

Elsevier Editorial System(tm) for Accounting

Forum

Manuscript Draft

Manuscript Number: ACCFOR-D-15-00046R2

Title: Corporate Reporting on Corruption: An International Comparison

Article Type: SI: On corruption

Keywords: anti-corruption; institutional theory; international comparison; organizational fields; sustainability reporting

Corresponding Author: Dr. Ralf Barkemeyer, Dr

Corresponding Author's Institution: Kedge Business School (Bordeaux)

First Author: Ralf Barkemeyer, Dr

Order of Authors: Ralf Barkemeyer, Dr; Lutz Preuss, Professor; Lindsay Lee, Dr

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Response to Reviewers: Please see the attached file 'Response to Reviewers 2nd Revision' for our response to the points raised by the anonymous reviewer.

**Corporate Reporting on Corruption:
An International Comparison**

Dr Ralf Barkemeyer*

KEDGE Business School (Bordeaux)
680 Cours de la Liberation
33405 Talence Cedex, France
ralf.barkemeyer@kedgebs.com

Professor Lutz Preuss

Norwich Business School
University of East Anglia
Norwich Research Park, Norwich, NR4 7TJ, UK
l.preuss@uea.ac.uk

Dr Lindsay Lee

School of Earth and Environment,
University of Leeds
Leeds, LS2 9JT, UK
l.a.lee@leeds.ac.uk

* Corresponding author

Highlights

- We explore anti-corruption disclosures as part of corporate sustainability reports
- We identify country- and sector level differences in anti-corruption reporting
- However, companies that are at greater risk of corruption report less on the issue
- Participation in anti-corruption initiatives has a positive impact on reporting
- Our results cast doubt on the usefulness of voluntary anti-corruption disclosures

Corporate Reporting on Corruption: An International Comparison

Abstract

Building on an institutionalist framework of the various organizational field-level pressures on firms to engage with the challenge of corruption, we analyse anti-corruption disclosures across a sample of 933 sustainability reports. Such reporting complements anti-corruption initiatives, as it allows the company to demonstrate its commitment. Our results show clear country- and sector-level differences in the extent to which companies communicate their anti-corruption engagement. However, the more a company is exposed to corruption, the less likely it appears to openly communicate its anti-corruption engagement. Hence, our results cast doubt on the effectiveness of anti-corruption disclosures as part of wider sustainability reporting.

Keywords

Anti-corruption; institutional theory; international comparison; organizational fields; sustainability reporting

1. Introduction

International trade and investment have accelerated tremendously during the last decades, but their growth has also been accompanied by an internationalization of corruption (Sanyal, 2005). Corruption is, in simple terms, the abuse of authority for private benefit (Rodriguez, Siegel, Hillman, & Eden, 2006). Corruption matters because, at the firm level, it inflicts uncertainty and additional costs on business; at the societal level, it weakens societal institutions like courts and regulatory agencies, diverts funds away from food, health care, poverty alleviation or education projects, slows economic growth and misdirects entrepreneurial talent (Heywood & Rose, 2014; Rodriguez, et al., 2006; Svensson, 2005; Tanzi, 1995). At the same time, the private sector has also been a major source of corruption in many countries, whether these are actions that benefit the company, such as bribing civil

1 servants to obtain public contracts, or actions that benefit individuals within the company,
2 such as nepotism in personnel recruitment (Argandoña, 2001; Sikka & Lehman, 2015).
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7 Hence the quality of corporate reporting practices – both the disclosure of financial and
8 additional information on the firm’s social and environmental performance as well as the
9 auditing of this information – have an important role to play in constraining corruption
10 (Kimbrow, 2002; Shleifer & Vishny, 1993). Countries that have more transparent reporting
11 standards and a higher concentration of accountants were thus found to be less corrupt
12 (Malagueño, Albrecht, Ainge, & Stephens, 2010; Wu, 2005). The prior accounting literature
13 on corruption predominantly falls into three categories: it is either largely conceptual (e.g.
14 Everett, Neu, & Rahaman, 2007), or it discusses individual cases of corruption (e.g. Sharma
15 & Lawrence, 2015), or it utilises relatively small samples of countries (e.g. 61 countries in
16 Kimbro, 2002). By contrast, this paper offers a cross-national study of firms from all five
17 continents.
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36 More specifically, the paper focuses on the extent to which companies openly communicate
37 their engagement with corruption. Through publicly reporting its anti-corruption initiatives, a
38 company can demonstrate its commitment to addressing this challenge, thus giving more
39 credibility to its efforts as well as raising awareness of corruption-related problems.
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46 Communicating on anti-corruption measures is therefore an important complement to a
47 company’s actual engagement in anti-corruption initiatives. Based on this logic, anti-
48 corruption measures have become a key part of sustainability reporting and have become a
49 standard element of mainstream reporting guidelines, such as those by the Global Reporting
50 Initiative (GRI). At the same time, corporate reporting on anti-corruption may not lend itself
51 easily to voluntary, beyond compliance sustainability reporting. Given the nature of the
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problem, companies may choose to avoid the topic as part of their sustainability disclosures rather than proactively and transparently addressing the issue. Hence, we explore how companies address anti-corruption as part of their sustainability reporting, and compare and contrast anti-corruption reporting to the disclosure of other sustainability-related aspects.

The paper makes a number of contributions to the literature on corporate engagement in anti-corruption measures. First, we do find patterns in terms of country- and sector-level differences in reporting on anti-corruption; more specifically, reporting appears to be negatively related to the degree to which companies are exposed to corrupt practices. In other words, the higher the likelihood that a company is exposed to corrupt practices, the less likely it is to communicate its anti-corruption engagement. Secondly, we also find that specific anti-corruption initiatives, like the Extractive Industries Transparency Initiative (EITI), are much more effective in encouraging companies to openly engage with the issue than generalist ones, such as the United Nations Global Compact. Both findings have significant repercussions for the future design of CSR initiatives.

The paper is structured as follows. The next section defines corruption and briefly outlines its enormous costs to firms and wider society before introducing key government, multi-stakeholder and corporate initiatives in this area. Thereafter, the prior literature on corruption and corporate reporting is reviewed briefly. This is followed by a section that outlines the theoretical basis of the paper in institutional theory and develops a set of hypotheses to guide the analysis in the remainder of the paper. Thereafter, the methodological details of the quantitative study that underlies the paper are presented. The results section then presents the findings from the various statistical analyses. In concluding, the most important implications of the paper's findings for academic research and management practice in the area of anti-

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corruption are discussed, its limitations are outlined as well as directions drawn out for future research into the role of businesses in society across different national settings.

2. The Nature of Corruption

Corruption occurs where decision-makers violate their duty to act in a neutral and impartial manner to pursue societal welfare and, instead, aim to generate benefits for themselves or for closely related persons. This duty requires that “personal or other relationships should play no role in economic decisions that involve more than one party” (Tanzi, 1995, p. 161), in other words that decisions should be made at arm’s length. Thus corruption can be defined in a generic fashion as “the intentional non-compliance with the arm’s-length principle aimed at deriving some advantage for oneself or for related individuals from this behavior” (Tanzi, 1995, p. 167).¹

The costs of corruption at both societal and firm level are well documented by now (Bardhan, 1997; Doh, et al., 2003; Galang, 2012; Hess & Dunfee, 2000; Heywood & Rose, 2014; Jain, 2001; Svensson, 2005). To start with, corruption imposes significant additional costs on firms and private individuals (Galang, 2012; Luo, 2002). According to estimates by the World Bank, world-wide bribery costs at least US\$ 1 trillion a year (Rose-Ackermann, 2004).

Corruption also imposes non-monetary costs in the forms of bureaucratic delay, greater information processing difficulty and heightened uncertainty (Habib & Zurawicki, 2002; Luo, 2011). Economic actors face further costs when, because of corruption, they are unable to use societal institutions such as courts for the enforcement of contracts (Bardhan, 1997; Svensson, 2005). At a societal level, corruption is likely to reduce public expenditure, because economic activity outside the official economy generates less tax revenues, if any at

¹ Another often cited definition defines corruption as the “abuse (or misuse) of public power for private (personal) benefit” (Doh, Rodriguez, Uhlenbruck, Collins, & Eden, 2003: 115).

1 all; predatory behaviour by corrupt politicians thus diverts funding away from education,
2 health care and infrastructure projects (Mauro, 1998; Svensson, 2005). Corruption weakens
3 key societal institutions, like courts and regulatory agencies, hence perpetuating the situation
4 (Doh, et al., 2003). Furthermore, corruption has adverse effects on economic growth as it
5 tends to reduce investment due to the additional operational inefficiencies (Bardhan, 1997;
6 Habib & Zurawicki, 2002; Mauro, 1995). In addition to hampering economic growth,
7 corruption can also influence the distribution of income within a society (Jain, 2001). In
8 particular, the poorest in a society are the least likely to have resources for bribing and are
9 hence further disadvantaged (Bardhan, 1997).
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24 Anti-corruption measures have traditionally been in the domain of government legislation.
25 Some countries have legislation in place that applies to the international operations of MNEs
26 headquartered within their borders (Cuervo-Cazurra, 2008a), such as the Foreign Corrupt
27 Practices Act (FCPA) in the United States or the Bribery Act 2010 in the United Kingdom.
28 The FCPA also served as a model for the OECD Convention on Combating the Bribery of
29 Foreign Public Officials in International Business Transactions, which came into force in
30 1999. Similarly, the United Nations adopted a Convention against Corruption (UNCAC) in
31 2003 and added anti-corruption to the original nine principles of its Global Compact.
32 Notwithstanding these regulatory efforts, anti-corruption legislation still suffers from
33 implementation deficits at national and cross-national levels (Cragg & Woof, 2002; Cuervo-
34 Cazurra, 2008b). Hence softer governance mechanisms have emerged to fill this gap, in
35 particular at the international level. These include high-profile multi-stakeholder initiatives,
36 for example the Publish What You Pay Initiative (PWYP), the Extractive Industries
37 Transparency Initiative (EITI), the World Economic Forum's Partnering Against Corruption
38 Initiative (PACI), or the Wolfsberg Principles. Governmental and intergovernmental
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1 initiatives, like the OECD and UN ones, have thus increasingly been supplemented with
2 initiatives by the private sector itself.
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7 **3. Corruption and Corporate Reporting**

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10 Corruption is an important topic for management and accounting scholars. As the purpose of
11 accounting is to provide information on the financial, and increasingly also social and
12 environmental performance of a company, its role also includes the provision of data that are
13 essential to the control and prevention of corrupt activities. Greater transparency in company
14 reporting thus leads to a higher probability of corrupt acts being detected, which reduces the
15 information asymmetry between principals and agents and enables shareholders and other
16 stakeholders to make more informed decisions (Wu, 2005). Accounting can play a dual role
17 here: on the one hand, financial reporting provides information about transactions, extended
18 by sustainability reporting to their social and environmental impact; on the other hand,
19 auditing serves as a monitoring mechanism to check on the accuracy of this information,
20 hence discouraging financial misappropriation (Kimbrow, 2002).
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39 Accounting scholars have examined corruption from three major perspectives. First, there are
40 conceptual studies. For example, Everett, Neu and Rahaman (2007) draw on Foucauldian
41 governmentality to distinguish between two framings of the global fight against corruption
42 and the role of accounting in it. An orthodox framing, as is evident in publications by major
43 anticorruption organisations like the World Bank, the OECD or Transparency International,
44 presents the contribution of accounting to the struggle against corruption as a relatively
45 straightforward endeavour. By contrast, a radical framing hones in on class-, race- and
46 gender-based subjectivities of this struggle to suggest that accounting may also facilitate,
47 rather than combat corruption (see also Sikka, 2010). A second stream of the literature
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1 examines individual cases of corruption in detail. As an example, Sharma and Lawrence
2 (2015) analysed the privatization of Telecom Fiji and argue that the privatization process,
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4 carried out with technical support of accounting consultants, led to a redistribution of wealth
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6 in favour of the political elite, rather than improved organizational performance or enhanced
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8 wellbeing of ordinary citizens. A third group of studies statistically examines the link
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10 between the level of corruption in a country and various socio-economic and cultural factors,
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12 but also including the quality of accounting. For instance, Kimbro (2002) finds that countries
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14 with well enforced laws, an effective judicial system, good financial reporting standards and
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16 a wide availability of accountants display lower levels of corruption.
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24 Closely related to the role of accountants and accounting in the fight against corruption is the
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26 question of how companies communicate their engagement with this challenge. Public
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28 reporting of a company's commitment to anti-corruption measures can increase awareness of
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30 the issue among internal and external stakeholders, and in turn gives a company's anti-
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32 corruption engagement more credibility, as it allows its stakeholder to scrutinize the
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34 company's efforts (Clark & Hebb, 2005). Hence anti-corruption measures have become part
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36 and parcel of corporate reporting on social and environmental impacts. In this context, the
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38 Global Reporting Initiative (GRI) has emerged as the key normative body. To date, several
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40 thousand companies have used the GRI Reporting Guidelines as guidance for their
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42 sustainability reports; in 2010, 82% of Fortune Global 250 companies adhered to the GRI
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44 Guidelines (KPMG, 2013). The guidelines stipulate generic principles for the publishing of
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46 sustainability reports as well as a set of 79 performance indicators referring to six
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48 sustainability-related dimensions, namely economic performance (9 indicators),
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51 environmental impact (30), labour practices and decent work (14), human rights (9), society
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(8) and product responsibility (9). As part of the ‘society’ category, three indicators are specifically dedicated to a company’s engagement in anti-corruption initiatives:

- *SO2: Percentage and total number of business units analysed for risks related to corruption (henceforth “Corruption Analysis”).*
- *SO3: Percentage of employees trained in organization’s anti-corruption policies and procedures (“Corruption Training”).*
- *SO4: Actions taken in response to incidents of corruption (“Corruption Responses”).*

All three are classified as core indicators; thus any company publishing a sustainability report along GRI guidelines is expected to address them. Table 1 provides illustrative examples of how companies within the sample have addressed the three corruption-related GRI indicators.

INSERT TABLE 1 ABOUT HERE

4. Theory and Hypothesis Development

The question of how firms report on their engagement with corruption can be addressed through institutional theory, which has repeatedly been drawn upon in the accounting literature (e.g. Carpenter & Feroz, 2001; Dirsmith, Heian, & Covaleski, 1997; Lounsbury, 2008). The theory is particularly appropriate for this question as it provides a theoretical explanation of how firms respond to non-market pressures, such as governmental, societal and cultural ones (Oliver, 1991; Rodriguez, Uhlenbruck, & Eden, 2005). Although there is no single accepted approach (Scott, 2014), institutionalism seeks to address the question of how the behaviour of societal actors is affected by institutions, i.e. by “formal and informal rules, regulations, norms, and understandings that constrain and enable behaviour” (Morgan, Campbell, Crouch, Pedersen, & Whitley, 2010, p. 3). Institutional theory sees organizations,

1 such as a firm, as being embedded in a multitude of relations with external actors (Dacin,
2 Ventresca, & Beal, 1999). Collectively these make up an organizational field, which
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4 DiMaggio and Powell (1983, p 148) define as “those organizations that, in the aggregate,
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6 constitute a recognized area of institutional life”, i.e. that are linked together through frequent
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8 interactions, information flows, and mutual identification as members of the field (see also
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10 Scott, 2014). In order to gain access to resources that are imperative for their survival,
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12 organisations must maintain legitimacy in the eyes of field constituents and hence subject
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14 themselves to isomorphic pressures.
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22 However, organizations are not just passive recipients; rather they may have varying degrees
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24 of freedom to enact strategic responses to institutional pressures (Greenwood, Raynard,
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26 Kodeih, Micelotta, & Lounsbury, 2011; Lawrence, Suddaby, & Leca, 2011; Oliver, 1991;
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28 Seo & Creed, 2002). As the organizational field “forms around a central issue” (Hoffman,
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30 2001, p. 135), there is room for vastly different conceptualizations of the field, e.g. around
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32 specific technologies or dominant organizations. The literature has thus recognized that firms,
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34 in particular MNEs, “face multiple, fragmented, nested, or often conflicting institutional
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36 environments” (Kostova, Roth, & Dacin, 2008, p. 998). Building on the argument by Smith
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38 and Meiksins (1995) that any company is subject to three sources of external influence on its
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40 organizational practices, namely those arising (i) from the economic mode of its production,
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42 (ii) from national legacies in its country and (iii) from the global diffusion of ‘best practice’
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44 or universal modernization strategies, we argue that the organizational environment for
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46 corporate engagement with anti-corruption initiatives can equally be conceptualized in three
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48 different ways, as country level pressures, as sectoral pressures level and as pressures for
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50 global standardization. In other words, the sector and the home country a company is
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52 embedded in are likely to exert field-level pressures that shape the extent, nature and content
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1 of its engagement with corruption. In addition, companies are subject to further field-level
2 pressures exerted by global anti-corruption initiatives.
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7 ***4.1. Country Level and Regional Level Pressures*** 8 9

10 A number of studies have shown how countries differ in terms of the amount of corruption
11 they experience (Baughn, Bodie, Buchanan, & Bixby, 2010; Cullen, Parboteeah, & Hoegl,
12 2004; Husted, 1999; Jain, 2001; Mauro, 1995; Sanyal, 2005; Treisman, 2000). These
13 differences have been linked to differences in countries' economic development (Baughn, et
14 al., 2010; Cullen, et al., 2004; Husted, 1999; Sanyal, 2005), where corruption generally tends
15 to be more widespread in countries with lower income levels (Svensson, 2005; note,
16 however, the critique that there may be a Western bias in defining and measuring corruption,
17 see e.g. de Maria, 2008). In addition, the quality of political institutions has been found to
18 influence corruption levels (Cullen, et al., 2004). Crucially, in democratic societies, voters
19 have the opportunity to vote corrupt politicians out of office (Jain, 2001), while the presence
20 of watchdogs like Transparency International ensures better information flows on corrupt
21 practices (Habib & Zurawicki, 2002). Another key influence on corruption are a society's
22 cultural values and moral code (Baughn, et al., 2010; Cullen, et al., 2004; Sanyal, 2005;
23 Treisman, 2000). For example, three of Hofstede's variables – high uncertainty avoidance,
24 high masculinity, and high power distance – were found to explain high levels of corruption
25 (Husted, 1999). Likewise, cultures with a strong emphasis on hierarchy were found to exhibit
26 higher levels of corruption whereas egalitarian cultures correlate with lower levels (Akbar &
27 Vujčić, 2014). As Spencer and Gomez (2011, p. 281) argue, “characteristics of corruption can
28 become so institutionalized that they become fundamental components of a country's
29 institutional environment”; hence they exert isomorphic pressure on a firm to accept these.
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1 Equally, country-of-origin effects have for some time now been identified in corporate
2 sustainability reporting (for recent overviews see Fifka, 2013; Fortanier, Kolk, & Pinkse,
3 2011). Whilst the vast majority of international comparative studies on sustainability
4 reporting tended to focus on country-level and regional-level differences in or between North
5 America and Europe (Guthrie & Parker, 1990; Halme & Huse, 1997; Kolk, 2005), more
6 recent studies have also focused on developing and emerging economies (Baskin, 2006;
7 Belal, Cooper, & Roberts, 2013; Chapple & Moon, 2005). Clear differences have been
8 identified in terms of the likelihood of reporting (Halme & Huse, 1997; Kolk, 2010), report
9 content (Baskin, 2006; Kolk, 2005) and the likelihood of assurance as well as the choice of
10 assurance provider (Kolk & Perego, 2010).
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27 To an extent, these differences stem from differences in reporting legislation at the level of
28 the nation state (Guthrie & Parker, 1990; Kolk, Walhain, & Van de Watteringen, 2001) and
29 the regional level (see e.g. recent EU-level developments in this context). At the same time,
30 the existence or salience of specific pressure groups (Neu, Warsame, & Pedwell, 1998; Van
31 der Laan Smith, Adhikari, & Tondkar, 2005) as well as underlying cultural and institutional
32 contexts (Fortanier, et al., 2011; Kolk, 2005) have also been argued to result in country-level
33 and regional-level differences in sustainability reporting. At a more general level, similar
34 patterns have been identified between different world regions, both in terms of the nature of
35 corporate social responsibility (Matten & Moon, 2008) more generally as well as the content
36 of corporate sustainability disclosures (Kolk, 2005; Authors 1 & 2, 2012, 2015).
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53 For the purposes of this research, we focus on regional-level differences in anti-corruption
54 reporting. Building on international comparative studies in the context of corruption and of
55 sustainability reporting, we hypothesize that similar regional-level patterns, i.e. patterns
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1 resulting from the extent to which companies are exposed to corruption, will emerge with
2 regard to the question whether companies openly communicate about corruption.
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5 *Hypothesis 1. There will be regional-level differences in terms of the extent to which*
6 *companies communicate their anti-corruption engagement.*
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10 **4.2. Sectoral Level Pressures**

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12 Secondly, we expect sector-level dynamics to shape the extent to which a company reports on
13 its anti-corruption engagement. Corruption differs between sectors as some industry
14 structures provide a more suitable context for corruption than others (Luo, 2011; Moran,
15 1999). In the words of Spector (2005, p. 6): “One of the best ways to understand the spread of
16 corruption and what can be done to control it, is by analysing its impact sector-by-sector.”
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19 For example, construction involves complex, non-standard activities where the quality of the
20 completed project can be difficult to assess. Companies in the sector are furthermore closely
21 linked to government, as a considerable portion of public investment goes to construction.
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24 Under these conditions, it is no surprise that the “construction industry is consistently ranked
25 as one of the most corrupt industries worldwide” (Kenny, 2009, p. 21; see also Golden &
26 Picci, 2006; 2009). Similarly, the extractive industry is shaped by a number of conditions that
27 make it riper for corruption than other industries. Firms have little choice over locations; they
28 have to go where the respective resources are. Such geographic luck provides rent-seeking
29 corrupt governments with the upper hand, as several multinationals, all with the necessary
30 capital and know-how to exploit the resources, are jockeying with each other for concessions
31 (O’Higgins, 2006).
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34 Similarly, a range of studies have identified sector-specific differences in corporate non-
35 financial reporting (Fortanier, et al., 2011; Halme & Huse, 1997; Holder-Webb, Cohen, Nath,
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1 & Wood, 2009; Kolk & Perego, 2010; Neu, et al., 1998; Patten, 1991). Sector-specific
2 aspects include the extent to which a company from a specific sector is exposed to public
3 scrutiny (Bowen, 2000; Patten, 1991), the extent to which it modifies the environment
4 (Deegan & Gordon, 1996; Dierkes & Preston, 1977), the frequency of critical incidents or
5 accidents occurring in the industry and related public pressure (Neu, et al., 1998), or an
6 exposure to specific sustainability-related issues (Halme & Huse, 1997). In parallel to these
7 findings, we would expect to find a link between sector affiliation and the extent to which
8 companies communicate their anti-corruption engagement. For example, construction firms
9 might address anti-corruption differently from other sectors given that the construction
10 industry is widely perceived as being particularly prone to corrupt practices. Thus, we
11 hypothesize that pressures to communicate openly about corruption will be linked to the
12 extent to which different sectors are exposed to corrupt practices:
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29 *Hypothesis 2. There will be industry-level differences in terms of the extent to which*
30 *companies communicate their anti-corruption engagement.*
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34 **4.3. Global Pressures**

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36 A third source of isomorphic pressure on how companies engage with corruption are the
37 recent fundamental changes in the global business context. “Issues that can affect the
38 functioning of effective markets in one region of the world can now affect the entire global
39 market; corruption is finally being recognized as one of those issues” (Hess & Dunfee, 2000,
40 p. 600). Interaction between civil society, national policy elites and international pressures
41 has led in many countries to the emergence of a veritable anti-corruption industry (Sampson,
42 2010). Translated to the organizational level, Luo (2006) found that firms with a great
43 emphasis on the implementation of CSR tools, such as codes of conduct and other corporate
44 policies pertaining to major stakeholders, responded to increasing corruption by reducing
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their social connections with governmental officials, whereas firms with a lower emphasis on CSR tools actually increased the use of their social ties with government officials.

As discussed above, a range of initiatives have emerged that are dedicated to the fight against corruption. Whilst participation in anti-corruption initiatives might not necessarily be linked to a more sincere engagement with the topic but rather reflect a symbolic engagement (Heugens & Lander, 2009), a number of factors such as organizational learning (Ruggie, 2002) or increased exposure to stakeholders and thus greater pressure to act may indeed trigger a company's engagement with a given issue. Participation in anti-corruption initiatives may thus exert a positive influence on corruption-related reporting. For the purposes of this paper, these initiatives can be grouped into two categories.

On the one hand, there are broad initiatives in the context of CSR and corporate citizenship which promote corporate engagement with corruption as part of a wider array of aspects concerning the role of business in society. A key initiative here is the UN Global Compact. Anti-corruption is specified as the 10th Global Compact Principle alongside a range of other issues, such as human rights, labour rights, child labour and environmental sustainability (UNGC, 2015). In general terms, the UN Global Compact has been found to have a positive impact on the comprehensiveness of CSR reporting (Chen & Bouvain, 2009; Fortanier, et al., 2011). On the other hand, there are narrow initiatives that focus specifically on anti-corruption activities. Key examples here are the Extractive Industries Transparency Initiative (EITI), the Construction Sector Transparency Initiative (COST), the World Economic Forum's Partnering Against Corruption Initiative (PACI) and the Wolfsberg Principles. As transparency, accountability as well as interaction and communication with stakeholders are at the core of all of these initiatives, we would expect that corporate engagement with these

1 initiatives has a positive impact on corruption-related reporting practices (COST, 2015; EITI,
2 2015; PACI, 2015). More formally:
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5 *Hypothesis 3. Participation in multi-stakeholder initiatives dedicated to anti-*
6 *corruption will make it more likely that a company publically*
7 *communicates its anti-corruption commitment.*
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10 11 12 **5. Research Methods**

13 **5.1. Sample Selection**

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16 We will test our hypotheses through an analysis of 933 GRI G3² corporate sustainability
17 reports from seven sectors (banking; construction; electricity; industrial metals; mining; oil &
18 gas and finally gas, water & multi-utilities) which were published in the years 2006-2009.

19 These reports were identified through the Corporate Register database, a repository of
20 corporate sustainability reports (www.corporateregister.com). As country of origin and sector
21 affiliation are two central dimensions in this study, we only considered those countries and
22 sectors for which a minimum number of reports were available (10 per country; 25 reports
23 per sector). This enabled us to ensure a sufficient size of country and sector subsamples. For
24 the identification of sectors, we followed the classification used on the Corporate Register
25 website. All seven sectors included in the sample are to varying degrees exposed to corrupt
26 business practices. According to the Transparency International Bribe Payers Survey (2008,
27 2011), oil & gas, mining and in particular construction represent high-risk sectors in terms of
28 Bribe Payers Index (BPI) scores; industrial metals, gas, water and multi-utilities as well as
29 electricity occupy middle ground positions; and banking represents a low-risk sector in this
30 context (nevertheless, corruption undoubtedly exists in banking & finance too – as can be
31 illustrated by a number of recent high-profile scandals).
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60 ² G3 refers to the third generation of the GRI Guidelines.
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2 As the GRI G3 Guidelines were launched in 2006 and were replaced by their successor G4 in
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4 2010, the final sample consists of documents reporting on the years 2006-2009. The initial
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6 sample consisted of 1,118 sustainability reports, which subsequently underwent screening. As
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8 the analysis focused on reporting on the three corruption-related GRI G3 indicators, those
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10 reports that did not follow the GRI reporting format – and therefore could not be coded –
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12 were excluded from the sample. In total, the final sample consists of 933 GRI G3 reports
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14 from 30 countries (Table 2). In terms of sectors, banking represents the largest sector within
15
16 the sample (n=209), followed by electricity (188), gas, water & multi-utilities (139),
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18 construction (138), mining (98), oil & gas (98) and industrial metals (63). With regard to
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20 country of origin, Spain constitutes the largest subsample (n=142), followed by Brazil (79),
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22 Italy (75), the US (56) and Australia (55).
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31 INSERT TABLE 2 ABOUT HERE

37 **5.2. Variables**

38 Coverage of GRI indicators SO₂, SO₃ and SO₄ was used as the dependent variable. Hence,
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40 three sets of logistic regressions were performed. Table 3 presents the variables used in the
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42 analysis. Sector affiliation and region of origin were used as independent variables to indicate
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44 sectoral and regional-level differences in anti-corruption reporting. Likewise, Corruption
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46 Perception Index (CPI) scores were included as an independent variable in order to capture
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48 country-level variations in the exposure to corruption. Furthermore, (a) UN Global Compact
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50 participation as well as (b) participation in EITI, COST, PACI and the Wolfsberg Principles
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1 was included to identify the impact of relevant multi-stakeholder initiatives on reporting on
2 corruption.
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7 In addition, a number of further independent variables were included in the analysis. Levels
8 of socio-economic development have previously been found to impact the likelihood of
9 reporting as well as the content of these disclosures (Fifka, 2013). For the purposes of this
10 research, Human Development Index (HDI) scores (UNDP, 2015) were used to indicate
11 levels of socio-economic development in the 30 countries included in the analysis. In
12 addition, company size (Holder-Webb, et al., 2009; Patten, 1991) and internationalization
13 (Chapple & Moon, 2005; Vormedal & Ruud, 2009) have long been identified as drivers of
14 corporate sustainability disclosures. Both of these aspects were operationalized using
15 employee data. Given the diversity of companies included in the sample (both in terms of
16 geographic location and ownership), financial performance information was not readily
17 available through standard databases such as Thomson. In contrast, employee data could be
18 collected from corporate sustainability disclosures for all 933 reports as this is a standard GRI
19 indicator. The ratio of companies' foreign employees divided by the total number of
20 employees was used to indicate the degree of internationalization, modelled on the ratio of
21 foreign sales to total sales (FSTS) as a standard measure in this context (Sullivan, 1994).
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46 Another two variables were used to capture a company's reporting regime: (a) the number of
47 GRI G3 reports published by the company up to and including the report at hand and (b) the
48 overall number of other (non-corruption-related) indicators addressed by each company in a
49 specific report. Whilst the number of GRI reports a company has already published may
50 indicate corporate learning over time and thus result in an 'upwards harmonization' of
51 reporting (Fortanier, et al., 2011); the overall number of other GRI indicators may indicate
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1 the extent to which a company has engaged with the GRI guidelines, which in turn may
2 influence the likelihood of the company to report on the three anti-corruption-related
3 indicators as well (Author 1 et al., 2015). Finally, the models used to produce the results were
4 tested for robustness and compared to more complex models taking into account company-
5 level random effects and publication year of the report.
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INSERT TABLE 3 ABOUT HERE

5.3. Data Analysis

The GRI content index of each of the 933 reports was transcribed into an SPSS database for subsequent analysis. Each indicator that was stated to be “fully” or “partially” addressed in the report was assigned the value 1; all indicators not addressed in the report were marked as 0. Only the generic set of 76 GRI G3 indicators was considered (46 of which are specified as ‘core’ and 30 as ‘additional’ indicators; the three corruption-related ‘core’ indicators SO2, SO3, SO4 were not considered here as they form the dependent variables in the logistic regressions); supplementary indicators as developed by the GRI for particular industries were not included. In an initial step of the analysis, a descriptive statistical analysis was performed, which focused on mean coverage levels across the total sample and on coverage levels for each indicator category. Subsequently, a series of binary logistic regression analyses was performed to identify how the different independent variables have influenced a company’s likelihood of addressing the corruption-related GRI G3 indicators SO2-SO4.

6. Results

6.1. Overall Patterns

1 Table 4 summarizes the results of the descriptive analysis of the 933 GRI G3 reports. In
2 terms of total coverage, companies across the whole sample addressed an average of 57% of
3 all the 79 indicators. Looking at the seven different sectors included in the sample,
4 construction and banking emerge as clear outliers: here, a markedly lower number of
5 indicators are addressed when compared to the other sectors. The remaining sectors show
6 very similar coverage levels of around 60%. By contrast, very clear regional differences can
7 be identified across the sample, ranging from North American as well as Eastern and
8 Northern European reports with coverage levels of less than 50%, to the East Asian and
9 South Asian subsamples with coverage levels of over 65%.

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INSERT TABLE 4 ABOUT HERE

All three corruption-related indicators in the GRI G3 guidelines have been specified as core indicators; one would therefore expect them to be addressed more frequently than all other 76 GRI indicators on average. Whilst this is the case, coverage is only slightly higher with values ranging from 58% (SO4: Corruption Responses) through 60% (SO2: Corruption Analysis) to 62% (SO3: Corruption Training). However, clear differences in the corruption-related indicators within the overall sample can be identified with regard to region of origin, largely reflecting the patterns observed above. Exceptions to these overall trends are the relatively high levels of coverage of corruption training (SO3) in the North American subsample (63%) or the extremely low levels of coverage of corruption analysis and training in the Eastern European subsample (SO2: 16%; SO3: 16%). By contrast, sector-level differences are more modest across all three corruption-related indicators.

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INSERT TABLE 5 ABOUT HERE

Table 5 shows a correlation matrix for the variables that have been used in the logistic regression analyses. It should be noted that very high levels of correlation exist between Corruption Perception Index (CPI) scores and Human Development Index (HDI) scores for the company's country of origin. Relatively high levels of correlation can also be identified in the case of internationalization and number of employees as well as between internationalization and membership of initiatives dedicated to anti-corruption.

6.2. Results of Logistic Regression Analyses

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INSERT TABLE 6 ABOUT HERE

Tables 6-8 summarize the results of the three logistic regression analyses. In all three cases, model fit is relatively high with R-squared values (Hosmer & Lemeshow) of .33 (SO3: Corruption Training) through .37 (SO2: Corruption Analysis) to .38 (SO4: Corruption Responses). Table 6 contains the data on Indicator SO2 (Corruption Analysis). For six of the independent variables, significant relationships can be identified. First of all, mining companies show significantly lower coverage compared to the reference group electricity, whereas the banking sector shows significantly higher coverage. In terms of regional-level variation across the sample, only Eastern European companies show a significant deviance from the reference group of Mediterranean European companies with clearly lower coverage. A general pattern that emerges is that the more indicators a company reports on – measured in terms of coverage of all 76 non-corruption-related GRI indicators – the more likely it is to

1 report on indicator SO2 too. Likewise, the higher the number of GRI G3 sustainability reports
2 a company has published prior to the report at hand, the more likely it is to address indicator
3 SO2. Furthermore, companies that have signed up to the corruption-specific initiatives EITI,
4 COST, PACI and the Wolfsberg Principles are more likely to report on indicator SO2; by
5 contrast, such a significant impact *cannot* be identified for UN Global Compact participation.
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7 Likewise, CPI scores do not appear to explain coverage levels for this indicator; neither do
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9 HDI scores, company size or internationalization.
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INSERT TABLE 7 ABOUT HERE

As can be seen in Table 7, a very similar pattern emerges with regard to the extent to which companies have addressed indicator SO3 (Corruption Training). Only mining and banking show clear deviations from the reference group electricity. Again, coverage among Eastern European companies is significantly lower compared to the reference group of Mediterranean European companies. However, three regions show significantly higher coverage than the reference group (East Asia, South Asia and South America). As in the previous case, the number of other (non-corruption-related) GRI indicators and participation in corruption-related MSIs are positively related to the coverage of this indicator. Deviating from the pattern presented above for indicator SO2 (Corruption Analysis), here both HDI scores and internationalization are positively related to the coverage of indicator SO3.

Table 8 presents the results of the logistic regression analysis for indicator SO4 (Corruption Responses). Again, the patterns identified above are to a certain extent replicated for this indicator. Banking emerges as the only sector with significantly higher levels of coverage. In terms of regional-level differences, Australasian and North American companies show

1 significantly lower coverage than the reference group of Mediterranean European companies.

2 In addition, significantly positive relationships can be identified for the number of previous
3 GRI G3 sustainability reports, the number of indicators addressed by a company as well as
4 for participation in narrow anti-corruption initiatives. By contrast, participation in the UN
5 Global Compact does not appear to explain why companies report on their actions taken in
6 response to incidents of corruption. Company size as measured by the number of employees
7 shows a very small but significant negative impact.
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INSERT TABLE 8 ABOUT HERE

66 In summary, a largely consistent pattern has emerged from the results of the three regression
67 analyses presented above. We were able to identify clear regional-level differences in anti-
68 corruption reporting. Therefore, hypothesis 1 is supported. However, CPI scores were found
69 to have no significant impact on corruption reporting, while HDI scores appear to explain
70 coverage levels of corruption-related indicators only in the case of SO3 (corruption training).
71 Therefore, the clear regional differences identified in the descriptive analysis presented above
72 in Table 4 do not seem to be systematically linked to either the levels of socio-economic
73 development or the perceived levels of corruption in these countries. Likewise, clear sector-
74 level differences in anti-corruption reporting have been identified with regard to all three
75 indicators. Thus, hypothesis 2 is also supported. At the same time, an interesting pattern has
76 emerged from the analysis in that banking, as a sector that has consistently received high
77 Bribe Payers Index (BPI) scores (Transparency International, 2008, 2011) – indicating low
78 levels of corruption – is also the sector in which anti-corruption reporting appears to be most
79 widespread. In contrast, mining as one of the sectors with persistently low BPI scores
80 emerged as the sector in which anti-corruption reporting appeared least widespread. With

1 regard to multi-stakeholder initiatives on corruption, company participation in the UN Global
2 Compact is not linked to more extensive reporting on anti-corruption engagement; however,
3 participation in the narrow initiatives EITI, COST, PACI or the Wolfsberg Principles does
4 have a positive impact on the extent to which companies communicate their anti-corruption-
5 related activities. Bearing this limitation in mind, the results support hypothesis 3 too.
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11 ***6.3. Robustness of the Statistical Analysis***

12 The models used to produce the results presented above were tested for robustness and
13 compared to more complex models that take into account random effects relating to the
14 company and the year of report publication as well as models that account for interaction
15 between narrow and broad anti-corruption initiatives. The random effects of the company
16 show that there is greater variability between companies than within any single company, as
17 expected. Including the year as a random effect in the logistic regression showed very little
18 variation between the years included in the study suggesting that the results are robust over
19 the study period. As some company specific information was missing, the availability of such
20 information could itself be related to the company and therefore create some bias in the
21 results towards those companies that submit more information. This was tested using a factor
22 to divide the data into groups according to how much company specific information was
23 available and including it in a random effects model. However, the results showed little
24 variation between the companies dependent on the amount of company-specific information
25 available. Including random effects in the model did not change the fixed effects reported
26 through this study. Finally, an interaction term was added between companies which had
27 joined the UNGC initiative and any of the four corruption-specific initiatives (EITI, COST,
28 PACI and the Wolfsberg Principles) to test the validity of the results with regard to
29 hypothesis 3. This interaction term did not significantly improve the model fit and so is
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1 deemed unnecessary. We, therefore, argue that the logistic regression models used are
2 suitable for this study and that the results of the statistical analysis are robust.
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7 **7. Discussion**

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10 The data presented here show that the conceptualization of organizational fields we
11 developed in the wake of Smith and Meiksins (1995) has good explanatory power. All three
12 types of field level pressures we expected to influence corruption-related coverage could
13 indeed be identified. Furthermore, the analysis of corporate reporting on anti-corruption
14 engagement concurs with previous studies that corruption is not a popular topic for business
15 to discuss (Rodriguez et al., 2006; Svensson, 2005). Although close to the average coverage
16 for all 79 indicators of 57%, corruption was only addressed by 60% of all reports for SO2
17 (Corruption Analysis), 62% for SO3 (Corruption Training) and 58% for SO4 (Corruption
18 Response). By comparison, the core indicator SO1 (Local Community Engagement) was
19 addressed by 82% of all reports. As all three corruption indicators are core indicators and thus
20 should be addressed by any company producing a GRI G3 report, coverage levels can be
21 considered to be relatively low.
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42 One would expect the relationship between analysis, training and response to be reasonably
43 uniform across the sample, as the processes of identifying and responding to corruption are
44 likely to be similar for all companies. Indeed, average coverage across the three corruption-
45 related indicators was relatively uniform. Nevertheless, some notable sector- and regional-
46 level deviations from this overall pattern emerged from the analysis. The construction sector,
47 for example, showed the most pronounced gap between SO2 (Corruption Analysis) at 58%
48 and SO3 (Corruption Training) at 52% but SO4 (Corruption Response) at only 46%.
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59 Similarly non-uniform relationships were found in the regional comparison. Here coverage
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1 levels in Eastern Europe of SO2 (Corruption Analysis) at 16%, SO3 (Corruption Training) at
2 16% and SO4 (Corruption Response) at 29% stand in stark contrast to coverage levels in East
3 Asia of SO2 (Corruption Analysis) at 70%, SO3 (Corruption Training) at 84% and SO4
4 (Corruption Response) at 70%.
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11 At the regional level, very clear differences emerged from the descriptive analysis. Coverage
12 levels of all indicators were low for North American companies (39-63%) and
13 Australian/New Zealand companies (48-52%), but especially so for Eastern European ones
14 (16-29%). By contrast, the highest scores were achieved by companies in East Asia (70-84%)
15 and South Asia (69-85%). Contrary to the literature (Baughn, et al., 2010; Cullen, et al.,
16 2004; Husted, 1999; Sanyal, 2005), the data did not show a clear systematic link between
17 corruption coverage and the level of development or the level of corruption in the country, as
18 neither Human Development Index (HDI) nor Corruption Perceptions Index scores (CPI)
19 showed a significant relationship. Nevertheless, some of the patterns emerging from the
20 analysis appear intuitive. For example, significantly lower coverage of indicator SO4
21 (corruption responses) among North American companies compared to the rest of the sample
22 might reflect a fear of litigation (as was discussed by Williams, 2004, for the UN Global
23 Compact). It should be noted that our sample mainly included very large multinational
24 companies, which might be exposed to more complex dynamics in their home and host
25 context (cf. Brammer, Pavelin, & Porter, 2009; Spencer & Gomez, 2011) than can be
26 captured through home country HDI and CPI scores.
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51 The clearest link that could be identified with regard to regional-level differences in reporting
52 on anti-corruption was that coverage of these indicators was significantly related to the
53 number of other GRI (non-corruption-related) indicators a company addresses. This
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1 relationship was as expected: the more a company reports generally, the more likely it is to
2 report on anti-corruption aspects too. This finding may be the result of either of two
3
4 explanations (see also Author 1 et al., 2015). On the one hand, it may indicate a ratchet effect
5 in corporate social responsibility (CSR) tools: CSR measures get adopted through proactive
6 firms responding to stakeholder expectations, others follow and over time the frontrunners'
7 measures become diffused within their industry through mimetic pressure – until higher
8 stakeholder expectations set the cycle in motion again (Bertels & Peloza, 2008). Indeed,
9 coverage of SO2 (corruption analysis) and SO4 (corruption training) increases with the
10 number of sustainability reports a company has published, therefore reflecting some sort of
11 upwards harmonization of reporting over time (Fortanier, et al., 2011). On the other hand,
12 many firms in East and South Asia are relative newcomers to corporate sustainability
13 reporting, whereas the pioneers are more likely to be found in Europe and North America
14 (Chapple & Moon, 2005; Kolk, 2005). It would be conceivable that the pioneers, once they
15 found their style, would be reluctant to change their reporting mode irrespective of whether it
16 originally included anti-corruption aspects or not.
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39 Differences in coverage are comparatively less pronounced at the level of the seven different
40 sectors that were included in the sample. Nevertheless, some stable patterns can be observed,
41 with banking consistently showing higher coverage levels than the other sectors, and mining
42 showing significantly lower coverage for two out of the three indicators (SO2 and SO3). It is
43 interesting to note that this pattern runs counter to the degree to which these sectors are
44 commonly thought to be exposed to corrupt activities. In Transparency International's Bribe
45 Payers Index (BPI) 2011, banking received a clearly higher score (indicating a lower level of
46 corruption) than the other six sectors included in the sample; in contrast, mining ranges
47 among those sectors with a relatively low BPI score and thus represents one of the sectors in
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1 which corruption is perceived to be endemic. As such, our findings suggest that the degree to
2 which a company is exposed to corrupt practices does not seem to predict whether it publicly
3 communicates its anti-corruption engagement.
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9 This finding tallies with the emerging literature on silences in corporate reporting (Buhr,
10 1998, 2001; Stittle, 2002). For example, Chwastiak and Young (2003, p. 533) suggest that
11 “the ways in which costs are socially constructed under capitalism reduce labor and things to
12 their instrumental identity as means to profit”. They go on to show how consumer goods
13 companies describe population growth in their annual accounts as opportunity for increased
14 sales rather than in terms of ecological challenges of increased water consumption,
15 overcrowding, destruction of wildlife habitats or loss of agricultural land. Similarly, annual
16 reports of defence contractors discussed the end of the Cold War not as historic step towards
17 international peace but as in terms of loss of contracts, sales, and markets. Relatedly, Stittle
18 (2002, p. 367) found that corporate attempts to extend the nature and depth of the content of
19 their annual reports and accounts have “predominantly resulted in an advertising-oriented
20 model, more concerned with favorable self-projection than an objective and open ethical
21 assessment of their corporate activities.”
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44 Another important finding concerns the nature of CSR tools. Here our data showed a clear
45 difference between the UN Global Compact and the other anti-corruption initiatives, namely
46 EITI, PACI, COST and the Wolfsberg Principles. While the latter were significantly related
47 to corporate reporting for all three indicators, not a single significant relationship could be
48 found for the former. This finding indicates that the more specific a CSR initiative is, the
49 greater its success is likely to be. The finding tallies with the argument by Kolk and van
50 Tulder (2006) in the context of corporate responses to poverty alleviation that sector-level
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1 initiatives compare favourably with those that target a wide range of different companies. Put
2 slightly differently, the generalist approach of the Global Compact may work for CSR
3 challenges where a clear business case can easily be identified, such as addressing HIV/AIDS
4 or tapping into opportunities at the base of the pyramid; corruption, by contrast, may be too
5 complex an issue for such a generalist approach to be successful. In this context, it should
6 also be born in mind that the UN Global Compact's 10th Principle on anti-corruption was
7 only added in 2004, more than four years after the initial launch of the initiative.
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18 **8. Conclusions**

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21 This paper started with the twin observations that corruption is both pervasive and rampant,
22 and that the quality of corporate reporting has an important role to play in constraining
23 corruption. Hence, the paper investigated whether there are any specific regions or sectors
24 where firms are more active than in others in terms of addressing corruption. An examination
25 of a sample of 933 sustainability reports, produced according to GRI G3 Reporting
26 Guidelines, indeed showed strong regional-level differences. South and East Asian
27 companies were found to have particularly high levels of coverage of the GRI indicators on
28 corruption; whereas Eastern European countries showed especially low levels. Likewise,
29 sector-level differences in reporting were identified, with banks showing significantly higher
30 coverage and mining companies reporting less than their peers.
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48 Having said this, no clear link seems to exist between the severity of the problem and the
49 extent to which companies report on it. Our study thus stands in the vicinity of the emerging
50 literature on silences in corporate reporting (Buhr, 1998, 2001; Chwastiak and Young, 2003;
51 Stittle, 2002). We expected firms from countries with a low score (indicating a high level of
52 corruption) on the TI Corruption Perceptions Index (CPI) to display a higher level of
53 engagement; similarly one might expect firms operating in sectors with a low TI Bribe Payers
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Index Sector Score (BPI) to have a higher level of engagement. However, neither CPI nor BPI scores appear to explain the coverage of corruption-related indicators. While country and region of origin appear to determine a company's general approach to sustainability reporting, i.e. the breadth of information provided in these reports, the extent to which corruption is perceived to be a problem in a specific context does not appear to determine whether a company communicates its anti-corruption engagement or not. At the sectoral level, banking as the sector with the highest BPI score within the sample (indicating a low level of corruption) also shows the highest coverage levels of anti-corruption indicators. Finally, participation in dedicated corruption-related initiatives, such as EITI, COST, PACI or the Wolfsberg Principles, appears to be positively related to corruption-related reporting, while UN Global Compact participation did not turn out to influence corruption-related reporting. Put differently, mono-thematic initiatives that are exclusively dedicated to the issue of anti-corruption clearly generate a higher impact than broader initiatives that address corruption as part of a wider CSR agenda.

A number of limitations of the paper need to be stated. As with previous studies into sustainability reporting, this study has a bias toward relatively large multinational enterprises as larger companies are more likely engage in non-financial reporting in the first place. The mean number of employees for companies included in this study is 30,856; the median value is 5,623. Secondly, there are complex dynamics with regard to the various host contexts in which these companies operate, which in turn are likely to influence their anti-corruption engagement (Spencer & Gomez, 2011; Spicer, Dunfee, & Bailey, 2004). However, as sustainability reporting is typically driven by corporate headquarters, we would nevertheless expect a significant impact of a company's home country environment on its corruption-related reporting practices. Finally, while the framing of the analysis enabled us to investigate

1 the extent to which companies communicate their anti-corruption engagement, it did not
2 allow us to shed light on their actual engagement in anti-corruption measures. Irrespective of
3 a company's anti-corruption efforts, corruption may not least exist as a deviant organizational
4 practice. Whilst this is an important limitation, corruption-related reporting by itself should
5 serve as an important tool for alleviating corruption as it helps to raise awareness of the issue
6 and lends credibility to the reporting company's actual anti-corruption engagement.
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17 These limitations open up a number of avenues for future research. To start with, future
18 research could examine the link between the communication of anti-corruption initiatives and
19 actual levels of corporate engagement in this area. Furthermore, the role of MNCs' host
20 country operations could be investigated in more detail than was possible given the diverse
21 sample employed in this study. Whilst a company's degree of internationalization did not
22 significantly impact the results of this analysis and therefore host country operations can be
23 expected to play a negligible role, previous studies have nonetheless found that a higher
24 degree of internationalization or the presence in a particular host country has an impact on
25 corporate social performance (Strike, Gao, & Bansal, 2006) or charitable giving (Brammer, et
26 al., 2009).
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Table 1: Illustrative examples of corporate responses to corruption-related indicators SO2, SO3 and SO4

SO2 – Corruption Analysis	
REN - Redes Energéticas Nacionais (2008, p. 87)	<i>“The Group’s accounts are subject to external audits and legal certification as required by law and therefore the company does not analyse the risk of corruption in its business units or areas. There have been no charges or investigations against Group companies for corruption in 2008 (0%).”</i>
Anglo Coal (2008, Appendix p. 8)	<i>“Anglo American does not tolerate any form of corruption (p. 18). Corruption risk is considered within risk assessments conducted for all businesses along with many other forms of risk Anglo faces. Internal audit procedures also consider the risk of corruption within any process that is reviewed, along with the controls to mitigate the risk. If controls are not deemed sufficient from a design or operational effectiveness point of view then such matters will be reported along with management actions. Both the risk management and internal audit procedures are aimed at identifying broad risks facing the business relevant to the individual scope of the risk assessment and will consider corruption risk accordingly. Management remain responsible for the operation of controls to minimise the risk of corruption.”</i>
Watercare Services (2009, p. 34)	<i>“Percentage and total number of business units analysed for risks related to corruption: Nil.”</i>

SO3 – Corruption Training	
ACEA SpA (2007, p. 79)	<i>“The percentage of workers who have received training on anti-corruption policies and procedures, estimated, corresponds to around 12% of the workers – 4,528 human resources – included within the area of reporting of the Human Resources part of the Social Section. These training activities are illustrated in the Social Section page 129.”</i>
Horizon Holdings Inc. (2008, p. 70)	<i>“All Horizon Utilities employees are trained in relevant policies and procedures that relate to anti-corruption upon hiring, such as Horizon’s Whistleblower Policy, Code of Conduct, and Purchasing Policy. “</i>
The Australian Gaslight Company (2006, p. 43)	<i>“1,516 colleagues completed privacy training during 2005/2006. 671 colleagues completed Trade Practices Act training during 2005/2006.”</i>

SO4 – Corruption Responses	
Korea Gas Corporation (2008, p. 25)	<i>“In 2008 integrity evaluation results slightly dropped from 2007 due to one bribery case and 2.8 cases of entertaining in the gas supply and sales areas. To address these issues, we expanded the scope of our ethics camp to include sales and operational facility areas in addition to the previous contract & construction areas. We also plan to reinforce our employees’ integrity pledge program.”</i>
Centrica (2006, p. 204)	<i>“Centrica has a clear policy on bribery and corruption. All business units are required to operate in accordance with this policy. Our analysis highlighted no instances of corruption in 2006.”</i>
Lonmin (2008, p. 42)	<i>“The report includes data on the results of whistle-blowing procedures introduced by the company as well as the outcomes of corruption-related investigations, broken down into the categories ‘No action taken’, ‘Disciplinary action taken’, ‘Criminal action taken’, and ‘Criminal and disciplinary action taken’.”</i>

Table 2: Sample employed for analysis

Region	Country	Industrial Metals	Mining	Oil & Gas	Electricity	Gas, Water & Multi-utilities	Banking	Construction	Total
Africa	South Africa	6	19	3	0	1	8	4	41
East Asia	China	4	0	6	6	0	1	0	17
East Asia	Japan	1	0	1	2	0	4	0	8
East Asia	Philippines	0	2	1	0	2	1	1	7
East Asia	South Korea	3	0	5	12	5	6	0	31
South Asia	India	5	3	2	0	0	1	2	13
Eastern Europe	Hungary	0	0	0	4	2	7	0	13
Eastern Europe	Russia	7	3	10	3	2	0	0	25
Northern Europe	Austria	0	0	2	5	3	6	2	18
Northern Europe	Finland	6	0	0	1	0	0	0	7
Northern Europe	Germany	4	0	0	0	6	9	4	23
Northern Europe	Netherlands	4	0	4	0	5	10	5	28
Northern Europe	Norway	4	0	2	2	0	1	1	10
Northern Europe	Sweden	3	0	0	5	0	0	5	13
Northern Europe	Switzerland	0	3	0	2	3	6	4	18
Northern Europe	UK	1	7	4	0	4	6	11	33
Mediterranean Europe	France	0	0	4	5	6	8	4	27
Mediterranean Europe	Italy	0	0	6	11	22	14	22	75
Mediterranean Europe	Portugal	0	0	2	3	15	9	11	40
Mediterranean Europe	Spain	2	0	6	18	18	58	40	142
North America	Canada	2	10	11	6	4	14	0	47
North America	USA	0	4	15	19	9	4	5	56
South America	Argentina	0	1	0	3	1	5	0	10
South America	Brazil	10	8	4	37	5	7	8	79
South America	Chile	1	15	2	6	8	9	1	42
South America	Colombia	0	1	2	9	3	1	2	18
South America	Mexico	0	3	3	0	1	1	3	11
South America	Peru	0	1	0	7	0	4	1	13
Australia/NZ	Australia	0	18	3	12	11	9	2	55
Australia/NZ	New Zealand	0	0	0	10	3	0	0	13
Total		63	98	98	188	139	209	138	933

Table 3: Indicators used in the analysis

Indicator	Min	Max	Mean	Std. Deviation	Indicator Definition	Source
<i>Region</i>						
Africa	0	1	0.05	0.210	Region of origin (yes/no)	www.corporateregister.com/ Corporate sustainability reports
East Asia	0	1	0.07	0.251		
South Asia	0	1	0.01	0.117		
Eastern Europe	0	1	0.04	0.198		
Northern Europe	0	1	0.16	0.368		
Mediterranean Europe	0	1	0.30	0.460		
North America	0	1	0.11	0.314		
South America	0	1	0.19	0.389		
Australia/NZ	0	1	0.07	0.257		
<i>Sector</i>						
Industrial Metals	0	1	0.07	0.251	Primary sector affiliation (yes/no)	www.corporateregister.com/ Corporate sustainability reports
Mining	0	1	0.11	0.307		
Oil & Gas	0	1	0.11	0.307		
Electricity	0	1	0.20	0.401		
Gas, Water & Multi-utilities	0	1	0.15	0.356		
Banking	0	1	0.22	0.417		
Construction	0	1	0.15	0.355		
Human Development Index	0.51	0.94	0.813	0.100		
Corruption Perceptions Index	2.10	9.40	6.301	1.987	Corruption Perceptions Index score	www.transparency.org
Number of Employees	5	1,537,000	30,856.81	101,825.3	Total number of employees	Thomson Banker/ Corporate sustainability reports
Internationalization	0	1	0.1875	0.29391	Foreign employees divided by total number of employees	Thomson Banker/ Corporate sustainability reports
Number of GRI G3 Reports	1	4	1.56	0.718	Number of GRI G3 sustainability reports published (including report at stake)	www.corporateregister.com
Number of other GRI Indicators	0	76	43.30	17.899	Number of GRI indicators addressed (excluding the three corruption-related indicators)	Corporate sustainability reports
UNGC Membership	0	1	0.38	0.486	UN Global Compact membership (yes/no)	www.unglobalcompact.org
Other Initiatives	0	1	0.15	0.354	Membership in other corruption-related initiatives (yes/no)	COST (2015); EITI (2015); PACI (2015); http://www.wolfsberg-principles.com/

Table 4: Coverage of corruption-related indicators – Results of descriptive analysis

	(n)	Total Indicators		Core Indicators		Corruption Analysis (SO2)	Corruption Training (SO3)	Corruption Responses (SO4)
		%	S.D	%	S.D	%	%	%
Total Sample	933	57.08	23.72	63.75	24.17	59.70	61.84	57.66
Industrial Metals	63	59.45	21.65	67.35	21.15	52.38	60.32	52.38
Mining	98	62.89	20.31	69.70	20.37	52.04	56.12	60.20
Oil & Gas	98	59.27	25.15	64.58	25.17	56.12	63.27	61.22
Electricity	188	61.12	23.49	66.58	23.95	62.77	61.70	57.45
Gas, Water, Multi-utilities	139	59.50	25.23	65.60	25.31	54.68	56.83	55.40
Banking	209	52.53	22.33	61.03	23.56	69.86	74.64	65.55
Construction	138	49.26	23.90	55.72	25.25	56.52	51.45	46.38
Africa	41	57.37	24.70	63.88	23.89	53.49	46.51	60.47
East Asia	63	65.38	22.17	68.97	21.09	69.84	84.13	69.84
South Asia	13	72.83	21.60	83.83	19.46	76.92	84.62	69.23
Eastern Europe	38	47.97	17.76	52.31	19.36	15.79	15.79	28.95
Northern Europe	150	48.46	22.33	58.45	24.70	53.33	56.00	53.33
Mediterranean Europe	284	61.31	22.42	69.04	22.97	72.89	66.90	66.90
North America	103	47.59	26.02	51.89	26.29	43.69	63.11	38.83
South America	173	60.85	23.69	66.11	23.70	62.43	65.90	61.27
Australia/NZ	68	57.40	21.45	62.99	20.73	51.52	51.52	48.48

Table 5: Correlation matrix

		i	ii	iii	iv	v	vi	vii	viii	ix	x	xi	xii	xiii	xiv	xv	xvi	xvii	xviii	xix	xx	xxi	xxii	xxiii	xxiv
i	Human Development Index	–																							
ii	Corruption Perceptions Index	.608***	–																						
iii	Number of Employees	-.139***	-.118***	–																					
iv	Internationalization	.179***	.303***	.098**	–																				
v	Number of G3 Reports	.001	-.027	.055	.063	–																			
vi	Number of other GRI Indicators	-.084*	-.113**	.037	-.037	.220***	–																		
vii	UNGC Membership	-.081*	-.093**	.161***	.151***	.121***	.238***	–																	
viii	Other Initiatives	.030	.099**	.087**	.284***	.039	.043	.104**	–																
ix	Africa	-.328***	-.135***	-.004	.065*	-.015	.005	-.110**	.111**	–															
x	East Asia	-.065*	-.205***	.258***	-.136***	-.055	.092**	.088**	-.088**	-.059	–														
xi	South Asia	-.311***	-.172***	-.022	-.054	-.080*	.079*	-.018	-.023	-.026	-.032	–													
xii	Eastern Europe	-.101**	-.313***	.060	-.033	-.002	-.069*	-.061	-.085**	-.045	-.055	-.024	–												
xiii	Northern Europe	.249***	.489***	-.006	.342***	-.029	-.163***	.017	.090**	-.096**	-.118***	-.052	-.090**	–											
xiv	Mediterranean Europe	.117***	-.028	-.042	-.030	.120***	.114**	.046	-.123***	-.145***	-.178***	-.079*	-.136***	-.290***	–										
xv	North America	.244***	.287***	-.017	.045	-.051	-.141***	-.122***	.144***	-.077*	-.095**	-.042	-.073*	-.154***	-.233***	–									
xvi	South America	-.370***	-.473***	-.079*	-.229***	.004	.077*	.131***	.012	-.105**	-.128***	-.057	-.098**	-.209***	-.316***	-.168***	–								
xvii	Australia/NZ	.247***	.348***	-.061	-.014	-.012	.008	-.096**	-.032	-.061	-.074*	-.033	-.057	-.121***	-.183***	-.097**	-.132***	–							
xviii	Industrial Metals	-.105**	-.070*	.019	.131***	-.026	.030	.008	.094**	.063	.064	.150***	.096**	.138***	-.159***	-.068*	-.007	-.074*	–						
xix	Mining	-.114**	.009	-.034	.159***	-.009	.090**	-.039	.144***	.275***	-.064*	.049	-.018	-.055	-.227***	.035	.097**	.124***	-.092**	–					
xx	Oil & Gas	.034	-.046	.079*	.159***	-.009	.033	.055	.292***	-.025	.089**	.019	.106**	-.036	-.090**	.169***	-.065*	-.054	-.092**	-.117***	–				
xxi	Electricity	.033	-.091**	.014	-.187***	.040	.089**	.056	-.156***	-.110**	.078*	-.060	-.009	-.111**	-.117***	.036	.187***	.091**	-.135***	-.172***	-.172***	–			
xxii	Gas, Water & Multi-utilities	.153***	.052	-.034	-.145***	-.004	.048	-.112**	-.114***	-.078*	-.029	-.050	-.025	-.011	.122***	-.023	-.060	.049	-.113**	-.143***	-.143***	-.210***	–		
xxiii	Banking	-.132***	.095**	.020	-.111**	.010	-.117***	.070*	-.085**	-.020	-.022	-.042	-.020	.031	.142***	-.042	-.078*	-.058	-.145***	-.184***	-.184***	-.270***	-.225***	–	
xxiv	Construction	-.106**	.021	-.057	.120***	-.018	-.138***	-.054	-.053	-.034	-.100**	.002	-.086**	.081*	.230***	-.099**	-.082*	-.091**	-.112**	-.143***	-.143***	-.209***	-.174***	-.224***	–

Note * $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$.

Table 6: Results of logistic regression (Indicator SO2: Corruption Analysis)

		95% Confidence Interval for exp b					
		B (SE)	S.E.	Wald	Lower	exp b	Upper
Included							
	Constant	-9.14***	2.37	14.92			
	Industrial Metals	0.827	0.428	3.722	0.987	2.286	5.294
	Mining	1.208**	0.370	10.678	1.622	3.348	6.910
	Oil & Gas	0.723	0.390	3.438	0.960	2.060	4.424
	Gas, Water & Multi-utilities	0.645*	0.319	4.079	1.019	1.907	3.566
	Banking	-0.933**	0.303	9.468	0.217	0.393	0.713
	Construction	-0.182	0.330	0.305	0.437	0.834	1.591
	Africa	0.368	0.532	0.479	0.510	1.445	4.094
	East Asia	0.377	0.425	0.789	0.634	1.458	3.351
	South Asia	-0.396	0.891	0.197	0.117	0.673	3.861
	Eastern Europe	2.486***	0.605	16.867	3.667	12.010	39.332
	Northern Europe	0.016	0.350	0.002	0.512	1.016	2.016
	North America	0.483	0.379	1.627	0.771	1.621	3.408
	South America	0.489	0.334	2.143	0.847	1.631	3.138
	Australia/NZ	0.357	0.447	0.639	0.595	1.429	3.430
	Human Development Index	1.121	1.413	0.630	0.192	3.068	48.928
	Corruption Perceptions Index	-0.112	0.091	1.502	0.748	0.894	1.069
	Number of Employees	0.000	0.000	1.906	1.000	1.000	1.000
	Internationalization	-0.010	0.374	0.001	0.475	0.990	2.061
	Number of G3 Reports	0.283*	0.134	4.467	1.021	1.327	1.725
	Other GRI Indicators	0.097***	0.007	190.556	1.087	1.102	1.117
	UNGC Membership	-0.134	0.203	0.435	0.588	0.875	1.302
	Other Initiatives	-1.241***	0.298	17.352	0.161	0.289	0.518

Note $R^2 = 0.37$ (Hosmer & Lemeshow), 0.39 (Cox & Snell), 0.52 (Nagelkerke). Model $\chi^2(22) = 457.51, p < 0.001$.

* $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$. The reference group for Sector is *Electricity* and for Region *Mediterranean Europe*.

Table 7: Results of logistic regression (Indicator SO3: Corruption Training)

		95% Confidence Interval for exp b					
		B (SE)	S.E.	Wald	Lower	exp b	Upper
Included							
	Constant	-2.053	2.298	0.798			
	Industrial Metals	0.108	0.436	0.062	1.114	0.474	2.619
	Mining	0.876*	0.363	5.816	2.400	1.178	4.891
	Oil & Gas	0.377	0.376	1.002	1.458	0.697	3.048
	Gas, Water & Multi-utilities	0.105	0.306	0.118	1.111	0.610	2.023
	Banking	-1.595***	0.305	27.308	0.203	0.112	0.369
	Construction	-0.142	0.319	0.198	0.867	0.464	1.622
	Africa	-0.157	0.533	0.087	0.855	0.301	2.427
	East Asia	-2.158***	0.548	15.517	0.116	0.039	0.338
	South Asia	-2.665**	0.994	7.189	0.070	0.010	0.488
	Eastern Europe	1.325*	0.576	5.299	3.763	1.218	11.631
	Northern Europe	0.251	0.348	0.518	1.285	0.649	2.544
	North America	-0.710	0.368	3.716	0.492	0.239	1.012
	South America	-0.956**	0.350	7.478	0.384	0.194	0.763
	Australia/NZ	0.605	0.441	1.877	1.831	0.771	4.349
	Human Development Index	3.752**	1.404	7.138	42.596	2.717	667.860
	Corruption Perceptions Index	0.084	0.093	0.805	1.087	0.906	1.306
	Number of Employees	0.000	0.000	0.496	1.000	1.000	1.000
	Internationalization	0.842*	0.359	5.493	2.321	1.148	4.695
	Number of G3 Reports	0.226	0.129	3.098	1.254	0.975	1.614
	Number of other GRI Indicators	0.086***	0.007	166.453	1.090	1.076	1.104
	UNGC Membership	-0.009	0.200	0.002	0.991	0.670	1.465
	Other Initiatives	-0.890**	0.286	9.646	0.411	0.234	0.720

Note $R^2 = 0.33$ (Hosmer & Lemeshow), 0.35 (Cox & Snell), 0.48 (Nagelkerke). Model $\chi^2(22) = 405.13, p < 0.001$.

* $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$. The reference group for Sector is *Electricity* and for Region *Mediterranean Europe*.

Table 8: Results of logistic regression (Indicator SO4: Corruption Responses)

		95% Confidence Interval for exp b					
		B (SE)	S.E.	Wald	Lower	exp b	Upper
Included							
	Constant	-7.749**	2.360	10.778			
	Industrial Metals	0.774	0.424	3.327	0.944	2.168	4.978
	Mining	0.570	0.378	2.274	0.843	1.768	3.709
	Oil & Gas	-0.055	0.395	0.019	0.437	0.947	2.054
	Gas, Water & Multi-utilities	0.263	0.327	0.647	0.685	1.301	2.473
	Banking	-0.901**	0.301	8.969	0.225	0.406	0.732
	Construction	0.178	0.333	0.285	0.622	1.195	2.295
	Africa	-.509	0.563	0.818	0.199	0.601	1.812
	East Asia	-.212	0.433	0.241	0.346	0.809	1.889
	South Asia	-.810	0.867	0.872	0.081	0.445	2.435
	Eastern Europe	0.734	0.539	1.854	0.724	2.083	5.992
	Northern Europe	0.217	0.360	0.363	0.613	1.242	2.515
	North America	1.024**	0.391	6.865	1.294	2.783	5.986
	South America	-0.385	0.349	1.221	0.343	0.680	1.347
	Australia/NZ	0.985*	0.456	4.676	1.097	2.678	6.539
	Human Development Index	1.245	1.419	0.770	0.215	3.471	55.971
	Corruption Perceptions Index	0.134	0.095	2.000	0.950	1.143	1.376
	Number of Employees	0.000*	0.000	6.413	1.000	1.000	1.000
	Internationalization	0.617	0.383	2.589	0.874	1.853	3.929
	Number of G3 Reports	0.275*	0.133	4.267	1.014	1.316	1.708
	Number of other GRI Indicators	0.104***	0.007	205.892	1.094	1.109	1.125
	UNGC Membership	0.165	0.202	0.668	0.794	1.180	1.753
	Other Initiatives	-0.739*	0.300	6.047	0.265	0.478	0.861

Note $R^2 = 0.38$ (Hosmer & Lemeshow), 0.40 (Cox & Snell), 0.54 (Nagelkerke). Model $\chi^2(22) = 476.97, p < 0.001$.
 * $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$. The reference group for Sector is *Electricity* and for Region *Mediterranean Europe*.

We would like to thank the anonymous reviewer and the editorial team once again for their careful reading of our manuscript, and their very constructive and helpful comments. Please see below for table summarizing our responses to each of the reviewer comments.

Nb	Comment	Response
1	<p>I thank the authors for their responsiveness to my earlier comments.</p> <p>This is a well written and interesting paper which I have enjoyed reviewing and which will be enjoyed by readers of Accounting Forum in coming years.</p>	<p>Thank you very much for your helpful and constructive comments during the review process.</p>
1.1	<p>(1) It strikes me re-reading your paper that it may fit the embryonic literature on silence. The greater the likelihood of corruption the more silent are companies in communicating their anti-corruption engagement. A reference to the literature on silence and one or two citations might position your paper well (e.g., Buhr, 1998, 2001, Chwastiak and Young, 2003; Stittle 2002).</p>	<p>Thank you for this valuable suggestion. We now refer to this emerging body of literature in the discussion section and briefly in the conclusions.</p>
1.2	<p>(2) Page 17, Line 22: Where did you source the data for the Human Development Index scores?</p>	<p>We have added this reference (UNDP, 2015).</p>
1.3	<p>(3) Page 22, Line 60: The acronym BPI is used on page 22 and page 23 but what BPI stands for is not explained until page 28.</p>	<p>We now introduce the acronym on page 15 (as the Bribe Payers Index is mentioned here for the first time).</p>
1.4	<p>(4) References: can you double check the references please. For example, the reference Sikka (2010) does not follow the style guidelines of Accounting Forum.</p>	<p>Apologies for this oversight. We have reformatted Sikka (2010) and carefully checked the reference list.</p>
1.5	<p>(5) Table 1: some of the extracts do not look accurate. For example, ".corruption In 2008- 0% ". Is "In" capitalised in the original? Also "- 0%" looks odd. For example, ""Anglo American's does" is there a word missing here? I don't understand the possessive "American's". The layout of the illustrative example from ACEA's doesn't look right.</p>	<p>We have corrected these. They were typographical errors in the original reports. We changed them gently to what (we can safely assume) the authors would have written had they been aware of having made an error. We don't think there is an apostrophe needed in "All Horizon Utilities employees ...". We would not put one either in e.g. "all Shell employees</p>

	Are there hard returns in the example that need to be removed? For example, "All Horizon Utilities [NO APOSTROPHOHE INDICATING THE POSSESSIVE?] employees."	..."
1.6	(6) Table 2: How is Switzerland in Northern Europe?	Such classifications, although useful, are sometimes not straightforward. While we do accept your point, we decided not to change the classification of Switzerland. Pragmatically, a fuller category title like "Northern and Central Europe" would have made the text more unwieldy. Also, geographically speaking most of Switzerland is north of the Alps rather than south of them.
1.7	(7) Table 2/Table 4/Table 5 & Table 3: The nine regions are labelled and sequenced differently in Table 2 and Table 3. The different labelling will confuse some readers. The variation in sequencing is annoying for readers. This comment also applies to subsequent tables.	We have changed labels and sequencing in all tables in order to address the points you have raised.
1.8	(8) Table 2 & Table 4 & Table 5: why are the seven industrial sectors sequenced differently in Table 4 compared with Table 2? This comment also applies to subsequent tables.	We have changed labels and sequencing in all tables in order to address the points you have raised.
1.9	(9) Table 2 and Table 4: Why don't the numbers tally between Table 2 and Table 4? For example, Africa Table 2 41 Table 4 43; For example, Australia/NZ Table 2 68 Table 4 66, etc?	Apologies – this has now been corrected in Table 4. Labels and subsample sizes had been copied from a previous version of that table – including a coding error that has been corrected in the meantime. We have carefully checked all Tables and data as part of the revisions.
1.10	(10) Table 2 and Table 5: why are the variables sequenced differently in Table 5?	We have changed labels and sequencing in all tables in order to address the points you have raised.
1.11	(11) Table 5 and Table 6/Table 7/ Table 8: why are the variables sequenced differently in Table 5 and Table 6/Table 7/ Table 8?	We have changed labels and sequencing in all tables in order to address the points you have raised.
1.12	(12) Table 6/Table 7/ Table 8: Will all readers understand what is meant by "CI" and "exp b" in this table?	Thank you for this comment. 'CI' stands for confidence interval; we have written this out in the revised version. 'exp b' stands for the exponentiation of coefficient B (which is also listed in Tables 6-8). Both of these are

		commonly reported elements of logistic regression analysis.
1.13	(13) In order to add value to the authors from my review, I note a few gremlins I spotted as I read the paper as follows (I recommend a final thorough proofread of the paper):	Thank you very much for your careful reading of the manuscript. We have addressed all of these points and carefully proofread the manuscript.
1.13.1	Page 4, Line 20: "Tanzi, 1995: [REPLACE COLON WITH "p."] 161; search paper for colons and other similar incidents	This has been corrected.
1.13.2	Page 6, Line 14: "Corruption is an important topic for accounting and accounting scholars."	This has been corrected: "Corruption is an important topic for management and accounting scholars".
1.13.3	Page 7, Line 18: A third group of studies statistically examines the link between the level of corruption in a country and various socio-economic and cultural factors but also [INCLUDING?] the quality of accounting.	We have changed this sentence accordingly.
1.13.4	Page 10, Line 25-27: "note, however, the critique that there may be a Western bias in defining and measuring corruption, see e.g. de Maria, 2008)". Is this phrase repeated word for word in Footnote 2?	Thank you for this point which has also been corrected – we have deleted the footnote.
1.13.5	Page 12, Line 50: "Such geographic luck provides rent-seeking corrupt government [GOVERNMENTS PLURAL?]"	This has been corrected.
1.13.6	Page 17, Line 31: "Both of aspects." IS THERE A WORD MISSING HERE?	This has been changed into: "Both of these aspects".