ESSAYS ON ANTI-CORRUPTION DISCLOSURE

DRAFT PROJECT

PHD Management Sciences

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INTRODUCTION

This research project will consist on several essays concerning the issue of corporate anti-corruption disclosure (hereafter ACD). It is deemed that these essays answer the following questions:

ESSAY 1

What do companies disclose concerning their anti-corruption practices?

Are country, industry and company characteristics related to the level of ACD?

ESSAYS 2 and 3:

To what extent external pressures influence the level of ACD:

ESSAY 2: Does belonging to the United Nations Global Compact (UNGC), a global CSR movement, have an impact on ACD?

ESSAY 3: How does ACD change in response to corruption scandals?

Corruption is a serious economic, social, political and moral blight which affects companies in particular, especially in international commerce finance and technology transfer (Argandoña, 2007)

Several institutions believe that the degree of reporting on anti-corruption is a strong indicator of the quality and comprehensiveness of a company’s efforts in addressing bribery and corruption (TI, 2009; UNGC, 2009). Nevertheless, studies on ACD are few, non-academic, and have relied mostly on the companies’ practices with little emphasis on the factors explaining this type of disclosure.

Understanding which information firms disclose and why is useful to both preparers and users of accounting information, as well as to accounting policy makers (Meek et al., 1995). Understanding the factors influencing corporate social disclosure is relevant to those who want to see improvements in the relevance, completeness and objectivity of such information (Adams et al., 1998, p. 13).

Thus we believe that research on this field could be interesting, justifiable and useful.
LITERATURE REVIEW

Corporate Social Responsibility and Corruption

In academic debates and business environments hundreds of concepts and definitions have been proposed referring to a more humane, more ethical, more transparent way of doing business (van Marrewijk, 2003).

The European-Commission (2006) defines Corporate Social Responsibility (hereafter CSR) as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." Several approaches have been made in the search for a definition of CSR (see for example the different approaches of (Carroll, 1979; van Marrewijk, 2003; O'Dwyer, 2003; Dahlsrud, 2008).

Today CSR definition is far from being unique; rather it competes with complementary and overlapping concepts such as corporate citizenship, business ethics, stakeholder management and sustainability (Carroll and Shabana, 2010). Carroll (1979), one of the most recognized scholars in this discipline, conceptualized CSR in four different categories concerning the business fulfillment of economic, legal, ethical and philanthropic responsibilities.

Traditionally CSR is related to issues such as environmental protection, health and safety at work, relations with local communities and relations with consumers. It was only in June 2004 that the fight against corruption was added as the 10th principle of the United Nations Global Compact (UNGC), and only in 2002 was this issue included in the Global Reporting Initiative (GRI), two important global CSR movements. Countering bribery criteria were introduced in the FTSE4Good criteria only in 2005-2006 (FTSE Index Company, 2006). One might conclude that combating corruption in all its forms has now become an integral part of CSR policies but the reporting on anti-corruption practices is still scarce compared to other CSR issues.

Some authors advocate the benefits of corruption using the argument that it may raise economic growth both because “speed money” is a way to avoid bureaucratic delay and also due to the harder work of the bureaucrats once they are given the opportunity to receive a money if bribes act as a piece rate (Mauro, 1995). Some have also suggested that corruption
may create an opportunity for firms to overcome problems related to entering foreign markets as a way of ensuring legitimacy (Ahlstrom et al., 2008). Corruption is many times justified as a mean to greater goal of creation of economic value and as unpleasant but necessary response to the weakness and venality of governments (Rose-Ackerman, 2002).

Nevertheless, most authors agree that corruption is a cancer that destroys companies and society. According to Hills et al. (2009), besides being a bottom line issue that affects company’s ability to compete, corruption cheats disadvantaged populations by diverting resources for critical services like education, clean water, and health care into the pockets of dishonest government officials. These authors argue that corruption is very negative for business as it brings operational costs through the company value chain, legal and competitive risks.

Unlike environmental aspects, which have been widely analyzed (Hibbit, 2004), little research has been conducted about firms’ disclosure of information on anti-corruption practices and most of it is produced by practitioners and semi-practitioners and are no academic (see some examples in Appendix 1).

Corporate Social Disclosure (CSD) and Anti-corruption Disclosure (ACD)

The reporting on CSR, also referred to as Corporate Social Disclosure (CSD), has been increasing over time. In 2008, 80% of the Global Fortune 250 (G250) companies issued separate corporate CSR reports (KPMG, 2008). The rate of reporting among the largest 100 largest companies by revenue (N100) in 22 countries is 45 percent on average, with the highest numbers in Japan (88 percent) and the UK (84 percent) (KPMG, 2008).

Increased expectations for disclosure have resulted from a number of factors such as public outcry over high profile corporate scandals; growing prevalence of reporting mechanisms such as the OECD initiatives, the Global Reporting Initiative (GRI), triple bottom-line reporting; and increased regulatory oversight, such as the Sarbanes–Oxley Act (Dawkins and Fraas, 2008).

Initially CSD was focused mainly on environmental issues. In fact, only after 1999 has CSD started to be a true social, environmental and economic reporting (KPMG, 2008). Since then other components of CSR started to gain relevance but only recently has corruption figured among this issues. Nevertheless, several institutions believe that the degree of reporting on
anti-corruption can be a strong indicator of the quality and comprehensiveness of a company’s efforts in addressing bribery and corruption (TI, 2009; UNGC, 2009).

Novethic (2006) performed a study on ACD within the CAC 40 companies in 2004 and 2005. This study revealed that 80% of the companies issued incomplete information and only 20% provided substantial information on their public reports. Also, according to this study, companies which produced more information were those belonging to the most sensitive sectors (hydrocarbons, armament, utilities and major equipments).

Gordon and Wynhoven (2003) analyzed the materials published on the websites of the UNCTAD’s list of top 100 non financial multinational enterprises in order to understand their view on corruption as well as their management and reporting practices. According to this study only 43 of the companies investigated presented anti-corruption material on their websites, while 90% of reported on environmental issues. This report also showed that information disclosure varied between countries and sectors (highest emphasis of extractive industries). Most importantly, an analysis was performed on anti-corruption management practices disclosed by those companies: 77% reported to have whistle-blowing facilities, 72% accurate record keeping and 63% contained threats of disciplinary action.

TI (2009) studied the disclosure of anti corruption practices by the Forbes Global 250 companies concerning related overall strategy, policies and management systems. The main conclusion was that companies often report high-level strategic commitments to anti-corruption but they do not always report on the necessary support systems required to meet these commitments. Also relevant is the fact that scores were higher on strategy and policy then on management policies which might mean that firms communicate intentions but not actions.

According to Hess (2009), disclosure on corruption serves multiple goals, both internal and external: it helps to provide accountability with respect to performance raises public awareness and pressures other similar companies to adopt the principles and also disclosure should work to serve the goal of the organization learning. ACD is a way to ensure that managers are held accountable to the public. Furthermore, disclosures are a means to help one understand what works in the combat against corruption and which developments are most needed. Wilkinson (2006) points out several aims, issues and challenges can be identified concerning the disclosure on anti-corruption practices (Figure 1).
The few recent studies on ACD referred above show that, overall, such reporting is not satisfactory. Some authors consider that corruption is still a neglected social issue among CSR priorities (Hills et al., 2009). Others argue that CSR issues with a potentially large impact on market functioning, such as corruption, should get a more prominent place on the CSR agenda (Weyzig, 2009).
THEORY

In these essays we will use legitimacy and stakeholder theories to formulate the hypothesis and to analyze the results of the empirical work performed.

Legitimacy theory and stakeholder theory are both systems theories, built on the bourgeois variant of political economy theory (Figure 2). Political economy theory recognizes explicitly that conflict exists between the various existing groups in society (Deegan, 2002) and thus also between companies and its stakeholders. According to political economy theory economics, politics and society are inseparable. PET has two main variants, the classical and the bourgeois. The classical variant views CSR as a means to legitimize companies in the capitalist system while the bourgeois variant supports the idea that social disclosure is a function of social and/or political pressure and companies facing greater pressure will provide more extensive report (Branco and Rodrigues, 2007).

Figure 2 - Systems Based Theories of Corporate Social Reporting (Purushotaman et al., 2000)

Proponents of legitimacy theory state that firms exist as part as a broader system and are only allowed to operate if they considered legitimate by its constituents (Deegan, 2002). Inherent to the concept of legitimacy is the idea of “social contract” between the company and the overall society. The contract terms/clauses are of diverse nature. As Newson and Deegan (2002) suggest some of the terms are explicitly stated, for instance in the form of legal agreements, while others are implicit and embedded in the society’s expectations.
The contract may be revoked if society perceives that the company’s acts are not according to its expectations (Deegan, 2002; Dowling and Pfeffer, 1975).

Within this view of the world companies do not have a self right to resource use nor to exist. They are dependent on the society’s approval. Legitimacy theory thus suggests that disclosure is dependent upon the company’s need to be perceived as legitimate and is function of the exposure to public pressure in the social, political and economic environment (Gray et al., 1995a; Lindbloom, 1994). Social disclosures are one of the methods used by companies to communicate and influence their “relevant publics” (Patten, 1992). Companies facing increasing exposure would be expected to have higher degrees (higher extension) of disclosure. According to Lindbloom (1994) and Dowling and Pfeffer (1975) companies seeking to gain or maintain legitimacy have an incentive for disclosure as a way to influence societal perceptions.

Several authors proclaim the difference between legitimacy and legitimation. Legitimacy is the condition or status which exists when an entity’s value system is congruent with the larger social system of which the company is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity’s legitimacy (Dowling and Pfeffer, 1975, p.122). Legitimacy may thus be the process or the status and legitimation underlies that status (Lindbloom, 1994, p. 12).

The classical economic model considers legitimacy within a market-based approach in that firms are rewarded with legitimacy if they fulfill their utmost objective of achieving high profits (Abbott and Monsen, 1979). But, as Patten (1991) refers, since the general public confidence in business started decreasing and market/profit became poor measures for social performance new approaches arrived, more associated with pressures regarding public policy. Under this new approach company’s social disclosures are considered to have an impact on public policy.

Legitimacy is considered a dynamic concept (Lindbloom, 1994). External perceptions of company legitimacy may change in result of specific events (Patten, 1991) or changes in the community’s expectations (Lindbloom, 1994), so it is expected that a firms legitimizing actions also change.
Building on Dowling and Pfeffer (1975) arguments, Lindbloom (1994) argues legitimation actions may be used:

- as a means to bring the organizations’ outputs, models and methods into conformity with popular views. This alternative may mean that companies are trying to fill a legitimacy gap and have the objective to educate and inform the relevant publics of the appropriateness of its outputs, models and methods;
- to inform the public that outputs, models and methods are appropriate, even though no legitimacy gap exists. Here the company is not reacting to a legitimacy gap but rather changing perceptions of the relevant publics;
- to identify organizational output, methods and goals with the relevant publics’ perception of appropriateness. Under this view the company may become associated with symbols that have the legitimacy status (for instance inviting persons with high legitimate status for boards) and thus the intent is not to educate the relevant publics but to manipulate perceptions;
- to bring popular views into conformity with the companies organizational output, methods and goal. Here education and information are the main objectives, not as a means to overcome legitimacy gaps, but as a strategy to meet expectations. Information is also not completely unbiased as it serves a specific objective.

A company may engage into legitimacy strategies both in a proactive or reactive way (Lindbloom, 1994) and the specific manager’s reactions to legitimacy gaps are a result of their own perception of the legitimacy perceived by the relevant publics (Deegan, 2002). Nevertheless, changes in company’s actions or strategies must always be communicated in order to change those perceptions. Disclosure is thus a central issue in managing legitimacy.

Prior research does not prove consistency in support for legitimacy theory (Wilmshurst and Frost, 2000). Some authors have proved the relevance of this theory to explain social disclosure (see for instance Patten, 1992, concerning environmental disclosures) while others didn’t (for instance Guthrie and Parker, 1989).

Legitimacy’s theory boundaries are not always easy to define as this theory is complementary with other theories. Adams et al. (1998) and Gray et al. (1995b) are examples of authors that argue that legitimacy alone is not able to explain CSD.
Gray et al., (1995b) defend that stakeholder and legitimacy theories are overlapping perspectives within a social political view of the world. Stakeholder’s theory focuses more on the economic motivations to disclose and legitimacy theory on the social perspective of disclosure (Purushotaman et al., 2000).

Stakeholder theory is based on the concept that companies have several stakeholders interested in the activities and decisions of the company. Deegan (2002), claims that there are two main branches in stakeholder theory, the ethical (or normative) and the managerial (or positive). While the ethical branch views disclosure as a duty of the company, and so consists mainly in prescriptions on how the company should comply with stakeholders need for information, the managerial branch highlights the need to manage stakeholders expectations (Deegan, 2002). Under the first branch disclosure is seen as an ethical obligation towards the various stakeholders and under the second as a way to manage their perceptions of the company. Central to the legitimacy theory is the concept of the company’s constituents or relevant publics (Lindbloom, 1994) and stakeholder theory might help to identify these relevant groups (Deegan, 2002). According to stakeholders theory stakeholders have different needs concerning information about the company and so the pressure they put upon the company differs (Deegan, 2002).

Legitimacy and stakeholders theories will be used to analyze the results of the empirical studies. This approach follows an interpretive paradigm while considering “the existence of a social world and a pluralistic set of users of CSR (Tilt, 1994, p. 48).
DETAILED RESEARCH QUESTIONS AND HYPOTHESIS

This research will focus mainly on trying to understand the nature, extent and motives of ACD internationally (ESSAY 1). We’ll also investigate changes in disclosure due to increased pressure originating from pertaining to a specific pressure group (ESSAY 2) and due to the occurrence of a threatening event (ESSAY 3).

In this chapter detail on the research questions is presented. Specific methodological issues are covered in the next chapter.

ESSAY 1

RESEARCH QUESTION 1 - What do companies disclose about their anti-corruption practices internationally?

RESEARCH QUESTION 2 - Are country, industry and company characteristics related to the level of ACD?

This essay aims at understanding international anti-corruption disclosure practices not only in terms of what is disclosed but also why. Hypothesis will be formulated and empirical results will be interpreted using legitimacy and stakeholder theory.

For this empirical study, as for the other studies presented in this thesis project, our dependent variable will be an Index on Anti-Corruption Disclosure (ACDI). This index is further detailed in the next chapter dedicated to the research methodology.

Concerning the independent variables, company disclosure is a complex process influenced by factors from a broad range of social systems: cultural, political, economic and corporate (Archambault and Archambault, 2003). In the following pages specific country, industry and company/sector independent variables which will be used in our study. Finally a regression model and detailed measures for independent variables are shown.
COUNTRY INFLUENCE

At the national level, there may be a number of unique local conditions that shape endorsement of CSR (Baughn et al., 2007). Whether systematic relationships between CSD and the reporting country exist is open to question (Hackston and Milne, 2000). Nevertheless, several studies found a positive relation between country and the level of CSD (see for example (Newson and Deegan, 2002).

Concerning corruption itself several studies relate it to the level of economic development, political and civil freedom (Svensson, 2005). But what about the reporting on anti-corruption practices? Which country, industry and company factors influence ACD? According to TI (2009) some countries report more than others but no research in the motives for that is yet known.

Development

Salter (1998) finds that on average firms general disclosure is higher in developed countries than in emerging markets, which may be due to the fact that higher levels of wealth per capita empowers stakeholders, as consumers and employees, thus leading to increased pressures on company’s CSR activities (Ramasamy and Ting, 2004) and an increased need for legitimacy. Several authors contend that there is a positive relation between GDP per capita and both CSR activity (Baughn et al., 2007) and communication (Lattermann et al., 2009). But this
relationship is far from being consensual as some authors found no relation between the two variables, CSD and development (see for instance Chapple and Moon, 2005).) As a component of CSR we expected that:

H1: Firms from countries with higher GDP per capita have higher ACD levels

**Economic Freedom**

There is evidence that economic freedom encourages corruption (Nwabuzor, 2005), but, at the same time economic freedom seems to encourage both CSR activities (Baughn et al., 2007) and general disclosure (Belkaoui, 1983). This argument seem to be in line with legitimacy theory in that increasing economic freedom would lead to more corruption which in turn would increase the firms need to incur in legitimacy practices, such as increasing disclosure. Thus, concerning ACD we hypothesize:

H2: Firms from countries with higher Economic Freedom have higher ACD levels

**Country Corruption Perception Level**

Based on a study in 104 countries, Baughn et al. (2007) argue that government corruption is a strong predictor of CSR activity. These authors found a negative relationship between the country corruption perception level and global CSR activity. We could then argue that a negative relation would also be expected between country corruption perception level and ACD. On the other hand, under legitimacy theory, companies operating in countries perceived to be more corrupt could have a greater need to communicate their ethical conduct to their stakeholders and therefore make additional ACD as a means to increase legitimacy. To understand the relation between country corruption level and ACD we hypothesize:

H3: Firms from countries with higher corruption perception indexes have higher ACD’s
Political/Civil Freedom

The ability of several stakeholders (employees, citizens and NGO’s) to pressure firms against the private abuse and public mismanagement is a function of the degree of political freedom and rights (Baughn et al., 2007). Thus, the more political/civil freedom the more pressures firms will face and the more probable it is for them to engage into legitimizing actions. Thus we hypothesize that:

H4: Firms from countries with more political/civil freedom have higher ACD levels

Adams et al. (1998) argue that, given globalization, country and culture specific factors weight less than industry and company related factors, concerning both CSR and CSD.

INDUSTRY INFLUENCE

According to Gray et al. (1995) studies are not clear or consistent enough to determine the precise industry effects on CSD. The nature of a company’s industry has been identified by many authors as a factor affecting CSD practices (Hackston and Milne, 1996; Lattemann et al., 2009; Adams et al., 1998; Patten, 1992) while other researchers found no relation (Purushotaman et al., 2000). Industry and size are often used as proxy’s for social visibility. Studies on CED have shown that companies from industries whose manufacturing process has a negative influence on the environment tend to disclose more CED information than other industries (Reverte, 2009). Concerning ethical issues (Adams et al., 1998) found no relation with industry affiliation.

Clarke and Gibson-Sweet (1999) argue that stakeholders´ power will vary across sectors and consequently so will the companies legitimizing actions. The social visibility argument of legitimacy theory claims that companies in more socially-sensitive industries will suffer more pressure from social activist groups (Branco and Rodrigues, 2007).

Regarding corruption, seven industries have been identified as higher risk: Oil & Gas Operations, Basic Materials, Aerospace & Defense, Capital Goods, Construction, Telecommunication services and Utilities (TI, 2009). Past studies have shown that companies from higher risk sectors disclose more on their anti-corruption practices. According to TI (2009) some higher risk sectors have better ACD than average but other high risk sectors, as
Construction and Capital Goods don’t. Also, Gordon and Wynhoven (2003) argue that extractive industries globally report more. Concerning ACD we hypothesize:

H5: Firms from higher risk industries have higher ACD levels

COMPANY INFLUENCE

Size

Company size is also a usual proxy for social visibility (Patten, 1991; Branco and Rodrigues, 2008). Several studies relate CSD and company size (see for example (Hackston and Milne, 1996; Belkaoui and Karpik, 1989; Lattemann et al., 2009; Adams et al., 1998; Lentz and Tschirgi, 1963). Legitimacy and stakeholder theories both contain arguments for a size-disclosure relationship (Adams et al., 1998): larger corporations have a bigger effect on community and usually a larger group of stakeholders influencing and pressuring the corporation (Hackston and Milne, 1996; Reverte, 2009) so voluntary disclosures could avoid increased regulations and political costs (Gray et al., 1995). Also, larger firms are more politically visible and so are expected to more easily engage in legitimizing behaviors (Haniffa and Cooke, 2005). For larger firms a passive or negative behavior response is unlikely a successful strategy given their higher social exposure (Artiach et al., 2010). Besides the visibility argument, Lentz and Tschirgi (1963) defend that larger companies diverge more from the profit focus and be more concerned with concepts of trusteeship. Still, not all studies support this relation between CSD and size (Ramasamy and Ting, 2004). Concerning ACD we hypothesize:

H6: There is a positive relationship between firm size and ACD

International Experience

Companies from leading exporting countries are more likely to pay or offer bribes to win or retain business, that is, to engage in corruption practices (TI, 2009) but simultaneously international experience encourages companies towards sustainable development (Bansal, 2005). Several authors argue that disclosure is positively related to the level of foreign sales
(see for example Archambault and Archambault, 2003; (Chapple and Moon, 2005)). Thus, concerning ACD, we hypothesize:

H7: There is a positive relation between company level of international experience and ACD

**Global Compact Membership**

Studies on global reporting are scarce and few studies have yet examined whether or not the UN Global Compact is actually leading to the desired effect on firm CSR behavior (Chen and Bouvain, 2009). According to TI (2009), UNGC signatories have slightly more publicly available information in terms of policy and management systems related to anti-corruption than other companies, but regarding reporting itself, patterns were similar for UNGC and non-UNGC signatories. Engaging in associations with symbols of legitimacy is considered a relevant legitimizing strategy (Lindbloom, 1994). Concerning ACD we hypothesize:

H8: There is a positive relation between being a UNGC signatory and the level of ACD.

**Corporate Governance influence**

Aguilera et al. (2006) contend that CG and CSR concepts should be integrated as good corporate governance provides the foundations for good CSR. Pfeffer and Salancik (1978), for instance, advocate that governance structures, as the composition of the board, strongly influence the company’s reputation and its ability to survive. Some authors show that corporate governance is correlated with voluntary disclosure (see for example Xiao and Yuan, 2007; Lattemann et al., 2009; Haniffa and Cooke, 2005). Although a considerable amount of studies have been performed on CSD only a few have actually examined the relationship between CSD and CG (Adams, 2002) and none relating CG to ACD is yet known.

**Proportion of Independent Board Members**

Cheng and Courtenay (2006) advocate that boards with a higher proportion of independent directors have significantly higher levels of voluntary disclosure than firms with balanced boards. Most of the research concerning the relation between CSD and the issue of board
independence is built on agency theory or political cost theory. Nevertheless, building on Lindbloom (1994) arguments, an increased proportion of independent board members may itself be perceived as a legitimacy strategy. Patten (1991) calls this form of legitimating co-optation. Following this line, one could argue that boards with lower proportion of independents would be expected to have higher legitimacy gaps and thus higher need for disclosure as a means to manipulate perceptions. Concerning ACD we hypothesize:

**H9**: Companies with lower proportion of independent board members have higher levels of ACD

**Ownership concentration**

The ownership structure “determines the level of monitoring and thereby the level of disclosure” (Eng and Mak, 2003, p.326). In widely held companies the issue of public accountability may be more relevant and thus companies may have an additional incentive to perform social activities and communicate them to their stakeholders (Ghazali, 2007), thus legitimizing their behavior. Accordingly, ownership concentration may lead to a lesser need for legitimizing behaviors. So we hypothesize:

**H10**: Firms with lower ownership concentration have higher ACD.

**Government ownership**

Governmentally owned companies are companies indirectly owned by the public at large (Ghazali, 2007). State owned companies may need to incur both in additional social activities and in additional disclosure as a means to legitimize their existence (Ghazali, 2007). Empirical research by Eng and Mak (2003) and Ghazali (2007) showed that lower significant government ownership is associated with higher voluntary disclosure. But not all studies prove this relation. An empirical study performed on Chinese listed companies by Huafang and Jianguo (2007) found no relation between corporate disclosure and state ownership. Thus we hypothesize:

**H11**: Firms with government ownership have higher ACD.

**H12**: Firms with higher government ownership have higher ACD.
Following Eng and Mak (2003), we will search for the influence of government ownership and the extent of that ownership.

**Management ownership**

Following the same reasoning one could argue that management ownership could lead to legitimacy gaps which the company could fulfill by increasing general CSD and also ACD. This legitimacy gap seems reinforced by the current economic crisis and all the debate concerning the need for increased independence and transparency. So we hypothesize:

H13: Firms with higher management ownership have higher ACD.

**Control variables**

**Profitability**

According to Patten (1991), the extent of social disclosure is related to public pressure but not to profitability. But empirical evidence is inconclusive, concerning the relationship between profitability and CSD. Some researchers found a positive relation between profitability and CSR disclosure (for instance Patten, 1991; Belkaoui and Karpik, 1989) while others found no relation (Purushotaman et al., 2000). Stakeholders theory advocates that companies performing well disclose more than companies with weaker performance. So we hypothesize:

H14: Firms with higher profitability will have higher ACD

**Leverage**

Leverage is considered a measure of the power of firm’s financial stakeholders to pressure firms towards increased social disclosure and is used by many authors as a control variable concerning CSD (Branco and Rodrigues, 2008; Belkaoui and Karpik; Stanwick and Stanwick, 1998; Haniffa and Cooke, 2005).

H15: Firms with higher leverage will have higher ACD
RESEARCH METHODOLOGY

Data

A total of 475 firms of Forbes 2000 will be analyzed. Given the goal of making an international comparison, companies will be selected for the analysis using the following criteria:

- Pre-selection of countries with more than 25 firms in Forbes Global 2009. According to this criteria the following 18 countries will be analyzed: Australia, Brazil, Canada, China, France, Germany, Hong Kong/China, India, Italy, Japan, Russia, South Korea, Spain, Sweden, Switzerland, Taiwan, United Kingdom, United States
- For each of those countries select the top 25 firms according to sales volume, which totals 475 companies (following Adams et al., 1998)
- Select only companies with sustainability and annual reports available for 2009;
- Select only companies with data available on the web and in English language (this is consistent with several past studies).

Several authors’ researching in CSD use large companies for empirical studies based on the arguments that they are more socially visible and attract more stakeholders scrutiny and thus incur in more CSR activities and disclosure (Bansal, 2005). Databases as Fortune 500 and Forbes 2000 have also been chosen by many authors as valid sources of data (Figure 3).

<table>
<thead>
<tr>
<th>Data source</th>
<th>Additional details</th>
<th>Authors</th>
</tr>
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<tr>
<td>Fortune Global 500</td>
<td>156 companies higher visibility sectors / no justification</td>
<td>Patten (1991)</td>
</tr>
<tr>
<td></td>
<td>111 companies listed in Fortune Global 500 + additional criteria</td>
<td>Stanwick and Stanwick (1989)</td>
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<td></td>
<td>First half of Fortune Global 500</td>
<td>Kol (2007)</td>
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<td>BRIC's companies in Forbes 2000</td>
<td>Li et al (2010)</td>
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<td></td>
<td>100 largest listed South Africa + 100 top Fortune Global (2006)</td>
<td>Dawkins and Ngunjiri</td>
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<td>33 Indian and 35 Chinese companies in Forbes 2007</td>
<td>Latteman et al. (2009)</td>
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<td>Other criteria for large companies</td>
<td>400 Companies in Times 1000</td>
<td>Adams (2002)</td>
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<td>Top 25 companies of countries previously selected</td>
<td>Adams et al. (1998)</td>
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<td>500 top companies within AFBI associations</td>
<td>Guthrie et al. (2008)</td>
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<td>168 major international companies on UN Center of Transnation Fekrat, Inclan and Petroni (1996)</td>
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<td></td>
<td>Top listed companies in UK, USA, Australia and Germany</td>
<td>Chen and Bouvain (2008)</td>
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<td></td>
<td>50 largest listed companies in UK, USA and Australia</td>
<td>Guthrie and Parker (1989)</td>
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Figure 1 - Examples of Data Sources
Research instruments and scoring method

Explained in the following section, common to the three essays proposed in this PhD project.

REGRESSION MODEL

The following model will be used:

\[ \text{ACD} = \beta_0 + \beta_1 \text{DEVL} + \beta_2 \text{ECFREE} + \beta_3 \text{CORRP} + \beta_4 \text{CIVFREE} + \beta_5 \text{IND} + \beta_6 \text{SIZE} + \beta_7 \text{IEXP} + \beta_8 \text{GCOMP} + \beta_9 \text{IND} + \beta_{10} \text{OWNC} + \beta_{11} \text{GOVOWN} + \beta_{12} \text{GOVLEV} + \beta_{13} \text{LIOWN} + \beta_{14} \text{MOWN} + \beta_{15} \text{PROFIT} + \beta_{16} \text{LEV} + \varepsilon \]

Detail on variables, measurement method and data source presented in the next page, in Figure 2.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Measure</th>
<th>Predicted Sign</th>
<th>Source</th>
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<td>ACD Index</td>
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<td>Total score</td>
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<td><strong>Independent variables</strong></td>
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<td>DEVL</td>
<td>Economic Development</td>
<td>GDP per Capita (purchasing power parity)</td>
<td>+</td>
<td>World Bank, 2009</td>
<td>Baughn et al., 2007; Lattemann et al., 2009</td>
</tr>
<tr>
<td>ECFREE</td>
<td>Economic Freedom</td>
<td>Level of Economic Freedom</td>
<td>+</td>
<td>Heritage Foundation Index, 2004</td>
<td>Baughn et al., 2007</td>
</tr>
<tr>
<td>CORRP</td>
<td>Country Corruption Level</td>
<td>Country Corruption Perception</td>
<td>+</td>
<td>TI Corruption Perception Index, 2009</td>
<td></td>
</tr>
<tr>
<td><strong>Company/industry related</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IND</td>
<td>Industry</td>
<td>1 if the company belongs to a high risk sector; 0 if otherwise</td>
<td>+</td>
<td>Forbes 2000 (2009)</td>
<td>Patten, 1991</td>
</tr>
<tr>
<td>IEXP</td>
<td>International experience</td>
<td>Company Exports / Total sales</td>
<td>+</td>
<td>Annual Report, 2009</td>
<td>Bansal, 2005; Meek, Roberts and Gray, 1995</td>
</tr>
<tr>
<td>GCOMP</td>
<td>Global Compact</td>
<td>1 if the company is a GC signatory; 0 if otherwise</td>
<td>+</td>
<td>UN Global Compact, 2009</td>
<td>-</td>
</tr>
<tr>
<td>IND</td>
<td>Proportion of independent directors</td>
<td>Number of Independent Directors / Total number of Directors</td>
<td>-</td>
<td>Annual Report, 2009</td>
<td>Chen and Jaggi, 2000;</td>
</tr>
<tr>
<td>OWNC</td>
<td>Ownership concentration</td>
<td>Proportion of ordinary shares held by the largest 10 shareholders</td>
<td>-</td>
<td>Annual Report, 2009</td>
<td>Haniffa and Cooke, 2002; Ghazali, 2007</td>
</tr>
<tr>
<td>GOVOWN</td>
<td>Government Ownership</td>
<td>Coded as 1 if there is government-linked (20% ownership or more) and 0 if company is not</td>
<td>+</td>
<td>Annual Report, 2009</td>
<td>Haniffa and Cooke, 2002; Ghazali, 2007</td>
</tr>
<tr>
<td>MANG</td>
<td>Management Ownership</td>
<td>Proportion of ordinary shares owned by CEO and Executive Directors</td>
<td>+</td>
<td>Annual Report</td>
<td>Haniffa and Cooke, 2002</td>
</tr>
<tr>
<td>LEV</td>
<td>Leverage</td>
<td>Total debt/Total Assets</td>
<td>+</td>
<td>Annual Report</td>
<td>in Branco and Rodrigues, 2008; Bellaviti and Karpik, 1989; Stavastick and Stavastick, 1999; Haniffa and Cooke, 2005</td>
</tr>
</tbody>
</table>

Figure 2 - Detail on independent variables
RESEARCH QUESTION 2 - Does belonging to the United Nations Global Compact have an impact on ACD? *(WORK IN PROGRESS)*

Companies may enlist international CSR movements for many reasons. Among these reasons are the needs to enhance reputation and achieve external legitimacy. Becoming associated with symbols is a frequent and relevant strategy for acquiring legitimacy (Lindbloom, 1994) and studies have shown that acquiring external legitimacy does have an impact on firms survival (Singh et al., 1986). But do companies which enlist in a global CSR movement actually increase their CSR activity and communication or remain passive embracing the mere advantages of the association with a legitimate external entity? Additional disclosure after membership may be indicate that these global movements actually contribute to increased transparency and sustainability, even if they are a result of companies’ an attempts to build, maintain or regain legitimacy.

In this essay we aim to investigate whether enlisting the UN Global compact, considered by many the “largest and most ambitious institution” (Vormedal, 2005, p.9) for promoting CSR, has a positive impact on the level of anti-corruption practices disclosure (ACD).

Companies join the UNGC for many reasons, namely, to improve corporate image and to distinguish themselves from other companies (Cetindamar and Husoy, 2007). Prior studies have shown that adhering to UNGC does leads to the improvement of corporate image (Cetindamar and Husoy, 2007) and generates positive market reactions for listed companies (Janney et al., 2009). But do these legitimacy strategies actually produce outputs in the form of increased CSR and increase CSD or is the mere enlisting enough?

The UNGC “is an international voluntary network-based initiative consisting of participants from companies, NGOs, governments, academic institutions, and other stakeholder groups” (Runhaar and Lafferty, 2009, p. 481). It is a voluntary initiative that relies on public accountability, transparency, and enlightened self-interest of member companies. Until 2004 the UNGC was focused on nine principles concerning Human Rights, Labour and Environment. In June 2004, a 10th principle on the fight against corruption was issued stating that “Businesses should work against all forms of corruption, including extortion and bribery”.

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This renowned CSR initiative relies on several mechanisms and reinforces the need for transparency and communication concerning companies CSR activities. To maintain membership companies are obliged to report a “Communication on Progress” (CoP), an enforcement mechanism, in which companies document how they are implementing each one of the UNGC 10 principles. But it is enough to submit the CoP, thus communicating the status, and there are no institutional sanctions in case no action whatsoever is implemented. Furthermore, Amer Maistriau (2010) concluded that financial markets are sensitive to failures in the reporting process but the negative effect produced is weak.

As Runhaar and Lafferty (2009) refer there has been much criticism to UNGC mainly from ONGs which claimed companies use it for “blue washing”. In fact, a survey from Mckinsey run in 1994 showed that while UNGC made companies develop on existing strategies it did not trigger many companies to start their CSR activities (Runhaar and Lafferty, 2009).

According to Chen and Bouvain (2009), studies on the impacts of the adoption of CSR global standards are scarce. Although some studies have focused on GC little empirical evidence has yet been presented concerning the contribution of UNGC towards general CSR (Runhaar and Lafferty, 2009) and the few studies on the effects of UNGC membership focus on its relevance and evolution, its impact on company’s overall performance (Cetindamar and Husoy, 2007) or of its general expected outcomes (Runahar and Lafferty, 2009).

RESEARCH METHODOLOGY

Data - We propose to analyze changes in ACD of large companies which signed the UNGC in the year of 2008. Approximately 360 companies meet this criterion. For these companies we will analyze the level of ACD in the year immediately before and after adhering to this UN initiative (thus, 2007 and 2009). Only companies which verify the perquisites of having sustainability reports available in English for years 2007 and 2008 will be analyzed.

Methodology - Content analysis will be performed. Further detail concerning methodology is presented in the next section.
Dependent and Independent Variables - Our independent variable will be the level of ACD, as described in the next section. As done in past studies we will use size, profitability and leverage as our control variables. Also we will consider as independent variable a dummy variable for the status of CoP, with “1” being attributed of the company submitted the CoP or “0” if not.
ESSAY 3

RESEARCH QUESTION 3 – Does ACD change in response to a major corruption scandal? (WORK IN PROGRESS)

“In 2006–08, a major corruption scandal at Siemens led to resignation of both chairman and CEO and then to criminal indictments and large fines to the U.S. and Germany. Siemens investigators uncovered some $2.1 billion in suspicious payments. In 2008, Siemens first warned of a projected major drop in earnings; and then announced cuts of about 4% of its work force.” (Windsor, 2009, p. 308).

The aim of this essay is to examine changes in levels of ACD of Siemens in response to increased public awareness of their activities resulting from the major corruption scandal at Siemens which occurred in 2006-08. A legitimacy theory perspective will be adopted to provide an understanding for Siemens reaction.

The occurrence of incidents may threaten perceived legitimacy of corporations involved (Deegan et al., 2000) and lead managers to incur in legitimacy strategies as a means to bring the organizations’ outputs, models and methods into conformity with popular views (Lindbloom, 1994).

Previous literature on the impacts of events on companies’ legitimacy and disclosure are focused mainly on environmental incidents. Past studies show that investors do react to company’s disclosure and to major incidents. Nevertheless, research on the impacts of particular incidents on disclosure are relatively limited (Deegan et al., 2000).

Between the exceptions to this pattern are, for instance, the empirical studies of (Patten, 1992) and (Deegan and Rankin, 1996). Patten (1992) investigated the results of a massive oil spill in the port of Valdez and concluded for a positive relation between disclosure and the incident, not only of the company involved but also of other companies in that industry particularly related to that occurrence. He also concluded for a size and ownership effect over the amount of change in disclosure level. (Deegan and Rankin, 1996) investigated changes in disclosure
concerning seventy eight companies successfully prosecuted for disrespecting environmental laws and concluded that disclosure was significantly higher in the year of prosecution compared to any other year. Both this works support legitimacy theory.

**Methodology** - Content and discourse analysis of Siemens’ annual sustainability reports and annual financial reports from 2002 to date. The extent and content of anti-corruption practices on these reports will be analyzed.
METHODOLOGICAL ISSUES

In the following pages we will present some relevant considerations regarding methodological issues namely, how and where data will be captured for our empirical studies. Also a brief presentation on relevant theories is presented.

Content analysis
In these essays we will use “content analysis” to measure the level of ACD, a widely applied method in CSR reporting (Gray et al., 1995; Hibbit, 2004).

Content analysis is a technique for gathering data that consists of codifying qualitative information in anecdotal and literary form into categories in order to derive quantitative scales of varying levels of complexity (Abbott and Monsen, 1979).

Data Measurement
Content analysis involves examining each company report page-by-page (Hibbit, 2004).

Themes or attributes may be present in a report in the form of text (i.e, manifest content) or may be implied by reading between the lines (i.e, latent content) (Abhayawansa, 2010). In our research we will only analyze manifest content. Also, data may be captured manually or through individual word count or artificial systems methods (Abhayawansa, 2010). Manual content analysis will be used in this research.

Considering the issue of how to capture the data there are two main decisions to make regarding the measurement unit and the recording unit (Hibbit, 2004).

There are two possible methods for data measurement, searching for the presence or absence of an information category or coding all occurrences (or incidences) of an information category in a document.

In this investigation we will measure data by searching the presence or absence of information categories. Following the works of several authors (see for instance Harte and Owen, 1991; Ingram and Frazier, 1980; Haniffa and Cooke, 2005; Abhayawansa, 2010; Gul and Leung,
2004; Prado-Lorenzo et al., 2009) we will analyze if specific issues are mentioned/disclosed. Detecting the presence of absence of a particular item is the simplest form of content analysis and does not capture the volume of disclosure but when coded against a predetermined checklist does enable the range (i.e, variety) of disclosure to be compared across reporting entities (Beattie and Thomson, 2007). Still when using this method may be misleading as it treats a company making one particular disclosure as equal to one that makes 50 disclosures (Beattie and Thomson, 2007). This problem is not so severe if categories are detailed into items the coding is of detailed items instead of categories. Also, some authors believe that analyzing the frequency of disclosure themes and changes in disclosures is sufficient to reflect the importance of a disclosure (Burritt and Welch, 1997).

This technique of content analysis is called “indexing”. The use of indexes to access, compare and explain differences in the extent and comprehensiveness of disclosure in annual reports is quite common (Marston and Shrive, 1991). In its simplest form indexing consists in assigning a score of 1 if a particular category is disclosed or 0 if no disclosure is detected (see for example (Branco and Rodrigues, 2008). By using an index and a binary coding system, the disclosure index provides an aggregated measure of the quantity of disclosure within the annual report and facilitates a cross-sectional analysis of the frequency of disclosure between annual reports (Guthrie and Parker, 2006).

Some authors use a refined version of indexing (see for instance (Ali Fekrat et al., 1996); (Wiseman, 1982). This is usually done to refine the quality of the information disclosed.

When opting for the first data measurement method issues related to recording unit are irrelevant. This issues concern mainly how the researcher measures disclosure, if by the number of words, number of sentences, number of pages (Gray et al., 1995), number of documents containing a particular category (Unerman, 2000) or number of themes (Abhayawansa, 2010).

In our essays an equal-weighted index will be used to capture the ACD variety. The scoring will be dichotomous in that an item scores “0” if not disclosed and “1” if disclosed. Following Branco and Rodrigues (2008) we will assume that each item of disclosure is equally relevant so disclosures will be added, not weighted. Concerning that the index itself includes separate categories for general policy, company specific policy, company activity and quantified KPI’s so we believe that no additional sophistication is required on the index.
Gray et al. (1995, p. 85) argue that content analysis “either demands, or at a minimum implies strongly, that the categories of analysis are derived by reference to shared meanings and that the data collection and analysis must be replicable”. This means that the definitions employed in data collection (for example the taxonomies used) are negotiated and should recreate the same references to all researchers (Gray et al., 1995). Concerning general CSD, the majority of authors try to analyze which of CSR categories receive more attention by companies and use already accepted detailed taxonomies, mainly based on the work of (Guthrie and Mathews, 1985 and Gray et al., 1995). Several studies in CSR focus on disclosure according to the theme – as community involvement, product safety, human resources or environmental protection (Hibbit, 2004). Concerning ACD no previous taxonomy has been found in the academic literature reviewed so a new disclosure instrument had to be developed for our research.

Consistent with other studies on CSD (see for example Guthrie et al., 2008; Haniffa and Cooke, 2005) we built our own taxonomy by using several references. We used the “Reporting Elements for the UNGC Fight Against Corruption Principle (10th principle)” (UNGC, 2009) as the basis for our categories. Furthermore we completed this instrument by including additional categories and subcategories deemed relevant from:

- The Novethic (2006) study on the disclosure of anti-Corruption of CAC 40 firms;
- The TI (2009) study “Transparency in Reporting in Anti-Corruption”;
- The key performance indicators from GRI (GRI, 2006).

The level of ACD, which will be our independent variable, will consist of an index composed of the following categories:

- Disclosure on the company global commitment and policy towards the fight against corruption;
- Disclosure on the company’s internal organization to fight corruption;
- Disclosure on the company’s risk analysis and policies;
- Disclosure on the company’s implementation procedures concerning employees
- Disclosure on the company’s implementation procedures concerning suppliers and other business partners
- Disclosure on the company’s implementation procedures concerning civil society;
- Disclosure on general monitoring activities;
- Disclosure of Key Performance Indicators concerning the fight against corruption.
These categories were developed into items which act as rules for the decision of what should or should not be characterized as disclosure on anti-corruption practices and also to allow capturing larger variety of anti-corruption disclosure practices. Categories and items are presented on Appendix 2. The total maximum score of the index will be 28. This index is still under construction.

The rules for the definition of this categories/sub-categories will be further worked and will probably be expanded. A fixed number of reports should be analyzed prior to the study so as to test the quality of the categories and sub-categories created.

\[
\text{ACDi Index} = \frac{\sum_{t=1}^{n} x_{ij}}{n_j}, \text{ where}
\]

\[
\text{ACDi Index } = \text{ Anti-corruption Disclosure Index for ith firm}
\]

\[
n_j = \text{Number of items expected for the ith firm, where } n \leq 28
\]

\[
X_{ij} = 1, \text{ if jth items are disclosed for firm 1, otherwise 0}
\]

Concerning research on environmental performance (Al-Tuwaijri et al., 2004, p.449) argue that “forms of measurement are susceptible to ‘‘greenwashing,’’ in which management puts its best ‘‘spin’’ on what otherwise might be a lackluster environmental performance”. The same could happen as to ACD.

**Data Source**

Methodological issues related to the location of the disclosure comprise two major concerns: the place of CSR within a document and which corporate means of communication should be considered.

As to the first concern as we are not going to analyze the relative importance of the ACD compared to other CSR disclosures the first issue is not a concern in this study.

As to the second concern, although ideally all communications of a company should be analyzed in order to capture all CSR of an entity this is practically impossible (Gray et al., 1995). Traditionally the main source of analysis is the annual report (Guthrie and Parker, 2006; Gray et al., 1995). Several authors opt to focus on the annual report and accounts to
shareholders based on pragmatic grounds (O'Dwyer, 2003; Deegan and Rankin, 1996). Annual reports are considered by some authors as the most important document in terms of the organizations construction of its own social imagery, the one which has more legitimacy (Buhr, 1998), and the company’s best effort to respond to its stakeholders (Dawkins and Ngunjiri, 2008). But other authors believe that focusing exclusively on the annual report gives an incomplete view of the disclosure (Unerman, 2000). Work by O'Dwyer (2003) and Unerman (2000) suggests that the annual reports do not reflect all the company’s info on social and environmental issues.

Following Harte and Owen (1991) in these essays we will focus on the analysis of text on the following annual (12 month period) documents:

- Annual reports (AR)
- Sustainability Reports (hereafter SR);

**Sample**

The principles for sampling a population as a whole are well established (Hibbit, 2004) but the accounting literature is frequently silent on the matters of population identification (Gray et al., 1995). According to Gray et al. (1995) in the UK CSR literature four approaches have been studied: (1) selection of largest companies; (2) selection of medium, small and unlisted companies; (3) broader selection from “the times” or (4) a selection of “interesting” or “best practices” exemplars.

According to Gray et al. (1995) a sample of large companies is more likely to demonstrate examples of CSR and in particular innovative examples compared to an equivalent sample of small or medium sized companies. Also, they argue that obtaining information from large companies proves to be more reliable than other samples.

The first and second essays proposed will follow prior research and focus on large companies (see for example Hibbit, 2004; Guthrie and Parker, 1989; Latteman et al., 2009). For the third paper a relevant case study was chosen – Siemens.
Reliability and validity

Reliability may be achieved by ensuring stability, reproducibility and accuracy of data.

Stability means ensuring intra-observer reliability, the degree to which the same coder analyses the same data set over time. Here reliability is associated with the coding instrument which means ensuring that categories of classification are clearly and operationally defined and also that categories must be clearly set so that an item may be readily judged as either belonging, or not belonging, to a particular category (Guthrie et al., 2008). Some examples of procedures to ensure reliability are presented on Figure 5:

<table>
<thead>
<tr>
<th>Author</th>
<th>Reliability Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guthrie and Mathews (1985)</td>
<td>Test-retest of four annual reports at a two week interval</td>
</tr>
<tr>
<td>and Hibbit (2004)</td>
<td></td>
</tr>
<tr>
<td>Ali Fekrat et. al (1996)</td>
<td>Sample of 30 companies reviewed by independent research assistant.</td>
</tr>
<tr>
<td></td>
<td>After that the entire set was reviewed by another researcher</td>
</tr>
<tr>
<td>Gray et. al (1995)</td>
<td>Running 50 records until categories felt &quot;right&quot; and &quot;workable&quot;</td>
</tr>
<tr>
<td></td>
<td>Towards end three other researchers re-analyzed a selection of records</td>
</tr>
<tr>
<td></td>
<td>30 additional records were analyzed by three researchers independently using the categories</td>
</tr>
</tbody>
</table>

Figure 3- Examples of reliability procedures

According to Milne and Adler (1998) a learning cycle of 20 reports need to be carried out before more elaborated sub-category analysis could be reliably performed on the coded output of less experienced coders. Even though only one coder will be used in this report and in order to ensure reliability a random sample of 20 companies annual reports will be used as a pilot sample to further develop the index on ACD.

Reproducibility which means ensuring inter-coder agreement is not deemed relevant in this study as we are not planning to have several researchers on the project.

Accuracy, which according to Guthrie and Mathews (1985), seeks to access coder performance against some pre-determined standard set by a panel of experts or based on prior experiments and studies (Hibbit, 2004). According to Hibbit (2004) such universal rules of thumb are not yet developed. Unerman (2000) advocates that there is no single criterion to
evaluate the reliability and that researchers must select the most appropriate procedures according to the specific study.

Concerning our investigation two procedures will be followed, as recommended by Milne and Adler (1998): first, these same reports will be analyzed and categorized both by the main researcher and by another researcher, discrepancies in coding will be analyzed and differences will be resolved. Also, one month later this procedure will be repeated, so as to ensure reliability.

CONCLUSION

This document is a draft of the PhD Thesis Project which is still a work in progress. Further elaboration will be done concerning mainly sampling, econometric models and theoretical background of the 2nd and 3rd essays presented.
### APPENDIX 1 – EMPIRICAL EVIDENCE ON ANTI-CORRUPTION PRACTICES

#### STUDIES ON COMPANIES ANTI-CORRUPTION PRACTICES

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>“Overseas Bribery and Corruption survey”</td>
<td>&quot;Confronting Corruption: The Business Case For an Effective Anti-Corruption Program&quot;</td>
<td>&quot;Transparency in Reporting on Anti-Corruption&quot;</td>
<td>&quot;Corporate Code on Business Ethics: an international survey of Bribery and Ethical Standards Companies&quot;</td>
<td>&quot;Corruption or Compliance Weighting the costs&quot;</td>
<td>&quot;Transparence des Multinationales Françaises en Matière de Lutte Contre la Corruption&quot;</td>
<td>&quot;Business Approaches to Combating Corrupt Practices&quot;</td>
<td></td>
</tr>
<tr>
<td>Source Documents</td>
<td>Survey</td>
<td>Web site, annual reports, sustainability reports</td>
<td>Web site, annual reports, sustainability reports</td>
<td>Web site, annual sustainability reports, surveys, direct company contact (some cases)</td>
<td>Survey</td>
<td>Web site, annual reports, sustainability reports</td>
<td>Material sourced from the websites</td>
<td></td>
</tr>
<tr>
<td>Number of Countries</td>
<td>Not disclosed</td>
<td>22</td>
<td>Not disclosed</td>
<td>17</td>
<td>23</td>
<td>33</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>Number of Companies</td>
<td>Not disclosed</td>
<td>350</td>
<td>Not disclosed</td>
<td>486</td>
<td>441</td>
<td>35</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Sample</td>
<td>109 FTSE Allshare Comp.</td>
<td>Global Fortune 250 + and largest 100 companies in 10 countries</td>
<td>390 executives non OECD countries in all sectors</td>
<td>1996 companies of the 143 top global exporters + 441 small UK</td>
<td>147 higher risk sectors &amp; FTSE Allworld Companies from CAC 40</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total 486 companies, 14 excluded</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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### APPENDIX 2 – CATEGORIES AND ITEMS OF ACD

#### COMMITMENT AND POLICY

**GLOBAL COMMITMENT TO THE FIGHT AGAINST CORRUPTION**
- Stated commitment to work against corruption in all its forms, including bribery and extortion
- Statement on the commitment to be in compliance with all relevant laws, including anti-corruption laws
- An overall code of conduct, ethics or statement of principles including a reference to, for instance:
  - Anti-bribery policy commitment
  - Prohibition of facilitation payments
  - Regulation of inappropriate giving and receiving of gifts by employees
  - Regulating and making transparent political contributions
  - Commitment to making lobbying activities transparent

**INTERNAL ORGANIZATION ON THE FIGHT AGAINST CORRUPTION**
- Existence of an ethics committee, internal control, ...
- Existing plan or global action programme, indicators, etc
- Dedicated manager, service, specific instruments on the fight against corruption
- Management responsibility and accountability for implementation of the anti-corruption commitment or policy
- Human Resources procedures supporting the anti-corruption commitment or policy

#### RISK EXPOSURE
- Carrying out risk assessment of potential areas of corruption
- Detailed policies for high-risk areas of corruption

#### IMPLEMENTATION

**Employees**
- Existing communication on the anti-corruption commitment for all employees
- Existing training on the anti-corruption commitment for all employees
- Existing communications (whistleblowing) channels and follow-up mechanisms for reporting concerns or seeking advice

**Business Partners**
- Policy on anticorruption regarding business partners
- Actions taken to encourage business partners to implement anticorruption commitments
- Systems for managing and monitoring business partners (training, due diligence, etc.)

#### MONITORING

- Human Resources procedures supporting the anti-corruption commitment or policy
- Leadership/management review of monitoring and improvement results
- Practices concerning dealing with incidents
- Use of independent external assurance of anti-corruption programmes
- Internal management (including accounting and auditing) procedures related to anticorruption

#### KEY PERFORMANCE INDICATORS

- Percentage or total number of business units analyzed for risks related to corruption (GRI)
- Percentage of employees trained in organization’s anti-corruption policies and procedures (GRI)
- Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country (GRI)
- Number of complaints
- Number of dismissals/disciplinary cases on corruption
- Other KPI’s concerning corruption and anti-corruption practices
REFERENCES


ABHAYAWANSA, S. A. 2010. Sell side analysts' use and communication of intellectual capital information PhD, University of Sydney.


