impact human rights both positively and negatively (McPhail & McKernan, 2011). We observe a negative effect of regulation on corporate human rights disclosure, which indicates that current forms of national hard law do not achieve the desired outcome in terms of high-quality corporate human rights disclosure. This finding suggests that more targeted and concrete reporting requirements as well as effective enforcement mechanisms are necessary to improve corporate human rights disclosure.[3]

This study connects with several prior studies in critical accounting and human rights research (e.g., Islam & McPhail, 2011; Deegan, 2017; Frankental, 2011; Gallhofer et al., 2011; Gray & Gray, 2011; McPhail & McKernan, 2011). Closest to our study is arguably Islam and McPhail (2011), who show for 18 major global clothing and retail companies that considerable differences exist in human rights reporting across countries. However, their findings are limited to a specific industry (clothing/retail) and a small number of firms (nine firms from the USA; nine firms from the EU). We extend their work by investigating the 500 largest firms in 33 countries and 21 industries.

In summary, our research represents a multi-country and multi-industry examination of human rights disclosure and its determinants. The global approach delivers a differentiated insight into the current stage of human rights reporting. By taking into account 13 criteria to build the corporate human rights score, our findings reveal which aspects of the corporate responsibility to respect human rights have been formally embraced, or neglected, by corporations. Moreover, our research identifies determinants of human rights disclosure, which should help to better comprehend why corporations engage in human rights reporting. This knowledge is essential to promote transparency in corporate human rights engagement, which in turn may enable stakeholders to critically assess corporate behavior and identify deficiencies. We believe our study paves the way for future academic research to explore further the factors that influence human rights disclosure and assess corporations' progress in this area.

We locate our research in the critical accounting sphere, given that critical accounting theory is concerned with promoting a more just society (Dillard & Vinnari, 2017). Gray and Gray (2011) encourage academia to be involved in the debate on the interplay between human rights and accounting. We answer this call by mapping the field for human rights disclosure behavior among the top 500 business enterprises. It is important to examine human rights disclosure of powerful corporations as it provides the media, critical accounting researchers, and other

[3] See Section 6 for a more detailed explanation of the negative association between mandatory regulation and corporate human rights disclosure.

interested parties with a starting point to better understand and critique human rights practices and conduct further investigations. This is an important first step as prior research has shown that critical stakeholder groups use corporate disclosures to monitor firms' behavior and then demand corrective action (Deegan & Blomquist, 2006; Thijssens et al., 2015). Specifically, we strive to position our research in the sphere of enabling accounting, which seeks to "move beyond providing insightful and incisive critiques of accounting to attempting to make accounting work as a positive force in the pursuit of democratic, in the sense of universally inclusive modes, social progress" (Roslender & Dillard, 2003, p. 341). Hence, an enabling accountant challenges the status quo by asking "why?", while embracing the attitude of "posing questions, pursuing insights, and exploring issues" (Roslender & Dillard, 2003, p. 342). Similarly, Broadbent et al. (1997, 271) state that enabling accounting can be approached via the "balanced critique and challenging of existing practices."

Therefore, in the spirit of phronetic social science, we aim to connect the theoretical with the concrete and structure our research along the following questions: What is the current state of human rights disclosure (Q1: Where are we standing?)? Is it consistent with expectations and requirements (Q2: Is this desirable?)? And what conclusions do we draw from this (Q3: What should be done?)? (Dillard & Vinnari, 2017). Beyond this, we also examine the role of accounting in producing and replicating inequality (Broadbent et al., 1997). The extent to which human rights information is disseminated and reported in the corporate context can drive action and change toward enabling more diverse stakeholder groups (Birkey et al., 2018) and in doing so, potentially reduce inequality between shareholders and other stakeholder groups. Our research critically highlights shortcomings in the current state of human rights disclosure, which we believe is important to better understand processes that contribute to continued inequality. By assessing the determinants and thus drivers of human rights disclosure, we consider, among others, the regulatory environment, which identifies future options that could positively affect disclosure practices and reduce inequality.

Empirical evidence of human rights disclosure is scarce to date and, as Gray and Gray (2011) also note, mostly limited to firms complying with the GRI Standards. We acknowledge that most critical accounting research is not quantitative. Still, as Gendron (2018) points out, the boundaries of critical accounting research are changing through interactions with researchers in other fields. A significant number of critical (accounting) researchers, such as Gray and Milne (2015) and Roberts and Wallace (2015), stress the importance of a more pluralistic view in research, particularly by embedding multiple methodological approaches. We believe our quantitative approach enriches the current critical understanding of human rights disclosures. Engaging in a broader quantitative empirical analysis allows us to shed light on the global order of things and may pave the way for more quantitative and qualitative research on a deeper level (Everett et al., 2015).

The remainder of the paper is structured as follows. In Section 2, we develop the theoretical background, which is the basis for our hypothesis development in Section 3. We present our methodology in Section 4. Section 5 presents our results and Section 6 discusses them. Section 7 provides concluding remarks.

2. THEORETICAL BACKGROUND

Human rights as understood today comprise a set of civil, political, economic, social, and cultural rights that are inalienable and unconditional (United Nations, n.d.-b; United Nations General Assembly, 1948). These rights were laid out in the United Nations Universal Declaration of Human Rights, adopted in 1948 in response to the cruelty and violence of World War II (United Nations, n.d.-a). Under the Declaration, every human being is entitled to this set of rights; it applies to all institutions and individuals. Originally, human rights were developed primarily to protect citizens from abuse by their own state and addressed the relationship between a state and its citizens (Gallhofer et al., 2011).

The Universal Declaration of Human Rights attributes the responsibility to protect human rights to states. However, it is commonly acknowledged that globalization has changed the power balance between states and business enterprises in favor of the latter (Scherer & Palazzo, 2011). Despite bearing the duty to safeguard human rights, many states are unable or unwilling to prevent or sanction corporate human rights violations due to weak legal systems, economic dependence, or foreign investment constraints (Bernaz, 2017; Brenkert, 2016; Frankental, 2011; Sikka, 2011). The position of business enterprises in international law is unclear, and there is no global regulatory entity that monitors business enterprises and holds them accountable (Schrempf-Stirling & Wettstein, 2017). These global governance gaps, therefore, are understood to allow corporate human rights violations to take place (Ruggie, 2008). This has led to a heated debate on the question of business enterprises' responsibility for human rights.[4]

Since international law assigns the direct responsibility to protect human rights to states, one can argue that non-state actors such as business enterprises are merely indirectly responsible for human rights (Wettstein, 2012). Pegg (2003) discusses some views concerning this corporate responsibility. First, human rights are deemed to be the duty of states and hence beyond the purview of the market. Second, human rights as a global concept ignores the vast cultural differences across countries and, as such, prompts a form of neo-colonialism. Admitting the strength of these arguments, he then recognizes the necessity of a human rights framework to make businesses more responsible for their actions. While the political nature of human rights has often been perceived as contradicting the private nature of business (Wettstein, 2012), freeing business enterprises from the responsibility for human rights would

[4] At first glance, ensuring respect for human rights seems to be a part of corporate social responsibility (CSR; Ramasastry, 2015). However, while the field of business and human rights and that of CSR are related, they differ in their theoretical foundations. While human rights disclosures are often driven by normative and coercive pressure, CSR disclosures are more often triggered by mimetic pressure (Bernaz, 2017; Ramasastry, 2015). Although CSR touches upon human rights issues, it rarely addresses them specifically (Wettstein, 2009). Wettstein (2009) points out that CSR is often attributed as being voluntary. Human rights, however, are characterized by the moral obligation to respect them, which is why they may be perceived as incongruent with or even contradictory to CSR (Wettstein, 2009). Additionally, CSR builds upon the concept of a strong state that is able to foresee societal issues, formulate regulation in response, and enforce that regulation, whereas the field of business and human rights acknowledges governance gaps which result from states' unwillingness or incapability to fulfill their role as protectors of human rights (Scherer & Palazzo, 2007; Wettstein, Giuliani, Santangelo, & Stahl, 2019). Furthermore, CSR is often framed as a business case, whereas applying that perspective to the respect for human rights seems unethical (Bernaz, 2017).

challenge the overall legitimacy and ethical imperative of human rights (Wettstein, 2009). After all, the responsibilities enshrined in the United Nations Universal Declaration of Human Rights apply to every organ of society including people, companies, and markets (Sikka, 2011). Moreover, business enterprises have gained significant impact and power, to the point of challenging the assumption that their position is that of a purely private and economic actor in society (Scherer & Palazzo, 2011). It has been argued that this increase in corporate power must be accompanied by increased responsibilities (Bernaz, 2017; Scherer & Palazzo, 2011; Wettstein, 2009).

In summary, human rights occupy a “unique position, beyond purely legalistic considerations” (Bernaz, 2017, p. 82). Our analysis of the literature suggests the following line of thinking on human rights; human rights are inherent to all human beings and should be protected by states. Yet, global governance gaps, partly resulting from globalization, allow human rights abuses to take place. Meanwhile, corporations have gained power and influence with a potentially significant impact on human rights; they should therefore assume more responsibility for preventing human rights violations.

2.1 Institutional Settings

After years of controversial discussion on the human rights responsibility of businesses, in 2008 the Special Representative on Human Rights and Transnational Corporations and Other Business Enterprises, John Ruggie, presented the “Protect, Respect and Remedy” framework (Ruggie, 2008). In 2011, the framework was operationalized in the form of the UNGP, which is the current non-binding and widely accepted standard for corporate human rights responsibility (Ramasastry, 2015). Ruggie (2011) urges business enterprises to assume responsibility for respecting human rights by, inter alia, adopting a human rights policy, conducting due diligence processes, and implementing grievance mechanisms. However, he clearly states that a business enterprise’s duty regarding human rights cannot and should not be identical to a state’s duty because business enterprises are private actors. They are therefore assigned the “responsibility to respect,” while the “duty to protect” human rights remains incumbent on states. The term “duty” alludes to a legal obligation, whereas the term “responsibility” refers to a social norm without legal character (Bernaz, 2017). This corporate human rights responsibility exists regardless of legal requirements and has been referred to as the “baseline expectation for all companies in all situations” (Ruggie, 2008, p. 9).

Besides international soft law, hard law at the national level has increasingly emerged as a way to pressure business enterprises into reporting transparently on their human rights impact. The different approaches of the existing legislation reveal a lack of harmonization with Ruggie’s framework and the UNGP. For example, the Directive on Disclosure of Non-Financial Information and Diversity Information (2014/95/EU) is described by Buhmann (2018) as a “neglected opportunity” (p. 23) to promote the implementation of corporate responsibility to respect human rights. In addition, existing national requirements differ in their scope and content, thereby generating additional costs for business enterprises that operate in several countries (Bernaz, 2013). Current efforts to develop a binding international treaty – most notably the United Nations Binding Treaty on Business and Human Rights – may help create a level playing field for all business enterprises (Niebank & Schuller, 2018).

Most recently, the European Commission adopted a proposal for a Directive on corporate sustainability due diligence in 2022.[5] This Directive aims to strengthen responsible and sustainable business conduct and to foster human rights as well as environmental due diligence in business activities and supply chains. It would affect approximately 13,000 EU companies as well as 4,000 non-EU companies. The proposal is to be debated in the European Parliament and the European Council. In case of approval, member states need to transpose the Directive into national law.

Overall, the impact of mandatory human rights reporting requirements on corporate performance is subject to much controversial debate. While opponents point to the lack of empirical evidence on positive effects, possibly due to excessively general requirements or the lack of enforcement (Birkey et al., 2018; Hess, 2019), supporters state that the former approach, based on voluntarism and good faith, has not achieved the intended outcome (Chambers & Yilmaz Vastardis, 2020). Chambers and Yilmaz Vastardis (2020) argue that in the past soft law has been embraced in CSR research as the voluntary approach was perceived as key to organizational learning and change, in contrast to strict provisions, which would instead foster conformity with minimum requirements.

2.2 Multitheoretical Framework

To investigate corporate commitment to human rights responsibility, this study adopts the approach of Fernando and Lawrence (2014), whose multitheoretical framework employs legitimacy theory, stakeholder theory, and institutional theory. Fernando and Lawrence (2014) have suggested viewing the different theories as complementary rather than competing because they share a focus on the relationship between business and society. This section describes the three underlying theories and applies them to corporate human rights reporting.

In the field of social and political theories, legitimacy theory, stakeholder theory, and institutional theory are among the main theories used to make sense of corporate disclosure (Fernando & Lawrence, 2014). Highlighting the significance of social acceptance, legitimacy theory suggests that organizations are obliged to act in a socially desirable way and are bound by a social contract (Baldini et al., 2018; Deegan, 2002; Mathews, 1993). This contract may include implicit terms that refer to the expectations of a community and explicit terms such as legal requirements (Deegan, 2002; Gray et al., 1996). Failure to conform to societal norms and breaching the social contract may threaten a corporation's survival because of legitimacy concerns (Deegan, 2002). Given that the UNGP have been widely endorsed (McPhail & Ferguson, 2016), it is assumed that society at large expects business enterprises to respect human rights (Fasterling & Demuijnck, 2013).

[5] For more details, see: https://ec.europa.eu/info/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en.

Legitimacy theory predicts that business enterprises feel pressured to engage in action and disclose their activities to gain societal approval and secure survival (Branco & Rodrigues, 2008; Fernando & Lawrence, 2014). They may aim to convey the desired image through reporting without actually undertaking action (Neu et al., 1998). Prior studies have based their analysis of the influence of firm-level characteristics on corporate reporting practices on legitimacy theory. For instance, Baldini et al. (2018) find that firm-specific variables linked to firm visibility (e.g., analyst coverage, cross listings, leverage, and firm size) all positively influence firms' ESG (environmental, social, and governance) disclosure levels. This finding is in line with larger and more visible business enterprises feeling more external pressure to disclose more for legitimacy purposes.

Stakeholder theory takes a similar but narrower approach. It suggests that an organization is pressured by its stakeholders and needs to address their expectations (Reverte, 2009). In contrast to legitimacy theory, stakeholder theory acknowledges that different groups within society have different expectations of an organization and are affected in different ways (Deegan, 2002). According to Fernando and Lawrence (2014), stakeholders impose financial, social, and environmental responsibilities on business enterprises. It is vital for a business enterprise to successfully manage its stakeholders' expectations and gain their approval to control its environment and achieve its goals (Fernando & Lawrence, 2014; Gray et al., 1995). This includes balancing the conflicting interests of stakeholders (Fernando & Lawrence, 2014). For instance, shareholders typically seek higher dividends while employees demand higher salaries that reduce the firm's capacity to pay dividends. Roberts (1992) notes that building a reputation for being socially responsible via corporate social performance and disclosure "is part of a strategic plan for managing stakeholder relationships" (p. 599). Business enterprises engage in disclosure to demonstrate the extent to which they meet their imposed responsibilities (Fernando & Lawrence, 2014; Gray et al., 1991). In doing so, business enterprises accept stakeholders' right to know (Fernando & Lawrence, 2014). A business enterprise may make strategic disclosure decisions to alter stakeholders' perception (Clarke & Gibson-Sweet, 1999; Lindblom, 1994). If powerful stakeholders demand that business enterprises report on human rights engagement, stakeholder theory suggests that the latter will engage in human rights disclosure to satisfy that demand. Parsa et al. (2018) point out that business enterprises may engage in voluntary disclosure to demonstrate transparency and "elevate their accountability" (p. 49) to stakeholders. Yet voluntary disclosure may also aim to simply gain legitimacy, lacking real transparency and consequently not assisting business enterprises in discharging accountability (Parsa et al., 2018).

Institutional theory focuses on organizational forms and offers explanations as to why organizations that operate in the same organizational field demonstrate homogeneous characteristics or forms (Fernando & Lawrence, 2014). DiMaggio and Powell (1983) describe how an organizational field comprises organizations that create "a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products" (p. 148). As DiMaggio and Powell (1983) point out, institutional theory assumes that organizations in the same field will adapt their behavior to comply with structural guidelines due to institutional pressure and the expectation of reward. The theory suggests that business enterprises respond to institutional pressure of "broader social structures such as public and private regulation and the presence of non-governmental and other independent organizations that monitor corporate behavior" (Baldini et al., 2018, p. 81). In terms of institutional pressure, prior studies have focused on country-level characteristics as explanatory factors behind corporate reporting behavior (Baldini et al., 2018).

Institutional theory also discusses decoupling, which is the separation between corporate image and actual organizational processes (Fernando & Lawrence, 2014). Admittedly, corporate disclosures are not necessarily a true and unbiased representation of actual behavior. Firms may decide to hide bad news/practices and show themselves in a more favorable light (Campbell, 2007). For instance, recent research finds that UK companies' disclosures on curbing bribery do not correspond to incidents of bribing foreign public officials (Islam et al., 2021b). Relatedly, Islam et al. (2021a) find significant discrepancies between multinational companies' public disclosures on human rights and the assessment by labor rights non-governmental organizations, which again is in line with the notion of decoupling. Strategic disclosure decisions may be used to gain legitimacy by creating an image that does not correspond to actual behavior (Deegan, 2009; Fernando & Lawrence, 2014). Voluntary engagement in corporate disclosure may be regarded as part of institutional practice. Assuming that corporate human rights disclosure is also considered part of an institutional practice within an organizational field, institutional theory suggests that business enterprises that operate in this institutional environment will likely act accordingly or use reporting to project the desired image. For instance, Parsa et al. (2018) find that claims of adhering to the GRI guidelines are in fact often unfounded, since instead of disclosing material information, many business enterprises report in a generic way and neglect to fulfill the specific expectations of the GRI guidelines. Nonetheless, corporate reporting often constitutes the only source of information on corporate engagement and is consequently used to hold corporations accountable (Deegan & Blomquist, 2006; Thijssens et al., 2015).

In summary, our multitheoretical framework assumes that business enterprises engage in human rights disclosure to legitimize their business, appear accountable to stakeholders, and respond to institutional pressure. However, corporate behavior disclosed through reporting may not necessarily correspond with actual corporate conduct. There is likely a gap between reported and actual performance, as business enterprises might want to benefit from a favorable disclosure without committing to the actual actions (Campbell, 2007). There are few incentives to voluntarily disclose negative news, and it is problematic for business enterprises to credibly commit to such disclosures without obligation or potential liability for false claims (Johnston, 2005). Pianezzi and Cinquini (2016) discuss the risk of human rights disclosure being used to boost the brand and also possible responses to this phenomenon including involving stakeholders in the process of developing alternative reporting tools. Chambers and Yilmaz Vastardis (2020) point out that a regulatory mechanism that foresees oversight as well as enforcement would help to reduce such divergence. They note that the absence of such a mechanism may result in insufficient, even misleading disclosure that covers up misconduct. Conversely, a business enterprise may perform well but fail to convey this in its reporting

(Cowen et al., 1987). Thus, the evaluation of corporate disclosure only permits limited conclusions regarding actual corporate behavior. Nonetheless, analyzing the extent to which corporations engage in reporting is an essential first step because it constitutes a starting point for critical intervention by NGOs and other stakeholder groups to hold corporations accountable for their actual behavior when they deviate from reported commitment.

2.3 Literature Review

According to Schrempf-Stirling and Van Buren (2017), existing scholarship in the business and human rights field has focused on the description of corporate policies at the macro level and on the normative justification of corporate human rights obligations. However, as they note, little work has been devoted to developing a conceptual framework or underlying theory for business and human rights or to conducting empirical research. Prior empirical research has examined the ways business enterprises understand and approach human rights using qualitative analysis (Arkani & Theobald, 2005; McBeth & Joseph, 2005; Morrison & Vermijs, 2011; Obara, 2017), assessed the existence and content of human rights policies and other human rights disclosures using also quantitative analysis (e.g., Corporate Human Rights Benchmark Limited, 2017; Global Reporting Initiative, 2008; Langlois, 2017; Parsa et al., 2018; Preuss & Brown, 2012; Ruggie, 2007; Whelan & Muthuri, 2017; Wilson & Gribben, 2000; Wright & Lehr, 2006), and investigated possible drivers of corporate human rights engagement (Hamann et al., 2009; Schrempf-Stirling & Wettstein, 2017). In general, prior studies suggest that business enterprises increasingly experience external pressure to address human rights (Morrison & Vermijs, 2011; Obara, 2017). A number of business enterprises have started to integrate human rights into their business activities by adopting corporate human rights policies (Wright & Lehr, 2006). However, many business enterprises perceive the term “human rights” to be abstract and formal, and consider the state the sole bearer of responsibility for safeguarding human rights (Obara, 2017).

In particular, corporate human rights disclosure has been described as superficial and lacking (Preuss & Brown, 2012; Wright & Lehr, 2006). The lack of precision in reporting may partly be due to the fact that business enterprises have struggled to differentiate between respecting human rights and engaging in CSR activities and to understand the relevance of human rights to their business (McBeth & Joseph, 2005; Morrison & Vermijs, 2011). Parsa et al. (2018) analyze disclosure on labor practices and human rights of 131 business enterprises and find that the claim of adhering to the GRI guidelines in reporting is in fact often unfounded. Instead of disclosing material information, many business enterprises report in a generic way and neglect to fulfill the specific expectations of the GRI guidelines. Beyond the limited quality of reporting, the quantity of human rights reporting, too, is found wanting. Empirical findings have shown that the topic companies report on most frequently and comprehensively is labor rights (Global Reporting Initiative, 2008; Preuss & Brown, 2012; Whelan & Muthuri, 2017; Wright & Lehr, 2006).

Following the reflections of Roslender & Dillard (2003), in addition to the outcome of the process of reporting on human rights, i.e., the reporting itself, the underlying drivers are essential to capture the process and practice in a complete picture. Regarding these drivers of corporate human rights disclosure, Preuss and Brown (2012) find a positive effect of public scrutiny after analyzing the human rights reporting of 98 British business enterprises. They conclude that business enterprises demonstrate increased human rights awareness when operating in perceived "sin industries" (p. 294), namely tobacco, alcoholic beverages, and oil and gas. Schrempf-Stirling and Wettstein (2017) investigate 41 human rights litigation cases and their impact on corporate human rights policies and conduct and find that business enterprises that have been involved in human rights litigation demonstrate greater human rights commitment. Prior studies also identify other factors influencing corporate human rights engagement including the moral commitment of managers (Sethi et al., 2011), corporate culture (Maurer, 2009), and codes of conduct (Yu, 2008). However, these findings stem from individual case studies at the micro level.

Then again, the findings regarding regulation on human rights disclosure seem ambiguous. On the one hand, Hamann et al. (2009) examine antecedents of human rights due diligence disclosure by the top 100 business enterprises listed on the Johannesburg Stock Exchange and demonstrate a positive impact of external regulatory requirements in terms of government regulations and stock exchange listing rules. However, other studies, such as Birkey et al. (2018), that have examined the impact of regulation on disclosure have found that companies responding to the California Transparency in Supply Chains Act (CTSCA) tend to opt for a symbolic response and do not significantly increase their level of transparency. This may be driven by managers following the interests of shareholders, who may view more detailed disclosure as costly destruction of a firm's value. This is in contrast to stakeholders such as NGOs and consumers who desire information that is more comprehensive. However, the authors conclude that as long as companies can adopt CTSCA without enhancing their level of disclosure, corporate behavior related to supply chains and human rights, stimulated by increased transparency, is unlikely to change. Chambers and Yilmaz Vastardis (2020) support this view by arguing that disclosure induced by existing regulation on human rights often lacks information on concrete human rights risks and impact on the supply chain. They argue that existing laws in this field include only weak or no mechanisms to ensure oversight and enforcement.

Outside the academic field, not-for-profit organizations have started to assess the compliance of multinational business enterprises' human rights disclosure with the requirements of the UNGP. In 2017, the Corporate Human Rights Benchmark and Shift published studies finding that business enterprises underperform in terms of the expectations set out in the UNGP and mostly demonstrate lower-quality human rights reporting (Corporate Human Rights Benchmark Limited, 2017; Langlois, 2017).

This literature overview shows that only recently has non-academic research started to change perspective and evaluate the scope of corporate human rights disclosure by investigating which elements of Ruggie's (2008) "corporate responsibility to respect human rights" are addressed in corporate reporting. However, it is highly relevant to examine whether business enterprises fully embrace their human rights responsibility as defined in the UNGP, as these principles are considered the current standard (Ramasastry, 2015). Besides evaluating the scope of human rights disclosure, it is also important to assess the quality of the reporting itself. The UNGP stress the need for human rights-related communication by business and highlight the importance of transparency (Hess, 2019).

Prior studies have also identified various determinants of corporate human rights engagement, including public pressure and moral and economic factors. However, it must be noted that many studies have a specific focus such as on a certain country or type of business enterprise and may thus be prone to a bias arising from the cultural and institutional environment in question (Preuss & Brown, 2012). Moreover, many studies use a small data sample, which limits the generalization of results. This study aims to address these gaps by identifying drivers on a global level. Also, this study employs country controls to consider the political, legal, and cultural dimensions of the respective states, an approach that contributes to a better understanding of corporate human rights reporting on a broader level.

3. DEVELOPMENT OF HYPOTHESES

Higher corporate visibility may increase attention from society and stakeholders and result in a stronger need for legitimization that urges business enterprises to take action (Artiach et al., 2010). A larger business enterprise is likely to generate larger social problems and is consequently more visible in the public sphere (Artiach et al., 2010). Furthermore, a larger business enterprise may have more stakeholders (Cowen et al., 1987), while specific stakeholders such as employees may use their greater public visibility to promote their interests (Lopatta et al., 2020). Empirical research has demonstrated that larger business enterprises show a higher level of disclosure (Artiach et al., 2010; Belkaoui & Karpik, 1989; Chih et al., 2010; Reverte, 2009). Thus, consistent with legitimacy and stakeholder theory, we hypothesize:

H1: Higher corporate visibility positively influences the level of corporate human rights disclosure.

Similarly, business enterprises that operate in sensitive sectors may feel greater pressure from society and stakeholders and a stronger need for legitimization (Branco & Rodrigues, 2008; Reverte, 2009). This study suggests four different categories of sector sensitivity.

First, consumer-proximate sectors are regarded as sensitive. A business enterprise operating in a consumer-oriented sector faces greater public pressure to behave in a socially responsible manner because maintaining a positive corporate image is highly important to mass-market customers (Cowen et al., 1987). Empirical results have demonstrated that a higher degree of consumer proximity is accompanied by stronger engagement in CSR reporting (Clarke & Gibson-Sweet, 1999; Dias et al., 2016).

Second, this study considers sectors to be sensitive if they are more likely to have a poor image and consequently face increased public scrutiny. Preuss and Brown (2012) find that business enterprises operating in sectors perceived as “sin industries” communicate a greater commitment to human rights.

Third, a sector is regarded as sensitive if it is subject to strong human rights litigation risks. As Schrempf-Stirling and Wettstein (2017) point out, litigation can help mobilize stakeholders. They report that business enterprises previously sued for complicity in human rights abuses often subsequently show greater human rights engagement. They also suggest that the threat of litigation alone has a positive effect on corporate human rights commitment.

Fourth, a sector is defined as sensitive if the risk of employee injury is high. Empirical research indicates that business enterprises in sectors that are more likely to negatively affect the environment, health, and safety disclose more information regarding these matters (Clarke & Gibson-Sweet, 1999; Ness & Mirza, 1991). Following this rationale, business enterprises that operate in sectors with a high risk of employee injury may step up their human rights efforts (i.e., given overlaps of human rights and labor rights) and disclose this engagement in a move to demonstrate accountability to stakeholders and legitimize their business. This leads to the second hypothesis, which is consistent with legitimacy and stakeholder theory:

H2: Higher sector sensitivity positively influences the level of corporate human rights disclosure.

Hamann et al. (2009) document a significant impact of government regulations on human rights due diligence processes. Whelan and Muthuri (2017) find a strong influence of national regulation on the human rights reporting of Chinese state-owned business enterprises. Also, when more business enterprises start to engage in human rights disclosure, institutional pressure to conform is reinforced (Schrempf-Stirling & Wettstein, 2017). Business enterprises will then adapt their reporting behavior to abide by the perceived new standard (DiMaggio & Powell, 1983). This forms the third hypothesis, which is consistent with legitimacy and institutional theory:

H3: Greater institutional pressure positively influences the level of corporate human rights disclosure.

4. METHODOLOGY

4.1 Description of Data

This analysis includes the 500 leading business enterprises by revenue in 2017 as named in the Fortune Global 500 List. The majority operate at the multinational level. They are based in 33 countries and operate in 21 sectors that are unevenly represented: 26.8% of business enterprises' headquarters are in the USA and 22.8% in China.[6] Moreover, a larger number of business enterprises operate in the financial[7] and energy sectors (23.6% and 16.0%, respectively), whereas the number of business enterprises from other sectors is lower: apparel (0.4%); business services; hotels, restaurants, and leisure; household products; and media

[6] Excluding Chinese and USA business enterprises, we obtain the directions of effect for our variables of interest yet with lower significances. We argue this is likely due to the decline in sample size (only 189 business enterprises remaining).
[7] We include financial firms in our multivariate analysis so as not to restrict the generalizability of our findings.

(0.6% each). The information on country and sector classification for all corporations is provided in the Fortune Global 500 List. Detailed information on the distribution across sectors and states is provided in Tables 1 and 2.

To measure corporate human rights disclosure, human rights-related information was gathered from the corporate reports available on the business enterprises' websites. The reviewed publications include specific human rights policies or reports, statements responding to the UK Modern Slavery Act or the California Transparency in Supply Chains Act, non-financial reports such as sustainability or CSR reports, and annual reports. Except for human rights policies or statements, the data under review was limited to the reference year 2017.[8]

4.2 Development of the Corporate Human Rights Score

This study uses a corporate human rights score to assess corporate human rights disclosure with the help of a set of criteria. Extensive literature review was conducted in order to select suitable criteria to evaluate both the scope and quality of human rights reporting. A detailed explanation of these criteria including the literature sources is provided in Appendix A.

The set of criteria used in this study comprises two dimensions. The first is dedicated to reviewing the scope of disclosure by comparing it to the range of aspects addressed by the UNGP (Langlois, 2017). It covers the following eight areas:

- Adopting a human rights policy,
- publicly committing to the UNGP,
- embedding human rights,
- taking action to ensure respect for human rights,
- defining salient human rights issues,
- engaging with stakeholders on human rights issues,
- monitoring human rights performance using quantitative indicators, and
- implementing grievance mechanisms.

The second dimension focuses on measuring the quality of human rights disclosure and consists of the following five criteria:[9]

[8] If no reports for 2017 were available, reports from 2016 were used. As some business enterprises base their reporting on the financial rather than the annual year, their data are from 2016 or 2018. We limit our analysis to a single reference year due to significant hand-collection costs as well as to ensure comparability across corporations. We acknowledge that our research design consequently only represents a snapshot in time.
[9] Consistent with the expectations of the GRI management approach (GRI-103), we define high-quality reporting as giving a forward focus and disclosing strategic targets. Reporting against a framework (GRI being the most common) is often mentioned in the literature as one of several characteristics of high-quality reporting. Therefore, we consider disclosing human rights-related information as required by GRI-412 to be another mark of high

- Giving a forward focus,
- disclosing strategic targets,
- reporting human rights related indicators suggested by the GRI,[10]
- providing external assurance on reporting, and
- demonstrating a higher quantity of reporting.

To reduce the degree of subjectivity, we measure most items with a binary variable instead of a rating scale. We focus on basic human rights (e.g., forced labor and child labor) as the vast majority of corporations only have a basic understanding of human rights.

A business enterprise is awarded one point per criterion fulfilled. The sum of all points constitutes the corporate human rights score. The maximum score is 13 points. The content analysis was undertaken manually.

It must be noted that scoring zero on a criterion does not necessarily mean that the business enterprise did not act on that criterion; rather, it means that no public disclosure on this criterion could be identified.

4.3 Definition of Variables

The corporate human rights score is our proxy for the level of corporate human rights disclosure which is the dependent variable measured on a 0- to 13-point scale. Explanatory factors include corporate visibility, sector sensitivity, and institutional pressure.

Corporate visibility is captured by the size of a business enterprise. In previous research, size was determined using different measures such as number of employees, market capitalization, and total assets (Hackston & Milne, 1996). According to Hackston and Milne (1996), there is no theoretical reason for using a particular measure for corporate size. Since Hamann et al. (2009) measure corporate size based on market capitalization and find no significant impact, this study employs two other measures of corporate size: the natural logarithm of the number of employees (ln EMP) and the natural logarithm of total assets (ln ASS). Menz (2010) suggests that stockholders can value non-financial disclosures more than debtholders, thus we include

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reporting quality. We decided not to rely solely on the GRI because this would result in quite a narrow focus. Also, we believe that mere reliance on GRI may not be proportionate when considering its degree of usage by business enterprises, as only 121 out of 500 corporations in our study report according to GRI-412. Consequently, we complement our criteria catalogue for measuring reporting quality with two more criteria as identified in our literature review, namely providing external assurance and a greater number of pages.

[10] Here, we focus on the rather generic GRI-412 (or GRI G4-HR1, HR-2, and HR-9 in the former GRI G4 framework, revised in 2016) because it explicitly addresses "human rights" on a broader level. GRI-412 suggests that corporations report on "operations that have been subject to human rights reviews or impact assessments, employee training on human rights policies or procedures, and significant investment agreements and contracts that include human rights clauses or that underwent human rights screening." We assume that human rights training or a human rights impact assessment may incorporate specific issues such as child labor or forced labor. That said, we acknowledge that other GRI standards (GRI-408, -409, -411) also address human rights matters, albeit with a narrower scope.

the ratio of stockholder equity divided by total assets (STE/ASS) to capture the relative importance of stockholders vs. debtholders. The data are obtained from the Fortune Global 500 List for 2017 (Fortune, n.d.).

Sector sensitivity is measured based on the level of consumer proximity (CP), public scrutiny (PS), human rights litigation risk (LR), and employee injury risk (EIR). Binary measures are used for each variable. The level of consumer proximity is defined as high if business enterprises operate in sectors closer to the final consumer and if the business enterprises' names are expected to be known to the broader public (Branco & Rodrigues, 2008). The categorization of sectors is based on the classification suggested by Branco and Rodrigues (2008). Business enterprises that operate in sectors with a high level of consumer proximity are assigned the value of 1, others 0. Regarding public scrutiny, business enterprises that operate in industries related to alcoholic beverages, tobacco, gambling, defense, nuclear energy, and extractives are more likely to be perceived as morally reprehensible (Grougiou et al., 2016; Preuss & Brown, 2012). Business enterprises that operate in these or related sectors are assigned the value of 1, others 0.[11] Besides the financial key indicators for the 500 corporations, their sector classification was also obtained from the Fortune Global 500 List for 2017.

Regarding the risk of human rights litigation, the following sectors are particularly exposed to litigation for complicity in human rights abuse: extractives, food and beverages, financials, information technology, and security services[12] (Cernic, 2010; Schrempf-Stirling & Wettstein, 2017). Business enterprises that operate in these or related sectors are assigned a high human rights litigation risk and the value of 1, others 0. The level of risk of employee injuries in the workplace in a given sector is determined based on a list of high-risk industries published by the Workers' Compensation Regulator of Queensland, Australia (WorkCover Queensland, 2017). Employee injuries include physical harm as well as psychiatric and psychological disorders (WorkCover Queensland, 2018). Business enterprises that operate in sectors with a high risk of employee injuries are assigned the value of 1, others 0. Details on the classification of sectors are provided in Appendix B.

Institutional pressure is captured by the level of soft law (SOF) and mandatory regulation (REG) specifically regarding human rights or other social reporting in a business enterprise's country of domicile. States are classified as having a low, medium, or high level of soft law and mandatory regulation. The national soft law level is measured by the availability of voluntary reporting standards regarding social aspects, including human rights, health and safety, working conditions, and training.[13] A voluntary reporting standard aims at encouraging business enterprises to disclose such information. A state's level of soft law is defined as high (medium) if the state has implemented a national action plan on business and human rights (at

[11] If a business enterprise operates in multiple sectors, the classification is based on its main activities.
[12] We were unable to identify firms operating in security services. This is because the Fortune Global 500 List is adopted for sector classification in which the security services sector is not separately listed.
[13] For instance, this covers voluntary reporting guidance such as the Spanish Stock Exchange's Voluntary Market Guidance for Listed Companies for Corporate Reporting on ESG Information (from 2016), the Swedish Sustainable Business Code (from 2016), and the UK LSEG ESG Guidance (from 2016).

least one voluntary reporting standard regarding social matters). If none of these criteria are met, the level of soft law is defined as low.

A state's level of mandatory regulation is measured by the availability of mandatory reporting requirements regarding human rights or other social matters (i.e., health and safety, working conditions, and training). It is defined as high (medium) if the state has implemented the Directive on Disclosure of Non-Financial Information and Diversity Information (2014/95/EU) or other specific national legislation that obliges human rights reporting (at least one mandatory reporting requirement regarding social matters). If none of these criteria are met, the level of mandatory regulation is defined as low. A business enterprise is assigned the value of 1, 0.5, or 0 if it is based in a state in which the level of soft law or regulation is high, medium, or low, respectively. Both variables are assumed to be interval-scaled. Data on the availability of voluntary and mandatory non-financial reporting standards and regulations in every state were obtained from the Carrots & Sticks online database.[14] To ensure the validity of the database, further research was conducted on the implementation of the Directive on Disclosure of Non-Financial Information and Diversity Information (2014/95/EU), hard law on corporate human rights reporting, and national action plans on business and human rights in 2017. Details on the classification of states are provided in Appendix C.

To account for further potential influences on corporate human rights disclosure levels, we introduce control variables. At the firm level, we control for financial performance (ROA), leverage (DER), and CSR performance (ESG). To account for the political, legal, and cultural context of the respective state, we include seven country-level controls. Specifically, we control for a state's level of political stability (PSTAB), perceived public sector corruption (CORR), state adoption of common law (COM), whether a state has adopted IFRS (IFRS), state level of masculinity vs. femininity (MVSF), state level of uncertainty avoidance (UA), and state level of individualism vs. collectivism (IVSC). A tabular overview on the definition and information source for each variable is provided in Appendix B.

4.4 Model Specification

Univariate and multivariate analyses are performed to examine the hypotheses on the determinants of corporate human rights disclosure levels. For the univariate analysis business enterprises are categorized into two groups based on whether their corporate human rights score meets/exceeds (group 1) or falls below (group 2) the median point score. Both groups are then compared with respect to the mean value of the independent and control variables. A multivariate analysis is performed in a second step to analyze the influence of all explanatory factors at the same time. This study follows the approach of Hamann et al. (2009) for testing determinants of human rights due diligence and the methodology of previous research on the explanatory factors of CSR (e.g., Branco & Rodrigues, 2008; Chih et al., 2010; Reverte, 2009). The following regression model is run to test the hypotheses:

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[14] These data are based on a report published jointly by KPMG International, GRI, United Nations Environment Programme (UNEP) and the Centre for Corporate Governance in Africa (University of Stellenbosch Business School).

$$\text{Corporate Human Rights Score}_i = \beta_0 + \beta_1 \ln EMP_i + \beta_2 \ln ASS_i + \beta_3 STE_i/ASS_i + \beta_4 CP_i + \beta_5 PS_i + \beta_6 LR_i + \beta_7 EIR_i + \beta_8 SOF_i + \beta_9 REG_i + \beta_{10} ROA_i + \beta_{11} DER_i + \beta_{12} ESG_i + \beta_{13} PSTAB_i + \beta_{14} CORR_i + \beta_{15} COM_i + \beta_{16} IFRS_i + \beta_{17} MVSF_i + \beta_{18} UA_i + \beta_{19} IVSC_i + e_{i,} \quad (1)$$

where, for business enterprise *i*:
-ln EMP: natural logarithm of the number of employees,
-ln ASS: natural logarithm of assets in millions of USD,
-STE/ASS: stockholder equity divided by assets, both in millions of USD,
-PS: sector level of public scrutiny,
-CP: sector level of consumer proximity,
-LR: sector level of human rights litigation risk,
-EIR: sector level of employee injury risk,
-SOF: state level of soft law of human rights or other social reporting,
-REG: state level of mandatory regulation of human rights or other social reporting,
-ROA: return on assets as a percentage,
-DER: debt/equity ratio as a percentage,
-ESG: combined environmental, social, and governance point score,
-PSTAB: state level of political stability,
-CORR: state level of perceived public sector corruption[15],
-COM: state adoption of common law,
-IFRS: state level of IFRS adoption,
-MVSF: state level of masculinity vs. femininity,
-UA: state level of uncertainty avoidance,
-IVSC: state level of individualism vs. collectivism,
-e: error term.

To mitigate the effect of extreme outliers, all continuous variables are winsorized at the 1% level. Robust standard errors are used to prevent distortion caused by heteroscedasticity. For additional validation of results, we also employ a Poisson loglinear regression model, again using a robust estimator.

5. RESULTS

5.1 Corporate Human Rights Score: Univariate Statistics

Figure 1 depicts the median corporate human rights scores on a global level, showing that the leading business enterprises are mostly based in Europe and Australia.

(Please insert Figure 1 around here.)

Table 1, Panel A, shows differences in human rights scores across sectors. Business enterprises operating in the hotels, restaurants, and leisure (9.0 points) and household products (8.0 points)

[15] We measure corruption using the perceived public sector corruption *score* values (not the *rank* values) available at https://www.transparency.org/en/cpi/2021. The score ranges between 0-100, where 0 (100) means highly corrupt (very clean). Hence, higher score values indicate lower levels of perceived public sector corruption.

sectors achieved the highest median scores, whereas business enterprises in the engineering and construction (0.5 points) and materials (0.8 points) sectors demonstrated particularly low median scores. In our dataset, the financial, energy, technology, and motor vehicles and parts sectors are best represented (in sum accounting for more than 55% of all corporations). Out of these four groups, the highest mean score is achieved in the technology sector (5.4 points), while the three remaining sectors show mean scores of 3.2 points, 3.4 points, and 3.5 points, respectively. These averages are below the overall sample mean of 3.72 points (untabulated).

To see whether these differences across industries are due to industry sensitivity, we calculate the mean and median values of the human rights score for industries with low vs. high levels of public scrutiny, consumer proximity, human rights litigation risk, and employee injury risk (Panel B of Table 1). These mean and median comparisons allow us to understand whether firms in more sensitive industries exhibit higher levels of human rights disclosures, which would align with legitimacy and institutional theory. For two of the four sensitivity measures, we observe higher levels of human rights disclosures. The average human rights score for high consumer proximity equals 4.5 (vs. 3.4 for low consumer proximity), and for high human rights litigation risk, the average equals 3.9 (vs. 3.6 for low human rights litigation risk). For employee injury risk, there seems to be no difference across sensitive and non-sensitive industries (high: 3.7 vs. low: 3.8). Interestingly, public scrutiny seems to have even the opposite effect: In industries with high levels of public scrutiny, the average human rights disclosure score is only 3.5 (compared to 3.8 for low levels of public scrutiny). We believe this lack of disclosure might suggest that firms in industries with high levels of public scrutiny could be worried about the public challenging their disclosures (i.e., revealing decoupling practices). Taken together, we see some evidence that sector/industry sensitivity might drive higher human rights disclosure scores (especially regarding consumer proximity and human rights litigation risk). In contrast, firms seem to become less transparent when they operate in an industry with high levels of public scrutiny.

Then again, Table 2, Panel A shows that the highest median scores are achieved by business enterprises based in Finland and Spain (10.0 points), followed by Australia, Sweden, and Italy (9.0 points). The lowest median scores are achieved by business enterprises based in China and Venezuela (0.0 points), followed by Indonesia and Canada (0.5 points). To better understand whether these differences across countries are driven by the level of mandatory regulation, we provide summary statistics based on each country's level of mandatory regulation (i.e., low, medium, high). Table 2, Panel B presents mean and median values for the corporate human rights score. We find the highest scores in countries with low levels of mandatory regulation (mean: 5.9; median: 7.0). The mean (median) values of the corporate human right scores in countries with medium level of mandatory regulation equal 2.2 (0.5), and for high levels of mandatory regulation 4.8 (4.5), suggesting that higher levels of mandatory regulation might even be linked to lower levels of human rights disclosures. In line with Hess (2019), we argue that existing regulation in its current form may not contribute to stronger corporate accountability for human rights given it is often rather unspecific and lacks corresponding enforcement mechanisms. The cross-country and cross-industry differences should be interpreted with caution as the distribution of observations across states and sectors is quite uneven. Most significantly, 134 of 257 business enterprises in our sample with a high country-level of mandatory regulation are headquartered in the USA. Hence, we report statistics for all countries with a high level of mandatory regulation, excluding the USA, and for all U.S. business enterprises separately. As shown in Table 2, Panel B, once we exclude U.S. business enterprises, the mean (median) values of the corporate human rights scores in countries with a high level of mandatory regulation equal 6.2 (7.0), whereas the mean (median) values are much lower for U.S. business enterprises (3.5 and 2.8, respectively). Hence, we argue that the USA is a potentially interesting country case for further research on human rights disclosures. Specifically, it might be worth exploring why corporate human rights disclosure levels are so low in a country with a high level of mandatory regulation.

(Please insert Table 1 and Table 2 around here.)

Patterns of strengths and weaknesses can be observed after breaking down the corporate human rights score into its single elements, presented in Table 3. Panel A shows univariate statistics such as mean and median values, and Panel B frequencies (i.e., compliance rates) for each item's values (i.e., rates where an item's value equals 0.5, and 1). On average, business enterprises demonstrated better results in terms of scope than quality (mean score of 2.61 out of 8.0 points and 1.11 out of 5.0 points, respectively; see Table 3, Panel A). Yet, both scope and quality levels are quite low. Regarding the scope of corporate human rights disclosures, business enterprises scored best (i.e., highest compliance rate) in reporting on concrete action (criterion 4), with 43.8% (Table 3, Panel B) of all examined business enterprises reporting that they implemented measures to ensure respect for human rights in their operations. Regarding the quality of human rights disclosures, the largest compliance rate is for showing a higher quantity of human rights disclosures (criterion 13) with 54.00% (Table 3, Panel B).

Yet, whether the human rights disclosures actually represent a fair and true representation of companies' actual behavior remains questionable for several reasons. First, only 11.8% of business enterprises claimed they analyzed their priorities regarding the relevance of human rights issues (criterion 5). Hence, it is unclear whether a company's reported human rights issues actually represent their most crucial issues or whether they only publicly disclose human rights issues that are only relevant to them. Second, only 17.6% provided external assurance, so the credibility of these disclosures is unclear for most companies. Third, only 9.0% addressed all selected human rights indicators of GRI 412, which makes these disclosures not only incomplete but also hard to compare across industry peers. Lastly, only 5.6% of business enterprises disclosed precise and long-term targets concerning their human rights performance. Hence, it is hard for stakeholders to assess a firm's intentions about future changes in their human rights behavior. Overall, based on the results of the descriptive analysis, the level of human rights disclosure is generally low, and it is notably lower for more specific measures that would provide more meaningful information to stakeholders.

(Please insert Table 3 around here.)

5.2 Determinants of Corporate Human Rights Score: Univariate and Multivariate Analysis

Having measured the levels of corporate human rights disclosure by determining the corporate human rights scores for all 500 business enterprises, univariate and multivariate analyses are used to test the hypotheses for determinants. Due to missing values for independent variables, the data population was reduced from 500 to 320. Winsorization at the 1% level was performed based on the selected data population.

Table 4 reports the descriptive statistics of the dependent, independent, and control variables of the winsorized selected data population (N=320). For the corporate human rights disclosure variable, we report the univariate statistics for both the regression sample (N=320) and the entire population (N=500). The measurement results for the corporate human rights disclosure levels indicate a mean score of 3.72 (4.65) and a median score of 3.00 (4.50) points when considering all 500 business enterprises (all 320 main regression firms for which all control variables are available). The minimum (maximum) score achieved was 0.00 (12.5) points for both the regression sample (N=320) and the entire population (N=500). Twenty-six percent of business enterprises scored zero points (untabulated), which comprises business enterprises based in China (accounting for 58.8% in this group) and the USA (accounting for 27.7% in this group). Of all business enterprises that scored zero points, 26.2% belong to the financial sector and 17.7% to the energy sector. Overall, these values indicate an on average low level of human rights disclosures, given the potential maximum of 13.

This complements the study of Parsa et al. (2018), who investigated the human rights disclosure behavior of 131 business enterprises that claimed to follow GRI guidelines and found that the claim was in fact often unfounded. Instead of disclosing material information, many business enterprises reported in a generic way and failed to meet the specific expectations of the GRI guidelines. We complement their findings as we also consider non-GRI firms, which account for the vast majority of our population. Only 121 of 500 corporations under investigation report according to GRI-412 (which explicitly addresses “human rights” on a broader level). Unfortunately, low human rights disclosures are not limited to GRI firms but also exist for non-GRI firms.

Turning to our variables of interest for our three hypotheses, we observe that corporate visibility levels (construct of interest for Hypothesis 1) are quite high across our sample firms. This is expectable since we base our sample on the 500 largest business enterprises worldwide. For instance, the mean value for total assets in its logarithmic form (ln ASS) equals 11.18, whereas Thijssens et al. (2015) report a mean value of 9.87 for an international sample of 199 large firms. Regarding sector sensitivity (Hypothesis 2), we observe that sector sensitivity is particularly high for human rights litigation risk (LR) and employee injury risk (EIR), with 47% and 44% of our sample firms belonging to sectors that are sensitive to these risks. Lastly, our sample firms face, on average, significant institutional pressure (Hypothesis 3): the averages for soft law (SOF) and mandatory regulation (REG) equal 0.70 and 0.78 (theoretical maximum of SOF and REG: 1.00), respectively.

The pairwise correlations between the independent and all control variables were reviewed to test for multicollinearity. Table 5 depicts the pairwise Pearson correlation coefficients among the corporate human rights score, the independent and control variables. As no correlation coefficient exceeds 0.8 (most correlations being significantly below this threshold), multicollinearity is not considered to be a problem in our analysis (Gujarati & Porter, 2009). Moreover, variance inflation factors (based on the main empirical model) are all significantly below the critical threshold of 10,[16] which has been established in prior studies as the critical value for potential multicollinearity concerns (Midi & Bagheri, 2010).

(Please insert Table 4 and 5 around here.)

Table 6 reports the mean values of the independent and control variables for two groups. Group 1 includes 172 business enterprises that meet or exceed the median corporate human rights score of 4.5 points (see Table 4). Group 2 comprises 148 business enterprises that fall below the median score.[17] To summarize the statistically significant findings of this univariate analysis, higher-scoring business enterprises have a higher number of employees and more stockholder equity. Higher-scoring business enterprises furthermore demonstrate a lower debt/equity ratio and a stronger CSR performance. In addition, they operate in states with stronger soft legislation for social reporting.

(Please insert Table 6 around here.)

Table 7 reports the results of the multiple regression model. The adjusted R-squared suggests that approximately 26.8% of variation in the corporate human rights scores can be explained by the independent and control variables. Regarding the proxies for corporate visibility, a higher number of employees (ln EMP) (Lopatta et al., 2020) and greater importance of stockholder equity (STE/ASS) (in line with Menz, 2010) positively influence the corporate human rights score, whereas the coefficient on total assets (ln ASS) is insignificant. Hence, two out of three proxies of corporate visibility confirm Hypothesis 1. Regarding the proxies for sector sensitivity, the findings indicate that operating in a sector with a higher risk of human rights litigation results in a higher corporate human rights score. All other sector sensitivity variables are statistically insignificant. With respect to the proxies for institutional pressure, being headquartered in a state with greater awareness for human rights and other social reporting (SOF) positively affects the score. Yet, a higher level of mandatory regulation (REG) is negatively related to the score.

Taken together, we find a positive impact of corporate visibility linked to employee and stakeholder importance, which is in line with Hypothesis 1. With regard to sector sensitivity (Hypothesis 2), we only find a positive influence for litigation risk, so we can only partly confirm the second hypothesis. Regarding Hypothesis 3 on institutional pressure, we find

[16] The variance inflation factor values are as follows: ln EMP: 1.3; ln ASS: 1.4; STE/ASS: 2.0; CP: 1.2; PS: 1.7; LR: 1.7; EIR: 1.6; SOF: 5.0; REG: 3.6; ROA: 1.6; DER: 1.6; ESG: 1.2; PSTAB: 6.3; CORR: 6.9; COM: 7.9; IFRS: 2.1; MVSF: 3.0; UA: 4.3; IVSC: 6.5.

[17] In our sample, thirteen companies share the median value (i.e., these firms all have a corporate human rights score of 4.5 points). Consequently, we obtain different group sizes based on the median split (148 and 172 business enterprises).

mixed evidence. Our results differ for soft law vs. regulation. While soft law has a positive effect, the effect of mandatory regulation is negative.[18]

Turning to the control variables, the results demonstrate that stronger CSR performance (ESG) is positively associated with corporate human rights score. Being headquartered in a state with greater political stability (PSTAB) shows a negative association with the score, yet being based in a state with a lower level of perceived public sector corruption (CORR) shows a positive coefficient.[19] Also, being located in a state that adopted IFRS (IFRS) as well as being located in a state that is characterized as more masculine has a positive relationship with the score. Few control variables are insignificant, such as whether a state adopted common law (COM), a state's level of uncertainty avoidance (UA), and a state's level of individualism vs. collectivism (IVSC). The results of the univariate analysis differ slightly from the results of the multivariate analysis because the latter considers the influence of all independent and control variables at once. Lastly, a Poisson regression model was performed to further validate the findings and ensure our results are not driven by the distribution of the dependent variable (e.g., censored count values not smaller than zero). The results confirm the findings of the multiple regression model (untabulated – results table available from the authors upon request).[20]

(Please insert Table 7 around here.)

6. DISCUSSION

This study aims to measure the level of human rights disclosure of the 500 largest global business enterprises, in the dimensions of scope and quality, using a 13-item human rights score. We observe that the level of corporate human rights disclosure is quite low in general. There are considerable differences between states, with Australian and European business enterprises on average achieving higher corporate human rights scores, while those from China and North America score much lower. Overall, business enterprises score best on reporting on concrete actions to ensure respect for human rights and enabling remedies by implementing grievance mechanisms. The scores are much lower for defining salient human rights issues and using quantitative indicators to track corporate performance. This indicates that most business enterprises do not report on their human rights responsibility as defined by Ruggie (2011); only

[18] As discussed before and shown in Table 2, 134 out of 257 business enterprises in countries with a high level of mandatory regulation are based in the USA. Hence, the negative relationship between mandatory regulation and corporate human rights score could be driven by U.S. business enterprises. To address this concern, we rerun our regression while excluding U.S. business enterprises. Indeed, the coefficient for mandatory regulation (REG) becomes smaller in statistical significance (p-value: 0.055 compared to 0.017 in the main regression) and effect size (coef.: -2.78 compared to -3.03 in the main regression). This result suggests that the link between mandatory regulation and human rights disclosures is particularly strong for the USA as a country case.

[19] Following the advice provided by Transparency International (see: https://www.transparency.org/en/news/how-cpi-scores-are-calculated), we use the score value (ranging from 0 to 100, where 0 (100) means highly corrupt (very clean)). We refrain from using the rank value as the rank value is sensitive to how many countries are included in the index. Accordingly, higher score values imply less perceived public sector corruption.

[20] The results of the Poisson regression model (N=320) show that operating in a sector with a higher risk of human rights litigation as well as a higher ESG score results in a higher corporate human rights score. Further, a higher number of employees and a higher level of stockholder equity positively influence the score. While the existence of soft law in the home state shows a positive relationship, the existence of hard law shows a negative relationship.

a third of business enterprises (34.0%) declared their commitment to the UNGP (see Table 3, Panel B, Criterion "Publicly committing to the UNGP"). Moreover, this study has found that only 28.6% of business enterprises provided a publicly available human rights policy, statement, or similar (see Table 3, Panel B, Criterion "Adopting a human rights policy"). This finding is consistent with Preuss and Brown (2012) who document that only 22.4% of 98 British business enterprises adopted such a document. Splitting the corporate human rights score into its two dimensions, this study finds that business enterprises performed weaker in terms of quality than scope, with a mean score of 1.11 (2.61) out of 5.0 (8.0) points for quality (scope) of reporting (see Table 3, Panel A). This finding is consistent with prior studies on the quality of sustainability reporting (Michelon et al., 2015).

Regarding the determinants, the results displayed in Table 7 indicate support for Hypothesis 1, which predicts that corporate visibility increases corporate human rights disclosure. This holds true for two of our three proxies for corporate visibility. We find a significant positive coefficient when corporate visibility is proxied by the number of employees and stockholder equity. This result contradicts the conclusion of Hamann et al. (2009), who do not find corporate size to have a significant impact. However, Hamann et al. (2009) measure corporate size based on market capitalization. In the context of corporate visibility, the number of employees and the relative importance of stockholder equity (vs. debt providers) seem to be more important when it comes to fostering human rights disclosures. This finding is in line with both Lopatta et al. (2020), who find such an effect in the context of CSR and environmental performance, and Menz (2010), who find that debtholders seem to value CSR less than stockholders. Overall, our findings regarding Hypothesis 1 are consistent with prior studies, suggesting that organizations engage in disclosure to secure societal approval in line with legitimacy theory (Cho & Patten, 2007; Savage et al., 2001).

Furthermore, our results partially confirm Hypothesis 2, which predicts that operating in a sensitive sector has a positive effect on corporate human rights disclosure levels. Yet this is only valid when sector sensitivity is captured by human rights litigation risk. This finding is consistent with Schrempf-Stirling and Wettstein (2017), who find that human rights litigation has a positive effect on corporate behavior. This suggests that business enterprises or their stakeholders perceive the possibility of human rights litigation as a significant threat that requires action disclosure. Again, this result is in line with stakeholder theory and shows that business enterprises endeavor to engage in disclosure to satisfy their stakeholders (Roberts, 1992; Thijssens et al., 2015). However, unlike Preuss and Brown (2012), this study does not find that operating in sectors that attract strong public scrutiny has a positive impact on corporate human rights disclosures. An interpretation of this statistically insignificant effect suggests that business enterprises may prefer to engage in other activities to respond to this public suspicion, such as dedicating more resources to philanthropic activities or investing in marketing and public relations. Similarly, our study does not find either a higher risk of employee injury or greater consumer proximity to have a positive impact on corporate human rights disclosure.

The findings regarding institutional pressure show a positive association between soft law in a firm's country of domicile and human rights disclosure. This finding suggests that business enterprises' reporting benefits from institutional guidance. Engaging in disclosure in response to external pressure at the country level via voluntary disclosure guidance is consistent with institutional theory. However, the level of mandatory regulation is significantly negatively associated with corporate human rights disclosure levels. This finding is contradictory to the finding of Hamann et al. (2009), who document a positive impact of external regulatory requirements for South African firms.[21] Yet, the findings of Hamann et al. (2009) contrast with Birkey et al. (2018), who find that regulation does not significantly enhance disclosure quality. Our findings even suggest that in the case of human rights disclosure regulation, there might even be a negative effect on corporate human rights disclosure levels. In an additional test, we observe that this link is particularly driven by business enterprises headquartered in the USA, where stricter mandatory regulation somehow results in lower levels of corporate human rights disclosures.[22] We encourage future research to explore this enigma. Specifically, it might be worth exploring the underlying mechanisms and conditions for this negative link using U.S. business enterprises (and their regulatory environment) as case studies.

Our results suggest that the effectiveness of existing regulation in the context of non-financial disclosures such as human rights disclosure may be insufficient due to shallow design and/or lack of enforcement. According to Jackson et al. (2020), introducing mandatory reporting by law aims to increase transparency. In principle, mandatory disclosure should result in the ability of stakeholders to "reward or punish firms through their market activities as investors, consumers, employees" (Jackson et al., 2020, pp. 323-324). However, this consequence may fail to appear when human rights disclosure regulation is not enforced, meaning that compliance is not sufficiently monitored and breaches are not sanctioned (Chambers & Yilmaz Vastardis, 2020). Likewise, if regulation does not require independent verification of disclosure or fails to strengthen stakeholder rights, it may turn corporate reporting into a purely tick-the-box activity with a lower level of disclosure quality (Jackson et al., 2020).

Furthermore, the negative association between mandatory regulation and human rights disclosure may exist because the introduction of regulation decreases the signaling effect of human rights reporting. Business enterprises may voluntarily commit to human rights reporting in order to present their human rights engagement as an advantage to their stakeholders (An et al., 2011). This benefit weakens when disclosure becomes mandatory, resulting in weaker corporate engagement in extensive and high-quality reporting and heavier reliance on boilerplate language.

Taken together, our results suggest that soft law is more effective compared with mandatory regulation when it comes to promoting or enhancing human rights disclosure. This can be interpreted in line with responsive regulation theory, which suggests that a cooperative approach is more effective in promoting compliance than a coercive approach (Braithwaite, 2011).

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[21] As their findings are based on a South African sample with its unique human rights history (e.g., Apartheid), it is questionable whether their findings are generalizable to other countries/a global setting.
[22] We appreciate guidance from the editor pointing out this interesting pattern.

Furthermore, it must be noted that this study measures the scope of human rights reporting based on the expectations of the UNGP; yet the existing national laws have only partially taken up Ruggie's guidelines. The requirements of existing national laws vary. This complicates human rights reporting for business enterprises that operate in several countries and may cause them to keep their reporting to a minimum. Thus, the introduction of an internationally binding treaty resulting in a level playing field may lead to a more comprehensive human rights reporting, especially when reporting requirements are targeted and specific.

In summary, our descriptive results allow for a comparison between different countries and industries, in which prior research has been limited. Overall, the findings of our multivariate analysis confirm Hypothesis 1 and partially confirm Hypothesis 2 and 3. Particularly, we find a positive impact of corporate visibility linked to employee and stakeholder importance (H1), and state level of soft law of human rights or other social reporting (H3). With regard to sector sensitivity (H2), we only find a positive influence for litigation risk. Hence, the results of this study confirm the positive impact of external pressure as a driver of corporate human rights engagement for specific pressure channels, which has been noted in previous research (Morrison & Vermijs, 2011; Obara, 2017). The findings comply largely with the assumptions of legitimacy, stakeholder, and institutional theory.

7. CONCLUSION

The identified low level of corporate human rights disclosure on a global level demonstrates that there is significant room for improvement. Our findings suggest that most large business enterprises do not consider human rights a relevant aspect of their reporting. They may still shy away from publicly disclosing human rights issues either because of their complexity and sensitivity or because they are unwilling to allocate the necessary resources. Furthermore, many business enterprises may decide not to address human rights because they still perceive the term as too abstract and having negative connotations, or because they still consider the state to bear sole responsibility for guaranteeing human rights (Obara, 2017). Also, business enterprises likely still struggle to distinguish respect for human rights from CSR activities (Global Reporting Initiative, 2008; Morrison & Vermijs, 2011). Our findings also indicate that the risk of human rights litigation itself, despite the lack of legal consequences in court cases, encourages corporate human rights disclosure.

Our results suggest that soft law by the institutional environment may help to create institutional pressure. States may encourage disclosure on human rights by implementing a national action plan on business and human rights or by providing guidance in the form of non-binding reporting guidelines. Regarding regulation, our study finds a negative association between reporting requirements and corporate human rights disclosure (particularly driven by business enterprises headquartered in the USA), which may indicate that current forms of national hard law do not achieve the desired effects in terms of high-quality corporate human rights disclosure. In line with Hess (2019), we argue that existing regulation in its current form may not contribute to stronger corporate accountability for human rights due to a lack of specificity and accompanying enforcement mechanisms. As Chambers & Yilmaz Vastardis

(2020) note, the respective regulatory mechanism should provide for oversight and enforcement. This would suggest a more targeted, precise, and holistic approach to regulation, requiring external verification and stakeholder involvement. Hereby, the USA as a country case might be particularly interesting for future research to explore the negative link between mandatory regulation and corporate human rights disclosure levels.

This study is subject to several limitations, opening up a number of avenues for future research. It aims to evaluate the levels of corporate human rights disclosure, which do not necessarily reflect actual performance. The developed corporate human rights score simplifies corporate human rights management and reporting which in practice are highly complex tasks. The score only considers information on human rights if it is explicitly addressed as such. Furthermore, the score makes no statement about the actual effectiveness of the human rights policies and practices. Moreover, it does not consider how business enterprises respond to internal or external allegations of human rights abuses or to whether business enterprises actually ensure respect for all human rights. Given these limitations, our corporate human rights score can only convey an impression of a business enterprise's disclosed commitment to respecting human rights. Furthermore, sectors and states are unevenly distributed in our data and we only refer to associations between firm-level factors and human rights disclosures but remain cautious as to causality. As the research is mainly based on corporate reporting for 2017, the results represent a snapshot in time. Meanwhile, the social and regulatory context continues to be dynamic: More national hard law on human rights reporting has been adopted since then, and reporting standards are evolving, too. The newest update of the GRI Standards (to be applied from 2022) requires reporting on the human rights due diligence process as described in the UNGP, thus fostering corporate alignment with the UNGP. The topic standard GRI-412 used in this study has been replaced with a more holistic reporting approach. Further emerging reporting standards, such as the European Sustainability Reporting Standards, are likely to center human rights in corporate reporting, too.

As empirical research in the field of business and human rights is still scarce, the need for further research is evident. Future studies may apply a deeper level of textual analysis, which should allow for a more integrative and cohesive interpretation of human rights discourse. Critical discourse analysis may be suitable as it aims to unveil how social structure impacts disclosure models by focusing on "relations of power and inequality in language" (Blommaert & Bulcaen, 2000, p. 447).

Then again, as we employ a cross-country study, it is important to control for differences across the countries in terms of, e.g., regulation, culture, and political stability. While we believe we have identified the most important and suitable empirical proxies for these underlying constructs, they remain imperfect proxies. This should be kept in mind when interpreting our findings.

Future research can also evaluate the impact of increased national and, possibly, international legislation. This study indicates a negative association between mandatory regulation and human rights disclosure. We have put forward some possible explanations for this observation which can be further investigated by future research. Again, critical discourse analysis may help us understand how business enterprises react to new reporting requirements and how they choose to formulate disclosure (Ben-Amar et al., 2021). Moreover, it seems essential to enhance our understanding of a decoupling phenomenon when it comes to corporate respect for human rights (Islam et al., 2021a). To further investigate gaps between actual corporate behavior and corporate disclosure, future studies may focus on corporations that have been involved in human rights litigation cases, to perform case studies.

Drawing on prior research on the determinants of CSR performance and reporting, various other factors might also be relevant when explaining corporate human rights disclosure, including degree of government ownership (Lopatta et al., 2017), degree of internationalization (Branco & Rodrigues, 2008; Reverte, 2009), and degree of industry competitiveness (Campbell, 2007). Instead of focusing on institutional pressure from the country of domicile, it may also be fruitful to examine the impact of institutional pressure from host states in which business enterprises generate major revenues.

Finally, qualitative research may help to refine our understanding of how corporations interpret and implement their corporate responsibility to respect human rights (see Obara, 2017), how human rights disclosure is produced, and which actors are involved in this process. Conducting case studies or interviews may shed light on how corporations manage the often-perceived tension between human rights engagement and CSR activities and how corporations react to the introduction of (mandatory) regulation.

Appendices

Appendix A: Corporate Human Rights Score: Measurement

Measuring Scope of Human Rights Disclosure

No.	Criterion	Definition and example
1	Adopting a human rights policy	A business enterprise is awarded one point if it has adopted a publicly accessible human rights policy, statement, or similar. Reporting example for one point awarded: *"Our Human Rights Policy Statement describes our commitment to respect universal principles, our due diligence processes and our governance."* *(Source: Sustainability report for 2017 of a UK corporation in the household products sector)*
2	Publicly committing to the UNGP	A business enterprise is awarded one point if it has acknowledged its responsibility in line with the UNGP. This public commitment can be made in any report, not necessarily in a separate human rights statement. Half a point is awarded if a business enterprise has not committed to the UNGP but to the United Nations Global Compact; this is because the principles of the latter are less specific regarding corporate human rights responsibility. Reporting example for one point awarded: *"Our approach, which directly supports a number of the UN Sustainable Development Goals, focuses on: Driving fairness in the workplace – by implementing the UN Guiding Principles on Business and Human Rights throughout our operations, and working with suppliers who commit to promote fundamental human rights […]"* *(Source: Sustainability report for 2017 of a UK corporation in the household products sector)*
3	Embedding human rights	A business enterprise is awarded one point if it has stated clearly which person, department, working group, or similar actor or body is responsible for handling human rights issues.

		Reporting example for one point awarded: *"Our Supply Chain's Integrated Social Sustainability team (established in 2016) drives our human rights strategy and advocacy."* *(Source: Sustainability report for 2017 of a UK corporation in the household products sector)*
4	Taking action to ensure respect for human rights	A business enterprise is awarded one point if it has named concrete measures undertaken to ensure respect for human rights such as training staff on human rights, conducting supplier screenings for human rights compliance, or assessing human rights risks. No points are given for generic statements such as "making efforts to respect human rights." Reporting example for one point awarded: *"A good example of collaboration is our partnership with UN Women EVAW (Ending Violence Against Women). Announced in December 2016, it's designed to develop a human rights-based intervention programme across our tea supply chain. The programme aims to ensure that women and girls are socially, economically and politically empowered, which includes freeing them from violence."* *(Source: Sustainability report for 2017 of a UK corporation in the household products sector)*
5	Defining salient human rights issues	A business enterprise is awarded one point if it has analyzed its impact on human rights and prioritizes its actions according to the salience of identified human rights issues. The prioritization can take place in the form of focusing on specific human rights that are at a risk of being negatively affected, focusing on specific business activities that entail a high risk of an adverse human rights impact, or focusing on regions in which the business enterprise operates and where the risk of human rights violations is particularly high. Reporting example for one point awarded: *"Freedom of association is one of our eight salient human rights issues."*

		(Source: Sustainability report for 2017 of a UK corporation in the household products sector)
6	Engaging with stakeholders on human rights issues	A business enterprise is awarded one point if it has involved stakeholders in discussing human rights issues. Reporting example for one point awarded: *“We engage in a wide range of consultation with our stakeholders on labour rights, including with the OECD, International Labour Organization, UN Global Compact […]”.* *(Source: Sustainability report for 2017 of a UK corporation in the household products sector)*
7	Monitoring human rights performance using quantitative indicators	A business enterprise is awarded one point if it has presented quantitative information on its human rights performance such as stating the number of employees trained on human rights or the number of suppliers screened for compliance with human rights standards. The UNGP suggest using qualitative and quantitative indicators (Ruggie, 2011). This analysis only focuses on quantitative indicators because they are objective and verifiable (Clarkson et al., 2008). Reporting example for one point awarded: *“To support this, we integrated our Human Rights function into our Supply Chain organisation. 55% of our procurement spend was through suppliers meeting the mandatory requirements of our Responsible Sourcing Policy.”* *(Source: Sustainability report for 2017 of a UK corporation in the household products sector)*
8	Implementing grievance mechanisms	A business enterprise is awarded one point if it has provided information on implemented grievance mechanisms that can be used for reporting human rights violations or concerns. A business enterprise is awarded half a point if it has provided information on general grievance mechanisms that can be used for reporting any kind of unethical behavior without an explicit human rights focus. Reporting example for one point awarded:

		Over and above a supplier's own grievance mechanisms, [corporation name] also provides a hotline that anyone can access to report on responsible sourcing issues. We have also developed a specific grievance procedure for workers in our palm oil supply chain." *(Source: Sustainability report for 2017 of a UK corporation in the household products sector)*

Measuring Quality of Human Rights Disclosure

No.	Criterion	Definition
9	Giving a forward focus	A business enterprise is awarded one point if it has provided an outlook on concrete activities planned for the near future in the context of its human rights management. Reporting example for one point awarded: *"In addition to general awareness raising, we are developing and rolling out tailored training programmes for functions across the business with specific exposure to human rights risk or responsibility for managing our performance. We started this roll-out with the launch of a Legal Module at the end of 2017, and plan to launch a tailored Procurement Module in 2018."* *(Source: Sustainability report for 2017 of a UK corporation in the household products sector)*
10	Disclosing strategic targets	A business enterprise is awarded one point if it has provided information on strategic targets for its corporate human rights management that can measure progress and are specific, measurable, long term, and time-bound. Specific disclosure of objectives and goals provides insight into the underlying commitment of the business enterprise (Michelon et al., 2015). Reporting example for one point awarded: *"Progress against our objectives:* *By 2018: Carry out six human rights impact assessments in our upstream supply chain.*

		By 2019: Have a functioning governance structure in place in all markets that looks after human rights risks and opportunities. *By 2020: Train all […] employees on human rights."* *(Source: Sustainability report for 2017 of a Swiss corporation in the food, beverages, and tobacco sector)*
11	Reporting human rights-related indicators suggested by the Global Reporting Initiative	The criterion of transparency is suggested by the Corporate Human Rights Benchmark and concerns the use of sustainability reporting guidelines provided by the Global Reporting Initiative. These guidelines constitute an internationally recognized and widely used framework for sustainability reporting that assist business enterprises in increasing the informative value and quality of their reporting (Global Reporting Initiative, n.d.-a). The use of these guidelines has been considered to be a sign of high-quality non-financial reporting (Fernandez-Feijoo et al., 2014; Miras-Rodríguez & Di Pietra, 2018). The framework was recently revised; the new GRI Standards were published in 2016 (Global Reporting Initiative, n.d.-c). Business enterprises were obliged to adapt to this new set of indicators from the former set of indicators, the GRI G4 Guidelines, by July 2018. Since the reference year of this analysis falls into this transition period, corporate reporting is examined for both sets of frameworks. Both frameworks include specific indicators that focus on respecting human rights but differ slightly in approach and structure. For this analysis, the human rights indicators that can be found in both frameworks were selected to ensure comparability. In the case of the GRI G4 Guidelines, certain indicators filed under the Human Rights section were selected (Global Reporting Initiative, 2013). The authors are aware that GRI suggests further indicators that relate to specific human rights issues, namely child labor, forced labor, and the protection of indigenous people (GRI-408, -409, -411). For this analysis, a focus was put on the indicators that discuss human rights on a broader level: • Management approach (G4-DMA) • Total number of and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening (G4-HR1)

		• Total hours of employee training on human rights policies or procedures concerning aspects of human rights relevant to operations, including the percentage of employees trained (G4-HR2), and • Total number and percentage of operations that have been subject to human rights reviews or impact assessments (G4-HR9). The corresponding indicators that were slightly adapted in the new GRI Standards Guidelines are (Global Reporting Initiative, n.d.-b): • Management approach • Operations that have been subject to human rights reviews or impact assessments (412-1), • Employee training on human rights policies or procedures (412-2), and • Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening (412-3). A business enterprise is awarded one point if it discloses information for all these aspects suggested by the GRI Standards or GRI G4 Guidelines. A business enterprise is awarded half a point if it provides information for at least one of the requested aspects.
12	Providing external assurance on reporting	External assurance has been considered a sign of high-quality reporting (Amran et al., 2014; Miras-Rodríguez & Di Pietra, 2018). A business enterprise is awarded one point if its human rights disclosures are independently verified by a third party. If a business enterprise does not provide any human rights reporting, it is automatically awarded zero points for this criterion.
13	Demonstrating a higher quantity of reporting	The number of pages used by a business enterprise to report on human rights is compared with the median across all business enterprises. A business enterprise is awarded one point if the length of its human rights report equals or exceeds the median number of pages. Admittedly, the significance of this criterion is limited due to different report layouts. According to Michelon et al. (2015), the quantity of disclosed information is one dimension of reporting quality because a higher number of pages allows for a discussion of more topics. However, the authors admit that a greater volume (i.e., length) of disclosure does not necessarily increase the

		informative value of reporting if business enterprises replicate information or use boilerplates.

Appendix B: Definition of Variables

Explanatory Variable		**Operationalization**	**Information Source**
	Corporate Visibility		
ln EMP; ln ASS; STE/ASS	Size	- Natural logarithm of the number of employees - Natural logarithm of total assets - Stockholder equity divided by total assets	Fortune Global 500 List for 2017 (Fortune, n.d.)
	Sector Sensitivity		
CP	Consumer Proximity	This study defines the following sectors as associated with a higher level of consumer proximity: • Apparel, • energy (energy and utilities only), • financials (banking industry only), • food and drug stores, • food, beverages, and tobacco (beverages and food consumer products only), • household products, and • telecommunications. Business enterprises that operate in sectors with a high level of consumer proximity are assigned the value of 1, and others are assigned the value of 0.	Branco & Rodrigues, 2008
PS	Public Scrutiny	This study defines the following sectors as confronted with a higher level of public scrutiny: • Aerospace and defense, • energy (mining, crude oil production, petroleum refining, pipelines, and oil and gas equipment services only), and • food, beverages, and tobacco (beverages and tobacco only). Business enterprises that operate in these or related sectors are assigned the value of 1, and others are assigned the value of 0.	Grougiou et al., 2016; Preuss & Brown, 2012
LR	Human Rights Litigation Risk	This study defines the following sectors as associated with a higher level of human rights litigation risk: • Energy (energy, mining, crude oil production, petroleum refining, pipelines, and oil and gas equipment services only), • financials,	Cernic, 2010; Schrempf-Stirling & Wettstein, 2017

		• food, beverages, and tobacco (beverages, food and consumer products, and food production only), • technology, and • telecommunications. Business enterprises that operate in these or related sectors are assigned a high level of human rights litigation risk and the value of 1, and others are assigned the value of 0.	
EIR	Employee Injury Risk	This study defines the following sectors as associated with a higher risk of employee injury: • Aerospace and defense, • apparel, • chemicals, • energy, • engineering and construction, • food, beverages, and tobacco, • health care, • industrials, • materials, and • transportation. Business enterprises that operate in sectors with a high risk of employee injuries are assigned the value of 1, and others are assigned the value of 0.	WorkCover Queensland, 2017, 2018
	Institutional Pressure		
SOF	Level of Soft Law	Level of soft law is measured by the availability of voluntary reporting standards for human rights or other social matters. The level is categorized as low, medium, or high. High: The state has implemented a national action plan on business and human rights. Medium: The state has implemented at least one voluntary reporting standard regarding social matters Low: None of the above criteria are met.	Carrots & Sticks online database
REG	Level of Mandatory Regulation	A state’s level of mandatory regulation is measured by the availability of mandatory reporting requirements regarding human rights or other social matters. The level is categorized as low, medium, or high. High: The state has transposed the Directive on Disclosure of Non-Financial Information and	Carrots & Sticks online database

		Diversity Information (2014/95/EU) or specific national legislation that obliges business enterprises to report on human rights. Medium: The state has implemented at least one mandatory reporting requirement regarding social matters for business enterprises. Low: None of the above criteria are met.	

Overview of Control Variables

Control Variable		**Operationalization**	**Information Source**
ROA	Financial Performance	Return on assets (measured as profits as a percentage of total assets)	Fortune Global 500 List for 2017 (Fortune, n.d.)
DER	Degree of Leverage	Debt/equity ratio (measured as the ratio of total debt to common shareholders' equity)	Thomson Reuters Datastream Service Asset4
ESG	Corporate Social Responsibility Performance	ESG score, measured as the overall combined score for environmental, social, and governance performance. The score is based on a business enterprise's relative performance in these fields as publicly disclosed in corporate reporting and discounted for significant controversies. The social performance also covers human rights matters, besides factors such as diversity and community involvement.	Thomson Reuters Datastream Service Asset4
PSTAB	State Level of Political Stability	Political Stability Score for each country for 2017	Online Databank Worldwide Governance Indicators of the World Bank (The World Bank Group, 2020)
CORR	State Level of Perceived Corruption	Perceived Public Sector Corruption Index Score for each country for 2017 on a scale of 0-100, where: 0 means highly corrupt and 100 means very clean.	Corruption Perception Index 2017 (Transparency International, 2018)
COM	State Adoption of Common Law	State adoption of common law (binary variable; the value of 1 is awarded if a state adopted common law)	Online database The World Factbook, Legal

			Systems Section of the Central Intelligence Agency (Central Intelligence Agency, 2020)
IFRS	State Level of IFRS Adoption	State level of IFRS adoption (binary variable; the value of 1 is awarded if a state required or permits the use of IFRS)	Website of the International Financial Reporting Standards Foundation 2020 (International Financial Reporting Standards Foundation, n.d.)
MVSF	State Level of Masculinity vs. Femininity	Masculinity vs. Femininity Score for each country (Hofstede Dimension):[23] According to Hofstede (2011), a more masculine society would put stronger emphasis on material success, competitiveness, accomplishments, and the ability to assert oneself. Contrarily, a more feminine society would rather embrace values such as modesty, caring, and empathy. Whereas individuals in a more masculine society would praise strength, individuals in a more feminine society feel compassion with the weak. A higher score indicates a higher level of masculinity.[24]	Website of Geert Hofstede (Hofstede, n.d.)
UA	State Level of Uncertainty Avoidance	Uncertainty Avoidance Score for each country (Hofstede dimension): According to Hofstede (2011), this criterion reflects the way individuals in a society cope with ambiguity. When encountering an unknown or surprising situation, individuals in an uncertainty-avoiding society would feel more uncomfortable. An uncertainty-avoiding society would aim to prevent such settings by implementing laws and other rules, fostering certain behavioral patterns, and	Website of Geert Hofstede (Hofstede, n.d.)

[23] The six cultural dimensions developed by Hofstede are used to characterize societies and position a country in relation to other countries through a score on each dimension. Hofstede's work has been considered in diverse research disciplines, including accounting literature. As an example, Gray (1988) connected the social values which shape Hofstede's cultural dimensions with related accounting values to develop a framework for explaining cultural influences on international accounting practices. This study employs three out of the six Hofstede dimensions (omitting the others due to strong multicollinearity across the other dimensions).

[24] We question the wording chosen by Hofstede, given it implies outdated gender-related role models. Ideally, future research will come up with more appropriate terminologies to capture this cultural dimension.

		condemning deviating positions. A higher score indicates a higher level of uncertainty avoidance.	
IVSC	State Level of Individualism vs. Collectivism	Individualism vs. Collectivism (Hofstede dimension): According to Hofstede (2011), this dimension expresses the degree to which individuals are integrated in a group. A society ranked high in terms of individualism emphasizes the rights, opinions, and goals of the individual. By contrast, a collectivist society places more importance on the group’s goals as well as on harmony and belonging. A higher score indicates a higher level of individualism.	Website of Geert Hofstede (Hofstede, n.d.)

Appendix C: Classification of States

State	Level of Soft Law	Level of Mandatory Regulation
Australia	0.5	0.5
Belgium	1.0	1.0
Brazil	0.5	0.5
Canada	0.0	0.5
China	0.5	0.5
Denmark	1.0	1.0
Finland	1.0	1.0
France	1.0	1.0
Germany	1.0	1.0
India	0.0	0.5
Indonesia	0.0	0.5
Ireland	1.0	1.0
Israel	0.0	0.5
Italy	1.0	1.0
Japan	0.0	0.5
Luxembourg	0.0	1.0
Malaysia	0.0	0.5
Mexico	0.0	0.0
Netherlands	1.0	1.0
Norway	1.0	1.0
Russia	0.0	0.0
Saudi Arabia	0.0	0.0
Singapore	0.0	0.0
South Korea	0.0	0.5
Spain	1.0	1.0
Sweden	1.0	1.0
Switzerland	1.0	0.0
Thailand	0.0	0.0
Turkey	0.0	0.5
United Arab Emirates	0.0	0.0
United Kingdom	1.0	1.0
United States of America	1.0	1.0
Venezuela	0.0	0.0

Notes: These values reflect the state of play at the end of the reference year 2017. Measures taken by states after 2017 were not considered when determining the level of soft law and regulation because this analysis focuses on the reference year 2017.

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Table 1: Overview of Corporate Human Rights Scores across Sectors

Panel A: Statistics by Sectors

Sector	Number of business enterprises in data	Relative share in data (%)	Sector level of public scrutiny (PS)	Sector level of consumer proximity (CP)	Sector level of human rights litigation risk (LR)	Sector level of employee injury risk (EIR)	Mean corporate human rights score	Median corporate human rights score
Aerospace & Defense	14	2.8	Low	High	Low	High	2.1	1.3
Apparel	2	0.4	High	Low	Low	High	5.5	5.5
Business Services	3	0.6	Low	Low	Low	Low	6.3	7.0
Chemicals	7	1.4	Low	Low	Low	High	5.6	6.0
Energy	80	16.0	Low	High	High	High	3.4	2.0
Engineering & Construction	13	2.6	Low	Low	Low	High	2.7	0.5
Financials	118	23.6	Low	Low	High	Low	3.2	2.0
Food & Drug Stores	20	4.0	High	Low	Low	Low	4.1	4.5
Food, Beverages & Tobacco	16	3.2	High	High	High	High	6.0	5.5
Health Care	27	5.4	Low	Low	Low	High	4.8	4.0

Hotels, Restaurants & Leisure	3	0.6	Low	Low	Low	Low	8.0	9.0
Household Products	3	0.6	High	Low	Low	Low	9.0	8.0
Industrials	15	3.0	Low	Low	Low	High	3.8	2.0
Materials	16	3.2	Low	Low	Low	High	3.0	0.8
Media	3	0.6	Low	Low	Low	Low	2.3	2.0
Motor Vehicles & Parts	34	6.8	Low	Low	Low	Low	3.5	3.5
Retailing	17	3.4	Low	Low	Low	Low	3.4	2.0
Technology	44	8.8	Low	Low	High	Low	5.4	5.5
Telecommunications	18	3.6	High	Low	High	Low	5.1	3.3
Transportation	19	3.8	Low	Low	Low	High	2.5	2.0
Wholesalers	28	5.6	Low	Low	Low	Low	2.1	1.5
Total	**500**	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**

Panel B: Statistics by Level of Sector Sensitivity

Sector sensitivity variable	**Number of industries in data**	**Number of business enterprises in data**	**Relative share of observations in data (%)**	**Mean corporate human rights score**	**Median corporate human rights score**
Public scrutiny: Low	20	432	86.4	3.8	3
Public scrutiny: High	3	68	13.6	3.5	2.5
Consumer proximity: Low	16	368	73.6	3.4	2.5
Consumer proximity: High	7	132	26.4	4.5	4
Human rights litigation risk: Low	18	243	48.6	3.6	3
Human rights litigation risk: High	5	257	51.4	3.9	3
Employee injury risk: Low	13	291	58.2	3.8	3
Employee injury risk: High	10	209	41.8	3.7	3

Table 2: Overview of Corporate Human Rights Scores across States

Panel A: Statistics by States

State	**Level of mandatory regulation**	**Number of business enterprises in data**	**Relative share in data (%)**	**Mean corporate human rights score**	**Median corporate human rights score**
Australia	Medium	7	1.4	8.5	9.0
Belgium	High	1	0.2	8.5	8.5
Brazil	Medium	7	1.4	4.8	4.5
Canada	Medium	11	2.2	2.2	0.5
China	Medium	114	22.8	0.5	0.0
Denmark	High	1	0.2	7.0	7.0
Finland	High	1	0.2	10.0	10.0
France	High	29	5.8	4.6	4.5
Germany	High	29	5.8	5.8	5.5
India	Medium	7	1.4	2.4	3.0
Indonesia	Medium	1	0.2	0.5	0.5
Ireland	High	4	0.8	5.0	4.5
Israel	Medium	1	0.2	6.0	6.0
Italy	High	7	1.4	6.9	9.0
Japan	Medium	51	10.2	4.3	4.0
Luxembourg	High	1	0.2	8.0	8.0
Malaysia	Medium	1	0.2	5.5	5.5
Mexico	Low	2	0.4	6.3	6.3
Netherlands	High	14	2.8	4.3	4.8
Norway	High	1	0.2	7.5	7.5
Russia	Low	4	0.8	2.6	2.8
Saudi Arabia	Low	1	0.2	7.5	7.5
Singapore	Low	3	0.6	5.5	7.5
South Korea	Medium	15	3.0	3.8	4.0
Spain	High	9	1.8	8.9	10.0
Sweden	High	3	0.6	7.8	9.0
Switzerland	Low	14	2.8	7.7	8.5
Thailand	Low	1	0.2	3.5	3.5
Turkey	Medium	1	0.2	2.0	2.0
United Arab Emirates	Low	1	0.2	1.0	1.0
United Kingdom	High	23	4.6	8.0	8.0
United States of America	High	134	26.8	3.5	2.8
Venezuela	Low	1	0.2	0.0	0.0
Total		**500**	**100.0**	**-**	**-**

Panel B: Statistics by Level of Mandatory Regulation

Level of mandatory regulation		Number of countries in data	Number of business enterprises in data	Relative share of observations in data (%)	Mean corporate human rights score	Median corporate human rights score
Low		8	27	5.4	5.9	7.0
Medium		11	216	43.2	2.2	0.5
High	Excl. USA	13	123	24.6	6.2	7.0
High	Only USA	1	134	26.8	3.5	2.8
High	Incl. USA	14	257	51.4	4.8	4.5
Total		**33**	**500**	**100.0**	**-**	**-**

Table 3: Breakdown of the Corporate Human Rights Score into Individual Criteria

Panel A

Criterion		**Mean**	**Median**	**Std. Dev.**	**Min.**	**Max.**
Scope						
1	Adopting a human rights policy	0.29	0.00	0.45	0.00	1.00
2	Publicly committing to the UNGP	0.42	0.00	0.45	0.00	1.00
3	Embedding human rights	0.24	0.00	0.43	0.00	1.00
4	Taking action to ensure respect for human rights	0.44	0.00	0.50	0.00	1.00
5	Defining salient human rights issues	0.12	0.00	0.32	0.00	1.00
6	Engaging with stakeholders on human rights issues	0.36	0.00	0.48	0.00	1.00
7	Monitoring human rights performance using quantitative indicators	0.20	0.00	0.40	0.00	1.00
8	Implementing grievance mechanisms	0.54	0.50	0.43	0.00	1.00
	Overall Scope Score	**2.61**	**2.00**	**2.54**	**0.00**	**8.00**
Quality						
9	Giving a forward focus	0.18	0.00	0.38	0.00	1.00
10	Disclosing strategic targets	0.06	0.00	0.23	0.00	1.00
11	Reporting human rights related indicators suggested by the Global Reporting Initiative	0.17	0.00	0.32	0.00	1.00
12	Providing external assurance on reporting	0.18	0.00	0.38	0.00	1.00
13	Demonstrating a higher quantity of reporting	0.54	1.00	0.50	0.00	1.00
	Overall Quality Score	**1.11**	**1.00**	**1.23**	**0.00**	**5.00**

Panel B (Table 3 continued)

Criterion		**Point**	**Compliance in % (N=500)**	**Compliance in % (N=370*)**
Scope				
1	Adopting a human rights policy	1	28.60	38.65
2	Publicly committing to the UNGP	1	34.0	45.95
	Publicly committing to only the UN Global Compact	0.5	15.80	21.35
3	Embedding human rights	1	24.40	32.97
4	Taking action to ensure respect for human rights	1	43.80	59.19
5	Defining salient human rights issues	1	11.80	15.95
6	Engaging with stakeholders on human rights issues	1	36.00	48.65
7	Monitoring human rights performance using quantitative indicators	1	20.20	27.30
8	Implementing grievance mechanisms with regards to human rights	1	41.80	56.49
	Implementing only general grievance mechanisms	0.5	25.20	34.05

	Quality			
9	Giving a forward focus	1	17.60	23.78
10	Disclosing strategic targets	1	5.60	7.57
11	Reporting GRI 412	1	9.00	12.16
	Partially reporting GRI 412	0.5	15.20	20.54
12	Providing external assurance on reporting	1	17.60	23.78
13	Demonstrating a higher quantity of reporting (min. 1 page)	1	54.00	72.97

Panel A presents univariate statistics for all criteria for all observations initially collected (N=500). Panel B presents the share of corporations for each item value for the full sample (N=500) and for corporations with an overall score of more than 0 points (e.g., omitting 130 corporations from the sample with no specific human rights disclosure, resulting in an N=370). For instance, the average score value for item 2 “Publicly committing to the UNGP” equals 0.42 (Panel A) which, however, does not equal the compliance share as item 2 can take the values 0, 0.5, and 1. Panel B (values displayed in the second from the right column) also shows the compliance rate. For item 2, 34% of corporations have a value of 1 and 15.8% of corporations have a value of 0.5 (34*1+15.8*0.5=42%), which corresponds with the value in Panel A). For the definition of all criteria, please refer to the main text body.

Table 4: Descriptive Statistics for Main Regression Sample

Variable	**Mean**	**Median**	**Std. Dev.**	**Min.**	**Max.**
Corporate human rights score (entire population: N=500)	3.72	3.00	3.60	0.00	12.50
Corporate human rights score (main regression sample: N=320)	4.65	4.50	3.51	0.00	12.50
Corporate Visibility					
ln EMP (N=320)	11.28	11.41	1.01	8.53	13.45
ln ASS (N=320)	11.18	11.11	1.04	9.01	13.75
STE/ASS (N=320)	0.29	0.29	0.17	-0.01	0.91
Sector Sensitivity					
CP (N=320)	0.20	0.00	0.40	0.00	1.00
PS (N=320)	0.13	0.00	0.34	0.00	1.00
LR (N=320)	0.47	0.00	0.50	0.00	1.00
EIR (N=320)	0.44	0.00	0.50	0.00	1.00
Institutional Pressure					
SOF (N=320)	0.70	1.00	0.43	0.00	1.00
REG (N=320)	0.78	1.00	0.29	0.00	1.00
Financial Performance					
ROA (N=320)	3.93	3.14	4.24	-6.58	19.65
Leverage					
DER (N=320)	1.25	0.69	1.49	0.00	7.60
CSR Performance					
ESG (N=320)	48.88	44.50	15.43	21.42	87.00
Country Variables					
PSTAB (N=320)	0.42	0.34	0.50	-0.76	1.26
CORR (N=320)	69.46	75.00	14.06	29.00	85.00
COM (N=320)	0.48	0.00	0.50	0.00	1.00
IFRS (N=320)	0.40	0.00	0.49	0.00	1.00
MVSF (N=320)	63.42	62.00	16.92	5.63	95.00
UA (N=320)	56.04	46.00	23.37	8.00	92.00
IVSC (N=320)	65.46	71.00	25.71	20.00	91.00

Notes: ln EMP: natural logarithm of the number of employees; ln ASS: natural logarithm of assets in millions of USD; STE/ASS: stockholder equity divided by assets, both in millions of USD; PS: level of public scrutiny; CP: level of consumer proximity; LR: level of human rights litigation risk; EIR: level of employee injury risk; SOF: state level of soft law for human rights or other social reporting; REG: state level of mandatory regulation of human rights or other social reporting; ROA: return on assets in percentage points; DER: debt/equity ratio in percentage points; ESG: combined environmental, social, and governance point score; PSTAB: state level of political stability; CORR: state level of perceived public sector corruption; COM: state adoption of common law; IFRS: state level of IFRS adoption; MVSF: state level of masculinity versus femininity; UA: state level of uncertainty avoidance; IVSC: state level of individualism versus collectivism. See details on variables measurement in the text.

Table 5: Pearson Correlations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
(1)	1																			
(2) ln EMP	**0.1**	1																		
(3) ln ASS	0.0	**0.1**	1																	
(4) STE/	**0.1**	0.0	**-**	1																
(5) CP	**0.1**	0.0	-	-	1															
(6) PS	0.0	**-**	0.0	**0.1**	**-**	1														
(7) LR	0.0	**-**	**0.3**	-	0.0	**0.2**	1													
(8) EIR	0.0	**-**	-	0.0	0.0	**0.4**	**-**	1												
(9) SOF	**0.1**	0.0	0.0	-	0.1	-	-	**0.1**	1											
(10) REG	**0.1**	0.0	-	-	**0.1**	-	**-**	0.0	**0.7**	1										
(11) ROA	0.0	0.0	**-**	**0.3**	-	**-**	**-**	-	**0.1**	**0.1**	1									
(12) DER	-	**0.1**	0.0	**-**	**0.1**	-	-	0.0	0.0	**0.1**	-	1								
(13) ESG	0.0	**-**	-	-	**-**	0.0	0.0	-	-	-	0.0	**-**	1							
(14) PSTAB	**0.1**	0.0	0.0	0.0	0.0	-	**-**	-	-	-	-	-	0.0	1						
(15) CORR	**0.2**	-	-	-	0.0	**-**	**-**	-	**0.4**	**0.4**	0.0	-	-	**0.7**	1					
(16) COM	-	**-**	-	0.0	0.0	0.0	-	0.0	**0.2**	**0.4**	**0.2**	**0.1**	-	**-**	**0.2**	1				
(17) IFRS	**0.3**	0.0	0.0	0.0	**0.1**	0.0	-	0.0	0.0	**0.1**	**-**	-	0.0	-	0.0	**-**	1			
(18) MVSF	-	-	0.0	**-**	-	**-**	-	**-**	**-**	**-**	-	-	-	**0.5**	**0.2**	**-**	**-**	1		
(19) UA	**0.1**	0.0	0.0	-	**0.1**	-	-	0.0	**-**	-	-	-	0.0	**0.5**	**0.2**	**-**	0.0	**0.3**	1	
(20) IVSC	**0.1**	-	0.0	-	**0.1**	0.0	-	0.0	**0.6**	**0.6**	**0.1**	**0.1**	**-**	**0.1**	**0.6**	**0.6**	-	**-**	-	1

N=320

Bold indicates significance at the 5 percent level

Notes: All variables are as previously defined (see Table 4).

Table 6: Univariate Analysis

Variable	Group 1 (N=172)	Group 2 (N=148)	Difference
Corporate Visibility			
ln EMP	11.42	11.11	0.31***
ln ASS	11.27	11.08	0.20*
STE/ASS	0.32	0.26	0.06***
Sector Sensitivity			
CP	0.23	0.16	0.07
PS	0.15	0.12	0.02
LR	0.49	0.44	0.05
EIR	0.44	0.43	0.01
Institutional Pressure			
SOF	0.74	0.65	0.08*
REG	0.80	0.76	0.04
Financial Performance			
ROA	3.97%	3.89%	0.08
Leverage			
DER	1.12%	1.40%	-0.29*
CSR Performance			
ESG	50.25	47.29	2.96*
Country Variables			
PSTAB	0.48	0.35	0.13**
CORR	71.97	66.54	5.42***
COM	0.44	0.53	-0.09
IFRS	0.54	0.24	0.30***
MVSF	62.30	64.72	-2.42
UA	59.05	52.54	6.51**
IVSC	67.17	63.46	3.71

N=320

* significant at 10% level

** significant at 5% level

*** significant at 1% level

Group 1: 172 business enterprises with corporate human rights score ≥ median score

Group 2: 148 business enterprises with corporate human rights score < median score

Note: All variables are as previously defined (see Table 4).

Table 7: Multivariate Regression Results

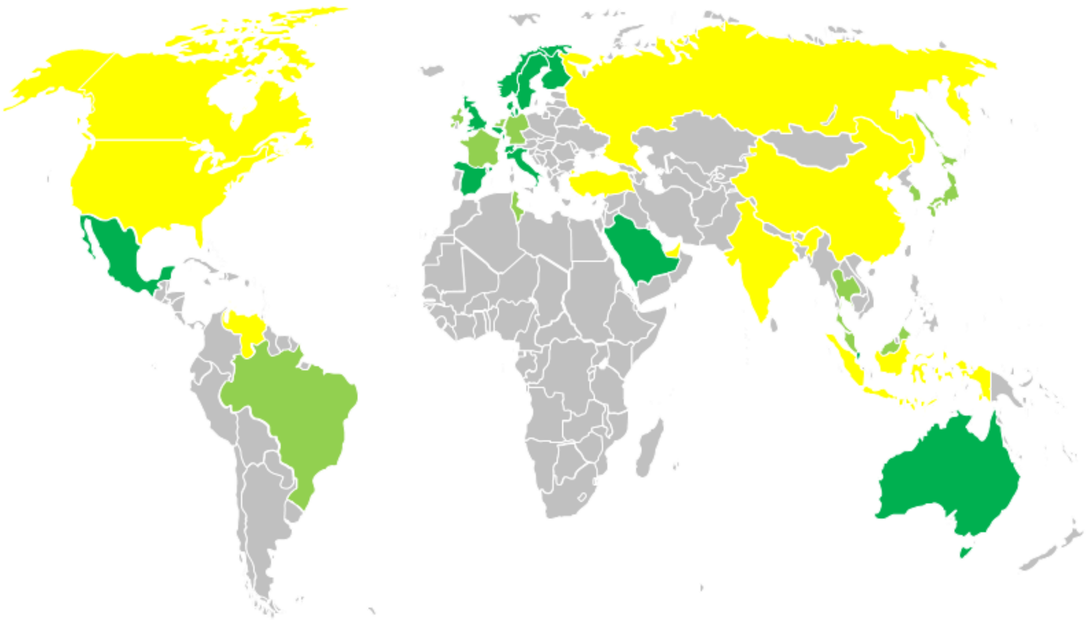
Variable	**Coefficient**	**P Value**	**Standard Error**
Constant	-16.52	0.000	3.74
Corporate Visibility			
ln EMP	0.49	0.019	0.21
ln ASS	0.13	0.502	0.19
STE/ASS	5.95	0.000	1.67
Sector Sensitivity			
CP	0.20	0.697	0.52
PS	0.02	0.971	0.60
LR	0.93	0.050	0.47
EIR	0.27	0.543	0.45
Institutional Pressure			
SOF	2.05	0.048	1.03
REG	-3.03	0.017	1.26
Financial Performance			
ROA	-0.01	0.868	0.06
Leverage			
DER	0.19	0.297	0.18
CSR Performance			
ESG	0.03	0.019	0.01
Country Variables			
PSTAB	-1.83	0.029	0.83
CORR	0.09	0.010	0.04
COM	-0.71	0.480	1.00
IFRS	2.61	0.000	0.51
MVSF	0.05	0.027	0.02
UA	0.02	0.339	0.02
IVSC	0.02	0.389	0.02
No. of observations	320		
Adjusted R^2	26.8%		

Notes: This table shows the coefficients from the following regression model:

Corporate Human Rights Score$_i$ = $\beta_0 + \beta_1$ ln EMP$_i$ + β_2 ln ASS$_i$ + β_3 STE$_i$/ASS$_i$ + β_4 CP$_i$ + β_5 PS$_i$ + β_6 LR$_i$ + β_7 EIR$_i$ + β_8 SOF$_i$ + β_9 REG$_i$ + β_{10} ROA$_i$ + β_{11} DER$_i$ + β_{12} ESG$_i$ + β_{13} PSTAB$_i$ + β_{14} CORR$_i$ + β_{15} COM$_i$ + β_{16} IFRS$_i$ + β_{17} MVSF$_i$ + β_{18} UA$_i$ + β_{19} IVSC$_i$ + e$_i$

All variables are as previously defined (see Table 4).

Figure 1: Comparison of Corporate Human Rights Scores on a Global Level



Yellow: Median corporate human rights score between 0.0 and 3.0 points (e.g., Canada, United States).

Light green: Median corporate human rights score between 3.25 and 6.0 points (e.g., Brazil).

Dark green: Median corporate human rights score between 6.25 and 10.0 points (e.g., Australia).

Gray: No data available (e.g., Argentina).