



# Does human-oriented governance foster labor and human rights disclosure?

Isabel-María García-Sánchez<sup>1</sup> · Nicola Raimo<sup>2</sup> · Filippo Vitolla<sup>2</sup> · Beatriz Aibar-Guzmán<sup>3</sup>

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## Abstract

Based on the idea that an organization's morphology influences its response to pressures, this study aims to understand what drives companies to disclose material information about their impacts on labour and human rights (LHR) in response to social and regulatory pressures. This study posits that a substantive internalization of respect for human rights in business operations can be supported by a human-oriented approach to corporate governance that fosters an ethical organizational culture in which protecting and promoting LHR is viewed not as a moral option, but as a fundamental responsibility, thereby encouraging corporate transparency in this regard. The results obtained from a balanced data panel of 792 multinationals over the period 2011–2020 show that companies with a human-oriented approach to corporate governance disclose more comprehensive information on LHR issues. Furthermore, the results indicate that LHR performance negatively moderates the relationship between human-oriented governance and the level of LHR disclosure.

**Keywords** Corporate governance · Human rights · Corporate disclosure · Due diligence

**JEL Classification** M41

## 1 Introduction

Businesses have been heavily criticised for imposing inadequate working conditions and directly or indirectly contributing to the proliferation of various forms of human rights abuses (Islam and McPhail 2011; Sikka 2011; Cahaya and Hervina 2019). These criticisms are particularly pertinent for large corporations that have outsourced or offshored their production to developing countries with more lenient legal sys-

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tems (Islam et al. 2017; Li et al. 2018; Wahab 2020). As a result, civil society has demanded that companies act in accordance with labour and human rights (LHR) standards (Setiawan and Spires 2021; Aibar-Guzmán et al. 2023).

In this context, various initiatives have emerged with the aim of encouraging companies to respect LHR and to increase transparency in this area through dialogue and communication between companies and their stakeholders (Preuss and Brown 2012). Thus, the disclosure of material LHR information becomes an important tool for accountability to stakeholders regarding labour-related dynamics and the actions and policies taken to fulfil these responsibilities (Wahab 2020; Chambers and Vastardis 2020).

According to the academic literature, this type of disclosure is the best way to improve corporate accountability in the area of LHR (Islam and McPhail 2011; Preuss and Brown 2012; Parsa et al. 2018; Wahab 2020). However, there is still a limited presence of academic contributions that focus on the analysis of LHR disclosure (Monteiro et al. 2021; ElKelish 2023). While several studies have examined human resources disclosure (e.g., Brown et al. 2005; Vuontisjärvi 2006; Di Vaio et al. 2020; Vithana et al. 2021; Salvi et al. 2022), limited attention has been paid to human rights disclosure (Lauwo and Otusanya 2014; Sahari and Hamzah 2014; Cahaya and Hervina 2019; Wahab 2020). In addition, very few studies have examined the disclosure of LHR and the factors that influence the level of disclosure. (Monteiro et al. 2021; ElKelish 2023). In terms of corporate governance mechanisms, previous studies have analysed the effect of “classical” corporate governance mechanisms (e.g., board characteristics) on the level of LHR disclosure (Monteiro et al. 2021; ElKelish 2023). However, to the best of our knowledge, no previous research has examined whether and how elements of corporate governance specifically related to LHR issues may affect the disclosure of information on such issues.

This study aims to fill this gap in the literature and contribute to the ongoing debate on corporate transparency and accountability with respect to LHR by responding to recent calls (e.g., Ismail et al. 2021) to examine how different corporate governance mechanisms affect LHR disclosure. Specifically, this study analyses how a human-oriented approach to governance affects LHR disclosure. Corporate governance mechanisms can play a crucial role in creating an ethical organisation and protecting human rights (Hess 2021; Lee 2023; Morán-Muñoz et al. 2024), thereby influencing the extent of social disclosure (Monteiro et al. 2021; ElKelish 2023). Although corporate governance mechanisms initially focused on accountability to shareholders (Brennan and Solomon 2008), their scope has broadened as society’s expectations of corporate responsibility have evolved (Macaulay and Arjoon 2012; Muchlinski 2012; Shimeld et al. 2017) and become more human-oriented. This shift involves an “Aristotelian-Thomistic approach to corporate governance” which encourages the development of an organisational culture that promotes corporate social responsibility (CSR), ethics and the common good (Macaulay and Arjoon 2012, p. 552).

According to Deegan (2007), decisions regarding the level of corporate transparency are closely linked to the ethical and moral principles that determine the methods of managing stakeholder relations (Vitolla et al. 2019). When corporate governance systems are human-oriented and prioritize human dignity, fundamental human rights, and the well-being of all stakeholders—especially employees—they place ethical

principles and human dignity at the core of corporate decision-making (Hess 2021). This creates a corporate culture that inherently values transparency and accountability, encouraging the regular disclosure of material information related to labour practices and human rights (Hess 2021). This transparency not only demonstrates the company's commitment to these principles but also builds stakeholder trust and strengthens the ethical integrity of the organisation (Chambers and Vastardis 2020; Velte 2022).

The results obtained from a balanced data panel of 792 multinationals in the period 2011–2020 show that companies characterised by a human-oriented corporate governance system disclose more comprehensive information on LHR rights issues. Furthermore, this focus on clear, truthful, accurate, and transparent presentation implies that there is no particular emphasis on disclosing only positive LHR performance. Instead, there is a commitment to transparently presenting negative LHR performance and explaining the underlying issues that caused it.

This study contributes to the understanding of the interaction between corporate governance, business, and human rights by examining a specific set of corporate governance mechanisms that could foster the cultural change needed to improve corporate engagement and transparency regarding LHR. This study enriches the growing, albeit still limited, body of research (e.g., Velte 2022; Aibar-Guzmán et al. 2024; Helfaya et al. 2024) that seeks to identify the corporate governance structures (i.e., the combination of individual mechanisms) that determine how a company responds to external pressures for greater social responsibility and transparency. This type of research is essential not only because of its novelty but also because of the significant inequalities that exist in society (Burns and Jollands 2020).

The remainder of this work is organised as follows: Sect. 2 provides the background by reviewing key LHR initiatives and introducing human-oriented governance mechanisms; Sect. 3 presents the theoretical framework and develops the research hypotheses; Sect. 4 describes the research methodology; Sect. 5 presents and discusses the results; Sect. 6 draws the conclusions.

## 2 Background

### 2.1 Business and human rights

The most important initiative in the area of business and human rights is the United Nations Guiding Principles on Business and Human Rights (UNGPs), approved in 2011, which introduce the concept of human rights due diligence. This involves an ongoing and proactive process by which companies must identify, prevent, mitigate, and account for how they address their actual and potential adverse human rights impacts (Hess 2021). These principles are at the heart of a global governance system for addressing the impact of business activities on human rights (Rosser et al. 2022) and represent the common interface between business, governments, LHR laws and agreements (Ismail et al. 2021; Bagus et al. 2022).

At the same time, since the adoption of the UNGPs, several Western European countries have introduced national initiatives to regulate business conduct in relation

to LHR (Chambers and Vastardis 2020; Wettstein 2021). These initiatives reflect a growing movement to implement binding legal frameworks that promote corporate responsibility for human rights, overcoming the limitations of voluntary and non-binding guidelines at the international level (Chambers and Vastardis 2020; Wettstein 2021; Schrempf-Stirling et al. 2022). However, the proliferation of these national laws has led to a fragmentation of the human rights regulatory framework, with each country adopting its own legislation with specific requirements and different approaches. This creates a regulatory patchwork that can be complicated and costly for companies operating in multiple jurisdictions. This fragmentation underlines the need for a more harmonised and coordinated approach that would not only make compliance easier for companies, but also ensure a more consistent and robust standard of human rights protection.

In this sense, at the regional level, the European Union has taken more concrete action and introduced several regulatory instruments in this area (Hess 2021), including the 2014 Non-Financial Reporting Directive (NFRD), which required large companies to disclose information on their human rights policies and practices. It was amended in 2022 by Directive (EU) 2022/2464, known as the Corporate Sustainability Reporting Directive (CSRD), which introduces stronger and more detailed disclosure requirements, including information on due diligence processes to identify, prevent, mitigate, and remediate adverse impacts on LHR. This represents an important step towards greater transparency and corporate responsibility in the area of LHR. Furthermore, the European Union's commitment to the protection of fundamental human rights in the business sphere is reaffirmed by the Directive (EU) 2024/1760 on Corporate Sustainability Due Diligence (CS3D), which entered into force on 25 July 2024. With the aim of promoting sustainable and responsible corporate behaviour in business operations and throughout the global value chain, this Directive requires companies to integrate due diligence policies into their governance frameworks and risk management systems. It is likely to be “the real game changer” for business and human rights, cementing “the push for mandatory human rights due diligence as an international legislative trend” (Wettstein 2021, p. 315).

As noted above, another shortcoming of most of LHR initiatives is their “non-coercive enforcement”, with no or weak sanctions for non-compliance or misleading statements (Chambers and Vastardis 2020, p. 326). As a result, despite these significant advances in the regulation of LHR due diligence and disclosure, the implementation of these regulations often falls short. Many companies around the world do not recognise their importance, lack the necessary skills, or are simply unwilling to implement the required due diligence processes (Deva 2020; Hess 2021; Helfaya et al. 2024). They often take a minimalist approach, meeting basic requirements without truly integrating these principles into their corporate culture and daily operations (Muchlinski 2012; Ruggie 2013; Schrempf-Stirling et al. 2022).

The quality of LHR information disclosed by these companies also leaves much to be desired. According to the Corporate Human Rights Benchmark 2022, which analyses the LHR policies and practices of 127 of the largest corporations in three high-risk sectors (i.e., food and agricultural products, ICT manufacturing, and automotive manufacturing), although “corporate respect for human rights has gained momentum”, few companies have disclosed LHR information that demonstrates their com-

mitment to protecting human rights (World Benchmarking Alliance 2022). In many cases, public reports and statements on LHR are superficial, focusing on compliance with formalities rather than providing a transparent and detailed overview of practices and policies (Islam et al. 2017; Hess 2019; Zeng et al. 2022; Esterhuysen and du Toit 2023). This not only undermines stakeholder confidence but also prevents a proper assessment of a company's performance in this crucial area (Chambers and Vastardis 2020).

## 2.2 Human-oriented governance

Disclosure-based regulation has not yet fulfilled its potential to improve firms' LHR performance and has not produced the necessary organisational changes (Hess 2021). The lack of real commitment and the poor quality of disclosed information on LHR reflect a significant gap between regulatory expectations and practical reality, highlighting the need for deep cultural change within companies (Narine 2016). The impetus for such change may also come from within the organisation (Chambers and Vastardis 2020). However, CSR alone is not enough to integrate human rights into corporate policy (Frankental 2002; Ramasastry 2015; Deva 2020; Schrempf-Stirling et al. 2022). In particular, a different mode of corporate governance is needed— one that is human-oriented (Salleh et al. 2009). The specific characteristics of LHR reporting, compared to other types of corporate reporting (both financial and non-financial, including diversity reporting), require the adoption of a “*sui generis*” approach that “marries corporate reporting expertise with human rights expertise” (Chambers and Vastardis 2020, p. 328).

Human-oriented governance is “an inside-out, values-based conviction” that guides human conduct according to moral principles and ethical values that promote human dignity (Salleh et al. 2009, p. 30). This implies an “Aristotelian-Thomistic approach” to corporate governance capable of overcoming the “ethical deficit” in reconciling individual, organizational, and societal goals (Macaulay and Arjoon 2012). Indeed, the “Aristotelian-Thomistic approach” to corporate governance views business as an integral part of social life, positing that organisations exist to enable individuals to live complete and good lives. This perspective “provides a more plausible basis for corporate governance in addressing and correcting dysfunctional aspects and the ethical deficit of human and market behaviour” (Macaulay and Arjoon 2012, p. 553). Thus, an “Aristotelian-Thomistic approach” to corporate governance involves developing an organisational culture based on a humanistic understanding of corporate responsibility that brings out the best in people and promotes the common good (Macaulay and Arjoon 2012; Muchlinski 2012).

Therefore, it can be said that focusing on stakeholders, transparency, and accountability regarding the impacts of LHR are crucial elements of a human-oriented approach to corporate governance (Ismail et al. 2021). Human-oriented governance systems are characterised by a set of commitments, structures, and processes related to corporate responsibility for sustainability, employees, and the protection of human rights. These include sustainability-related remuneration policies, sustainability committees, ethical certifications, adherence to leading sustainability reporting standards and frameworks, and assurance of sustainability reports. These elements have been

shown to be associated with greater corporate commitment to LHR (e.g., Baraibar-Diez et al. 2019; Hess 2021; Principale 2023; Helfaya et al. 2024). In this regard, Principale (2023) shows that the existence of a CSR committee increases companies' willingness to engage in human rights due diligence. Similarly, Peters et al. (2019) and Fu et al. (2020) demonstrate that assigning responsibility for corporate ethics to a member of the management team or a committee facilitates the allocation of time and resources to preventing socially irresponsible behaviour, thus enhancing the company's social performance, regardless of the title given to the individual or committee (e.g., corporate responsibility officer, chief sustainability officer, sustainability committee, etc.) (Hess 2021). Sustainability-related compensation policies ensure adequate consideration of stakeholder interests, including employees, and align them with the management's interests (Baraibar-Diez et al. 2019; Velte 2022), thereby promoting commitment to sustainability in general and LHR in particular. Similarly, certifications can be viewed as expressions of an organisation's ethically oriented values (Tregidga et al. 2019), while compliance with human rights standards indicates companies' willingness to improve their LHR practices.

### 3 Theoretical background and research hypotheses

#### 3.1 Theoretical framework

The literature on LHR has adopted different theoretical perspectives, ranging from legitimacy theory to stakeholder theory (Ismail et al. 2021; Elkelish 2023). According to Hoque et al. (2013, p. 1171), "each theory has its own virtue and collectively, thus adding (not replacing) to our understanding of practice and individuals in their social, economic, and cultural contexts". This study draws on legitimacy theory, stakeholder theory, and resource dependency theory.

Stakeholder theory (Freeman 1984), focuses on the relationships between an organisation and its various stakeholders, beyond shareholders. It argues that companies must consider and balance the interests of all their stakeholders by adopting practices that promote transparency, fairness, and social responsibility. This involves implementing due diligence processes to ensure that business activities comply with LHR and communicating this information clearly and comprehensively to all stakeholders (Preuss and Brown 2012; Wahab 2020). In doing so, a company not only ensures compliance with the law but also strengthens its legitimacy and trust in the eyes of society. From this perspective, corporate governance mechanisms can facilitate the balanced integration of stakeholder interests in business decisions and the adoption of practices that promote transparency, fairness, and social responsibility, thereby ensuring the support and legitimacy of all stakeholders (Michelon and Parbonetti 2012; Orazalin and Mahmood 2021; Helfaya et al. 2024).

Legitimacy theory postulates that legitimacy is a crucial resource for any organisation, as it ensures conformity with the norms, values, and beliefs of the society in which it operates (Deegan 2007). From this perspective, legitimacy, defined as "a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within a socially constructed system of norms, values, beliefs,

and definitions” (Suchman 1995, p. 574), is not a permanent state but a dynamic continuum in which organisations must constantly adapt to the changing expectations of their stakeholders. With evolving societal expectations, companies must continually review and adjust their practices to maintain legitimacy, requiring ongoing strategic management and effective stakeholder communication. In this sense, corporate governance mechanisms can facilitate the adaptation of the company to societal expectations by facilitating the achievement of legitimacy (Helfaya et al. 2024).

Resource dependence theory (Pfeffer and Salancik 2003) postulates that an organisation’s ability to obtain and control critical resources, both tangible and intangible, is fundamental to its success and survival. From this perspective, corporate governance mechanisms provide critical resources that enable firms to obtain competitive advantage and manage relationships with stakeholders (Lagasio and Cucari 2019; Campanella et al. 2021). They play a key role in managing these resources by providing a structure for making strategic decisions and monitoring the implementation of these strategies and can also be a critical resource by providing the firm with knowledge, skills, relationships, and enhanced legitimacy (Hillman and Dalziel 2003; Orazalin and Mahmood 2021). In this way, human-oriented governance mechanisms that promote the disclosure of LHR information are an intangible strategic resource that play a key role in the firm’s relationship with its employees and other stakeholders by fostering a culture of transparency and trust. In turn, transparency and effective disclosure of LHR information enables companies to gain and maintain the trust of employees, which is essential for retaining key personnel and ensuring a sustainable flow of human capital.

### 3.2 Human-oriented governance and LHR disclosure

Previous studies have shown that the effectiveness of a company’s corporate governance mechanisms influences the quality of sustainability-related information disclosed (Lagasio and Cucari 2019; Fahad and Rahman 2020; Campanella et al. 2021) and that “a sound corporate governance structure is crucial to stimulate more disclosure” (Nicolò et al. 2023, p. 4). Thus, our starting point is the idea that the morphology of an organisation determines how it responds to external pressures to disclose LHR-related information, and that consequently a human-oriented approach to corporate governance that emphasises ethical responsibility and transparency can promote LHR disclosure. Several authors (e.g. Velte 2022; Aibar-Guzmán et al. 2024; Helfaya et al. 2024) highlight the role of corporate governance structures that are specifically designed to improve corporate sustainability performance and transparency, overcoming the limitations of traditional governance mechanisms. In particular, human-oriented governance plays a distinctive role by fostering a broader and more ethical perspective in business management (Macaulay and Arjon, 2012).

From the legitimacy theory perspective, human-oriented governance helps organisations to meet societal and normative expectations, thereby enhancing their legitimacy through increased transparency with respect to LHR. Similarly, from a stakeholder theory perspective, such governance systems would promote inclusive and transparent due diligence processes that involve all stakeholders and ensure that their concerns are reflected in the LHR information disclosed by companies. Finally,

from the perspective of resource dependence theory, human-oriented governance, by prioritising cooperation and ethical behaviour, can improve relationships with key stakeholders and create incentives for more comprehensive disclosure of LHR information.

Accordingly, human-oriented governance systems are expected to lead to greater disclosure of information on LHR issues as they raise awareness of these issues (Haque and Azmat 201). Elements that characterise human-oriented governance, such as sustainability-related compensation policies, sustainability committees, certifications, and adherence to human rights standards, have been shown to promote corporate transparency (Baraibar-Diez et al. 2019; Tregidga et al. 2019; Balluchi et al. 2021; Velte 2022; Principale 2023). The existence of a sustainability committee has been shown to enhance stakeholder awareness (Velte 2022; Vitolla et al. 2019), which, in turn, fosters greater disclosure of LHR information (Fahad and Rahman 2020; Hess 2021; Helfaya et al. 2024). Similarly, certification is another element of human-oriented governance that promotes the disclosure of LHR information (van der Waal and Thijssens 2020). In the light of this discussion, we formulate the following hypothesis:

**H1** There is a positive relationship between human-oriented governance and the level of LHR disclosure.

### 3.3 The moderating role of LHR performance

Previous research has shown that higher sustainability-related performance leads companies to disclose more sustainability-related information to increase stakeholder awareness of these achievements (García-Sánchez et al. 2020). Higher LHR performance is also likely to increase the effectiveness of human-oriented governance mechanisms, leading to more comprehensive disclosure of LHR information. Specifically, companies with high LHR performance are expected to provide more detailed and transparent disclosure, as their governance systems are more attuned to ethical considerations and transparency (Monteiro et al. 2022). This suggests that LHR performance may act as a moderating factor in the relationship between human-oriented governance and LHR disclosure, enhancing the effect of the former on the latter.

Therefore, we expect that better LHR performance will strengthen the positive relationship between these governance mechanisms and the level of LHR disclosure and hence propose the following hypothesis:

**H2** LHR performance positively moderates the relationship between human-oriented governance and the level of LHR disclosure.

Figure 1 depicts the hypothesised relationships.

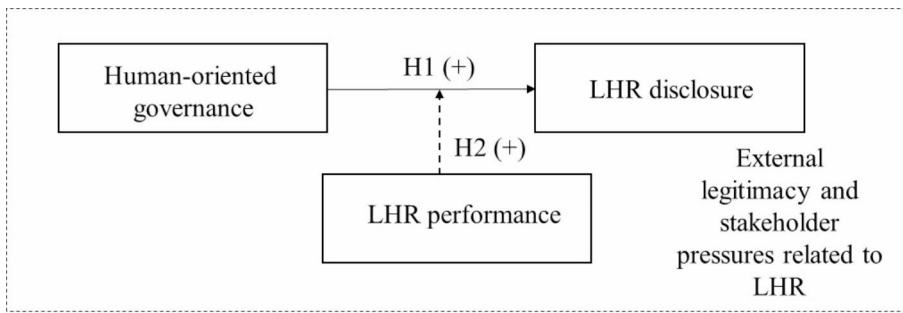


Fig. 1 Research model

## 4 Research methodology

### 4.1 Sample

The population under analysis consists of the most prominent multinational companies globally. These companies possess substantial resources and capabilities enabling them to meet stakeholder needs and demands. They are subject to rigorous scrutiny from various organisations and specialised groups, both in general (e.g., Salminen and Rajavuori 2019; Aibar-Guzmán et al. 2024) and specifically regarding LHR (e.g., Aibar-Guzmán et al. 2023; Monteiro et al. 2022 and 2023; Schilling-Vacaflor and Gustafsson 2024). For this purpose, we identified those firms with a parent company that was founded and registered in one country but has subsidiaries in different countries. In this sense, the organisation was considered to have facilities and other assets in at least one place other than its country of origin or headquarters.

The study period spans from 2011 to 2020, covering ten years of relevant developments in human resource management and LHR. Specifically, at the start of this period, human resource leaders had just faced a historic global recession that saw many of the world's largest companies make mass layoffs in the face of turbulent markets. Subsequently, they have witnessed a technological revolution, geopolitical conflicts, and social movements that have promoted a shift from managing people in uncertain times to managing and developing talent and respecting human rights. The last year of the study period allows us to observe the impact of the pandemic on them.

The Refinitiv EIKON database provides an ESG score for over 6,000 companies. In addition to the previous criteria used to identify multinational companies for the 2011–2020 period, the following criteria were used to construct the database for the empirical study. Initially, an ESG score was required to be available for at least five of the ten years. Accordingly, the initial sample comprised 21,226 observations from 2,933 companies that reported their activities using ESG criteria during the selected period. This criterion allows to identify companies committed to sustainability, providing a measure of their responsible performance through ESG data. Requiring a minimum of five years of data ensures robust econometric modelling, capable of controlling for unobservable heterogeneity and endogeneity. In this sense, this crite-

tion allows us to observe companies over a reasonable period of 4 years. The use of lagged variables means that only the oldest year of the 5 available can be used.

In a subsequent step, observations lacking disaggregated ESG data required for constructing main variables and/or essential economic and financial information for constructing control variables were identified. Specifically, a criterion was applied to exclude observations lacking necessary information to estimate empirical models for testing the proposed research hypotheses. This refined the sample to 15,993 observations across 1,828 companies, ensuring data adequacy for testing research hypotheses.

Lastly, to address temporary data gaps among companies in the second stage, preventing proper use of panel data, a complete panel dataset was constructed. This approach eliminated annual data gaps, ensuring a homogeneous temporal distribution. Thus, the final sample comprised a balanced panel of 7,920 observations drawn from 792 multinational companies. Table 1 provides details on the sampling procedure and sample description.

## 4.2 Dependent variable (*LHRDiscl*): material information on LHR issues

In this study, the level of disclosure of the LHR information disseminated by companies is determined through the identification of material issues disclosed and their scope, following recommendations from the Global Reporting Initiative (GRI) standards, Sustainability Accounting Standards Board (SASB), and the International Integrated Reporting Council (IIRC). These standards are aligned with principles and frameworks for responsible business conduct (McPhail et al. 2016). The assessment process incorporates the concept of double materiality, which integrated financial materiality and impact materiality to identify and prioritise material issues. Table 2 presents the material information on LHR.

The LHR disclosure indicator (*LHRDiscl*) was constructed by aggregating information disclosed in companies' non-financial reports concerning material LHR issues outlined in Table 2. Each identified item contributed one point if disclosed, resulting in a score ranging from 0 to 33.

The procedure involved creating four sub-scores. The first sub-score quantified the information disclosed on the management approach. One point was awarded if the company disclosed descriptive information on each of the identified employee policies related to careers, training, equal opportunities, and health and safety. Regarding human rights, one point was awarded for information on the human rights policy, and one point was awarded for information on freedom of association. In the second sub-score, one point was awarded if the company reported negative incidents related to irresponsible acts regarding working conditions, and one point was awarded for reporting human rights violations. The final two sub-scores assessed the disclosure of quantitative and qualitative information on LHR performance indicators, with one point awarded for each item. To ensure robust results, the *LHRDiscl* variable was split into two scores, *LDiscl* and *HRDiscl*, allowing for independent analysis of LHR disclosures.

**Table 1** Sample procedure and distribution

Panel A. Sample criteria			
Step	Criteria	Firms drop	Total Firms
Population	Multinational firms in Refinitiv EIKON database with ESG information		>6,000
Initial sample	Multinational firms with ESG information at least 5 years	>3,000	2,933
Second Sample	Multinational firms with all information to estimate empirical models	1,105	1,828
Final Sample	Balanced panel (without gaps and temporal homogeneity)	1,036	792
Panel B. Sample description			
Country	%	Country	%
AUSTRALIA	4.67	MA-LAYSIA	1.77
BELGIUM	1.01	MEXICO	0.76
BRAZIL	1.39	NETHERLANDS	1.89
CANADA	3.54	POLAND	0.51
CHILE	0.63	RUSSIAN FEDERATION	1.01
CHINA	0.88	SINGAPORE	1.01
DENMARK	1.77	SOUTH AFRICA	4.67
FINLAND	1.39	SOUTH KOREA	1.64
FRANCE	5.81	SPAIN	3.03
GERMANY	3.79	SWEDEN	2.65
HONG KONG	2.40	SWITZERLAND	2.78
INDIA	1.77	TAIWAN	1.26
INDONESIA	1.52	THAILAND	0.63
IRELAND	1.26	UNITED KINGDOM	13.38
ITALY	2.02	UNITED STATES	14.39
JAPAN	14.77		

### 4.3 Independent variable (LHRGov): human-oriented governance

The *LHRGov* variable is the independent variable aimed at assessing human-oriented governance. It comprises a composite indicator that evaluates the extent to which a company's organisational structure aligns with sustainability requirements, particularly concerning its responsibility towards employees and the value chain. It consid-

**Table 2** Material information about LHR**MANAGEMENT APPROACH**

LHR1. Policies or practices related to the relationships that govern work in the organisation (careers, training, equal opportunities, and health and safety)

LHR2. Policies related to work undertaken in the supply chain (human rights and freedom of association)

**INFORMATION ON IRRESPONSIBLE BEHAVIOUR**

LHR3. Complaints about violations of working conditions in the company (career, training, equality, and health and safety)

LHR4. Complaints about violations of human rights and freedom of association

**WORKFORCE INFORMATION****EMPLOYMENT**

LHR5. Total number and distribution of employees by gender, age, country, and professional category

LHR6. Total number and distribution by type of employment contract

LHR7. Total number and proportion of new employees by gender, age, and professional category

LHR8. Number of dismissals by gender, age, and professional category

LHR9. Average remuneration and its evolution by gender, age, and professional category

LHR10. Remuneration of equivalent jobs or average of the organisation

LHR11. Average remuneration of directors and executives, including variable remuneration, bonuses, compensation, payments to long-term savings plans, and any other benefits, disaggregated by gender

LHR12. Pay gap

**WORK ORGANISATION**

LHR13. Organisation of working time

LHR14. Internal promotion

LHR15. Absenteeism (number of hours)

LHR16. Initiatives work/life balance

LHR17. Measures taken to make parenting easier and to encourage joint parenting

**HEALTH AND SAFETY**

LHR18. Health and safety conditions at work

LHR19. Accidents at work, including frequency and severity by gender

LHR20. Occupational diseases disaggregated by gender

**SOCIAL RELATIONSHIPS**

LHR21. Organisation of social dialogue, including procedures for informing, consulting, and negotiating with employees

LHR22. Percentage of employees covered by collective bargaining agreements by country

LHR23. Balance of collective agreements, particularly in the area of health and safety at work

**TRAINING**

LHR24. Training initiatives implemented

LHR25. Training hours by professional category

**UNIVERSAL ACCESSIBILITY FOR PEOPLE WITH DISABILITIES**

LHR26. Employees with disabilities

LHR27. Measures taken to promote the employment, integration, and universal accessibility of people with disabilities

**EQUALITY**

LHR28. Initiatives taken to promote equal treatment and opportunities for women and men

LHR29. Policies against sexual and gender-based harassment

LHR30. Initiatives against all forms of discrimination and diversity management, if applicable

**INFORMATION ON RESPECT FOR HUMAN RIGHTS**

LHR31. Use of human rights due diligence procedures

LHR32. System for preventing the risk of human rights abuses and, where appropriate, measures to mitigate, manage, and remediate any abuses that do occur

LHR33. Initiatives to promote compliance with the provisions of the fundamental ILO Conventions concerning respect for the freedom of association and the right to collective bargaining, the elimination of discrimination in respect of employment and occupation, the elimination of forced or compulsory labour, and the effective abolition of child labour

ers factors such as the company's public commitments to international initiatives, organisational structures, and incentives related to sustainability and transparency (Hess 2021; Velte 2022; Principale 2023; Helfaya et al. 2024).

Therefore, a composite score was created, which is the sum of 11 components related to LHR responsibilities. These components include: *SusComp* (a dummy variable that takes the value 1 if the company has an ESG compensation policy, and 0 otherwise); *ExeComp* (a dummy variable that takes the value 1 if executive compensation is tied to sustainability performance, and 0 otherwise); *SusCommittee* (a dummy variable that takes the value 1 if the company has a sustainability committee, and 0 otherwise); *H&SCert* (a dummy variable that takes the value 1 if the company has a health and safety certification such as OHSAS 18001 or ISO 45001, and 0 otherwise); *EthicsCert* (a dummy variable that takes the value 1 if the company holds a sustainable or ethical certification such as SA 8000 or ISO 37001, and 0 otherwise); *IntGuide* (a dummy variable that takes the value 1 if the company uses international GRI or SASB guidelines to prepare its sustainability report, and 0 otherwise); and *Assurance* (a dummy variable that takes the value 1 if the sustainability report is assured by a third party, and 0 otherwise). Additionally, four additional dummies indicate whether companies have publicly committed to: the United Nations Global Compact Principles (*UNGC*); the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development (*OECD*); the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO) and the ILO Declaration on Fundamental Principles and Rights (*ILO*); and the UNGPs and the UN Principles for Responsible Investment (*UNPRI*). A higher value of this composite score indicates stronger human-oriented governance.

#### 4.4 Moderator variable (LHRPerf): LHR performance

As regards the moderator variable, Refinitiv EIKON's Workforce Score (*LPerf*) and Human Rights Score (*HRPerf*) were used to construct the LHR performance measures. The Workforce Score measures a company's commitment to job satisfaction, diversity and equal opportunities, and health and safety, based on 29 indicators. The Human Rights Score measures a company's adherence to core human rights conventions, based on 8 indicators. Both scores were aggregated to create the LHR performance measure (*LHRPerf*) using the Thomson Reuters ESG Scores weighting methodology. This process involved normalising the two scores to dimensionless or scale-invariant units of measurement and then summing them. This is the standard procedure for handling variables with different units of measurement.

#### 4.5 Control variables

We consider 16 control variables, identified in accordance with previous studies (e.g., Botero et al. 2004; Parsa et al. 2018; Maji 2019; Monteiro et al. 2023; Morán-Muñoz et al. 2024), which represent the most important (i) firm-level factors related to the company's capabilities and resources and the board of directors' effectiveness; (ii) the main corporate governance mechanisms that approve, control, and supervise strate-

gies and decisions; and (iii) the most relevant institutional pressures at the national level related to LHR.

Companies' resources and capabilities determine their commitment to sustainability and corporate transparency, as their response is shaped by internal resources and capabilities. These are identified through the following control variables: *Fage* (age of the company, represented by the logarithm of the number of years elapsed since the date of foundation), *FSize* (size of the company, determined by the logarithm of total assets), *ROA* (return on assets ratio), *Leverage* (total ratio of external funds to total assets), *R&D* (intensity of investment in R&D in relation to sales); *Advertising* (intensity of investment in advertising in relation to sales), and *Capex* (intensity of investment in capital in relation to sales).

With regard to the board of directors, the variables represent the ability of this body to fulfil its responsibilities according to its size, activity, diversity, and independence: *Bsize* (number of members belonging to this body), *Bactivity* (number of meetings held in each financial year), *Bdiversity* (percentage of women on the board), *Bindep* (percentage of independent directors on the board), and *CEOdua* (dummy coded 1 to indicate that the CEO is the chairman of the board, otherwise 0) were used.

The institutional pressures linked to the national context are represented by the inclusion of four indices proposed by Botero et al. (2004), which are linked to the orientation of the legal system of the company's country of origin towards the protection of workers and human rights: *SPI* (Social Progress Index, which measures social progress in each country), *WPSindex* (Women Peace and Security Index, which measures women's inclusion, security and justice at the country level), *LRI* (Labour Rights Index, which measures key labour regulation efforts), and *HR* (Human Rights Protection Index). In addition, we included the *EU* dummy variable proposed by García-Sánchez et al. (2022c) to identify the requirements for corporate sustainability transparency in countries that are part of the European Union.

We also controlled for the effects of time, country, and industry with three categorical variables identifying the time period (*Year*), geographical area (*Country*), and sector (*Industry*) in which the firms operate. We used these types of variables instead of dummies to maintain the freedom degree of the models. In addition, we specifically controlled for the effect of the pandemic in the year 2020 with the *COVID-19* variable, a dummy coded with 1 for this period and 0 for the remaining years. Table 3 shows the description of these variables.

#### 4.6 Proposed analysis models

In order to test the hypotheses, the research model shown in Fig. 1 has been translated into Eq. 1 and corresponds to a lagged endogenous model, following the evidence of García-Sánchez et al. (2022a). The adequacy of this estimate is based on the relationship between the levels of transparency that exist between a given year ( $t$ ) and the one immediately preceding it ( $t-1$ ). To determine the relevance of the research hypotheses, the effect of human-oriented governance (*LHRGov*) will be assessed by the significance of  $\beta_2$ , which will allow the acceptance or rejection of hypothesis H1. For hypothesis H2, both this coefficient and the one related to the interaction of *LHRGov* with LHR performance (*LHRPerf*),  $\beta_4$  will be examined.

**Table 3** Descriptive statistics

Variable	Description	Source	min.	Mean	Std. dv.	max.
LHRDiscl	Score of LHR disclosure (see Table 2)	Refinitiv EIKON	3.00	18.16	4.98	33.00
LDiscl	Score of Labour disclosure (see Table 2)	Refinitiv EIKON	2.00	12.96	3.40	24.00
HRDiscl	Score of Human Right disclosure (see Table 2)	Refinitiv EIKON	0.00	0.99	0.99	3.00
LHRGov	Composite score made up of the sum of 11 components associated with human-oriented governance	Refinitiv EIKON	0.00	2.68	1.53	9.00
LHRPerf	Aggregated Score of LPerf and HRPerf	Refinitiv EIKON	42.57	54.47	14.31	87.42
LPerf	Workforce score made up of 29 indicators	Refinitiv EIKON	19.70	75.26	19.77	99.94
HRPerf	Human Rights Score made up of 8 indicators	Refinitiv EIKON	0.00	14.67	9.97	88.65
Fage	Logarithm of age of the company	Compustat	0.00	3.57	0.84	5.24
Fsize	Logarithm of total assets	Compustat	1.55	16.35	1.63	22.35
ROA	Return on Assets Ratio	Compustat	0.01	5.62	8.00	16.33
Leverage	Total ratio of external funds between total assets	Compustat	0.00	78.70	57.35	87.20
R&D	R&D intensity (statistics in value)	Compustat	0.00	31.20	56.40	211.00
Advertising	Advertising intensity (statistics in value)	Compustat	0.00	210.00	200.00	553.00
Capex	Capital intensity (statistics in value)	Compustat	0.00	128.00	117.00	428.00
Bsize	Number of members of the board	Refinitiv EIKON	1.00	11.44	3.49	23.00
Bactivity	Number of board meetings	Refinitiv EIKON	1.00	10.00	5.54	40.00
Bindep	Percentage of independent directors on the board	Refinitiv EIKON	0.00	50.97	38.33	100.00
Bdiversity	Percentage of women on the board	Refinitiv EIKON	0.00	19.02	13.60	75.00
SPI	Social Progress Index	Social Progress Imperative	56.26	84.73	8.09	89.97
WPSindex	Women Peace and Security Index	Georgetown Institute for WPS	0.58	0.80	0.06	0.87
LRI	Labour Rights Index	Wage Indicator Foundation and Centre for Labour Research	0.00	2.55	1.63	7.40
HR	Human Freedom Index	Cato Institute and Fraser Institute	50.00	85.49	13.60	99.00
Variable	Description	Source	%			
CEOdua	Dummy coded by 1 to identify that the CEO is the chair of the board, 0 otherwise	Refinitiv EIKON	0.67			

**Table 3** (continued)

Variable	Description	Source	%
COVID-19	Dummy coded by 1 for 2020 to control the effect of the pandemic, 0 otherwise	own design	0.10
EU	Dummy coded by 1 for the firms was headquartered in an EU country affected by Directive 2014/95/EU in the period 2014–2020, 0 otherwise	García-Sánchez et al. (2022b)	0.28

$$\begin{aligned}
LHRDiscl_{i,t} = & \beta_0 + \beta_1 LHRDiscl_{i,t-1} + \beta_2 LHRGov_{i,t-1} + \beta_3 LHRPerf_{i,t-1} \\
& + \beta_4 LHRGov * LHRPerf_{i,t-1} + \beta_5 Fage_{i,t-1} + \beta_6 Fsize_{i,t-1} \\
& + \beta_7 ROA_{i,t-1} + \beta_8 Leverage_{i,t-1} + \beta_9 R\&D_{i,t-1} \\
& + \beta_{10} Adverstising_{i,t-1} + \beta_{11} Capex_{i,t-1} + \beta_{12} Bsize_{i,t-1} \\
& + \beta_{13} Bactivity_{i,t-1} + \beta_{14} Bindep_{i,t-1} + \beta_{15} CEOdua_{i,t-1} + \beta_{16} Bdiversity_{i,t-1} \\
& + \beta_{17} EU_{i,t-1} + \beta_{18} SPI_{i,t-1} + \beta_{19} WPSindex_{i,t-1} + \beta_{20} LRI_{i,t-1} + \beta_{21} HR_{i,t-1} \\
& + \beta_{22} COVID-19_t + \beta_{23} Country_i + \beta_{24} Industry_i + \beta_{25} Year_t + \epsilon_{it} + \eta_i
\end{aligned} \tag{1}$$

This dependency model will be estimated using panel data regressions, given the nature of the dependent variable *LHRDiscl*. As described in the following section and summarised in Table 2, it corresponds to a censored variable that takes values between 0 and 33, necessitating the use of Tobit regressions. This approach allows for greater variability, consistency, efficiency, and explanatory power, while controlling for unobservable heterogeneity. To limit endogeneity problems, the dependent variable is observed in *t*, while *t-1* is used for the explanatory variables.

## 5 Results

### 5.1 Descriptive analysis

Table 3 shows the mean and standard deviation of the variables used to estimate Eq. 1. The level of implementation of human-oriented governance among the companies in the sample is low. The *LHRGov* variable, which measures the companies' orientation towards human rights and sustainable employment in terms of their commitments, structures, and procedures, has an average value of 2.68 across the 11 items considered. This suggests that the companies in the sample generally lack most of the elements that are characteristic of a human-oriented governance model.

In terms of LHR disclosure, the selected companies disclosed on average 18 of the 33 items identified as material LHR information, primarily related to personnel matters. This indicates a medium level of disclosure on LHR. This result aligns with previous studies on this topic (e.g., Cahaya and Hervina 2019; Monteiro et al. 2023) and, in the case of human rights, confirms the low level of disclosure reported in the Corporate Human Rights Benchmark 2022 (World Benchmarking Alliance 2022).

Finally, the companies' performance on LHR can be rated as medium (54.47 out of 100), with higher performance on labour issues than on human rights. This result suggests that the companies in the sample have taken some action in the area of LHR,

although they do not communicate such action. This finding is consistent with previous evidence (e.g., Monteiro et al. 2022).

Table 4 presents the bivariate correlations. The coefficients could indicate multicollinearity between some of the variables in the model, so a further VIF analysis must be carried out to ensure the absence of this problem.

## 5.2 Main results

Table 5 shows the results of the estimation of the research model outlined in Eq. 1. The findings indicate a positive impact of human-oriented governance on LHR disclosure. In other words, companies with human-oriented governance tend to disclose more material LHR information. Therefore, Hypothesis H1, which posits a positive relationship between human-oriented governance and LHR disclosure, can be accepted. These results provide pioneering evidence in this field, confirming, at a broader level, the positive relationship between corporate governance structures and CSR disclosure as demonstrated in previous research (Fahad and Rahman 2020; Velte 2022), as well as the positive effect of specific elements of human-oriented governance, such as the existence of a sustainability committee, on LHR disclosure as highlighted by Principale (2023). The LHR-respectful organisational culture associated with human-oriented governance morally obliges management, fosters greater consideration of stakeholder interests, and enhances corporate commitment to LHR and transparency (Muchlinski 2012; Hess 2021).

Regarding Hypothesis H2, the findings indicate that LHR performance negatively moderates the relationship between human-oriented governance and the level of LHR disclosure. This means that the positive effect of human-oriented governance on LHR disclosure is greater when the company has poorer performance in these areas. Therefore, Hypothesis H2 cannot be accepted.

These results are confirmed for the two sub-components of the *LHRDiscl* variable, which cover information on employment (*LDiscI*) and human rights (*HRDiscl*), respectively. Among the control variables, board independence and diversity influence companies' decisions to disclose more LHR information. The remaining variables related to firm resources, capabilities, and institutional pressures show varying effects depending on the score used, indicating a stronger impact when considering information on human rights compared to labour issues.

To ensure robust results, new models were estimated with several changes in the independent and control variables. Firstly, both the independent variable (*LHRGov*) and dependent variable (*LHRDiscl*) now incorporate aspects related to public commitment to ILO and GRI. Given that public commitment to ILO/GRI typically influences companies to disclose according to these standards, as reflected in the dependent variable, the statistical analysis was repeated by excluding the ILO/GRI components from the independent variable. This was done to assess if the relationship proposed in H1 remains significant. Secondly, continuous variables were replaced with dummy variables for each year, country, and industry. The results in Table 6 are quite similar to those discussed above, reinforcing the robustness of the findings.

In addition, in order to ensure that our results are not affected by selection bias due to the application of the first and last criteria in the sample design, we omitted

these steps from the sampling process and ran the econometric models again with a new sample consisting of 1,505 firms (11,219 observations). Our results confirm the previous ones, indicating that the use of the two criteria does not reduce the randomness of the sampling process and does not introduce bias in the estimates (Table 7).

## 5.3 Discussion

### 5.3.1 Research implications

This research extends the academic literature in several ways. Firstly, the findings contribute to the current debate on corporate transparency and accountability regarding LHR (Hess 2021; Ismail et al. 2021) by demonstrating that human-oriented governance models drive LHR disclosure among multinational companies worldwide. This confirms previous assertions that corporate behaviour towards genuine respect for LHR and enhanced transparency can be influenced not only by external pressures but also by internal initiatives (Chambers and Vastardis 2020; Lee 2023; Morán-Muñoz et al. 2024). Additionally, the findings show that corporate governance structures, extending traditional monitoring tools, play a pivotal role in enhancing corporate transparency (Velte 2022; Helfaya et al. 2024), and bring new insights into the elements of corporate governance that reflect the ethical orientation of the company. This perspective signifies a “shift in focus” in the study of the interaction between corporate governance and corporate transparency compared to previous research, as it adopts a holistic approach.

Secondly, this study contributes to the literature by extending the knowledge of the drivers of LHR disclosure (Monteiro et al. 2021), particularly by identifying a new driver represented by the human-oriented governance, which has not been previously explored in existing research. It is demonstrated that human-oriented governance encourages companies to disclose more comprehensive and accurate LHR information, even when their performance in this area is poor, contrasting with the “box-ticking” or biased behaviour documented in other studies (Islam et al. 2017; Hess 2019; World Benchmarking Alliance 2022; Zeng et al. 2022; Esterhuyse and du Toit 2023).

Moreover, contrary to expectations, our results show that LHR performance negatively moderates the relationship between human-oriented governance and the level of LHR disclosure, implying that when LHR performance is high, the positive effect of human-oriented governance on LHR disclosure diminishes. These results suggest that human-oriented governance encourages companies to provide a clear, truthful, accurate, and transparent account of their impact on LHR, particularly when LHR performance is poor, with the aim of highlighting (and addressing) the underlying issues that may have led to these negative results. Conversely, when LHR performance is high, the effectiveness of human-oriented governance mechanisms in improving LHR disclosure may be diminished, because in these cases companies have already internalised a strong commitment to LHR in their organisational culture and operations. This means that in companies with high LHR performance, transparency and disclosure of relevant LHR information are already well established and part of their routine practices. As a result, human-oriented governance mechanisms,

**Table 4** Bivariate correlations (\*\* $p < 0.01$ , \*\*\* $p < 0.001$ , \*\* $p < 0.05$ , \* $p < 0.1$ )

	1	2	3	4	5	6	7	8	9	10
1 LHRDiscl	1									
2 LDiscl	0.95***	1								
3 HRDiscl	0.7***	0.51***	1							
4 ΔLHRDiscl	0.08***	0.07***	0.12***	1						
5 ΔLDiscl	0.06***	0.1***	0.02*	0.84***	1					
6 ΔHRDiscl	0.1***	0.03***	0.32***	0.42***	0.07***	1				
7 LHRGov	0.6***	0.57***	0.34***	-0.04***	-0.05***	-0.02	1			
8 LHRPerf	0.56***	0.57***	0.26***	-0.03**	-0.02	0.04***	0.38***	1		
9 LPerf	0.56***	0.57***	0.26***	-0.03**	-0.02	0.04***	0.38***	0.89***	1	
10 HRPerf	0.02*	0.02	0.02*	0.01	0.01	0.02	0.02*	0.03**	0.01	1
11 ΔLHRPerf	-0.05***	-0.04***	-0.03**	0.25***	0.21***	0.03**	-0.04**	0.02	0.02	0.01
12 ΔLPerf	-0.05***	-0.04***	-0.03***	0.25***	0.21***	0.03**	-0.04***	0.02	0.02	0.00
13 ΔHRPerf	0.00	0.00	0.01	0.02	0.01	0.03*	-0.02	0.01	0.00	0.71***
14 Fage	0.08***	0.04***	0.1***	0.00	0.00	0.01	0.05***	0.00	0.00	0.01
15 Fsize	0.25***	0.25***	0.11***	-0.05***	-0.04***	0.01	0.28***	0.26***	0.26***	0.01
16 ROA	-0.03**	-0.04***	0.04***	0.02	0.02	0.01	-0.08***	0.02**	0.02**	0.00
17 Leverage	-0.02*	-0.02**	0.00	0.00	-0.01	-0.01	-0.08***	-0.03**	-0.03**	0.00
18 R&D	0.04***	0.03***	0.04***	0.00	-0.01	-0.01	0.03**	0.04***	0.04***	0.00
19 Advertising	0.02*	0.01	0.03**	0.00	-0.01	-0.01	-0.02	0.01	0.01	0.00
20 Capex	0.02**	0.02	0.03**	-0.01	-0.01	-0.01	-0.02	0.02**	0.02**	0.00
21 Bsize	0.12***	0.12***	0.01	-0.04***	-0.04***	0.01	0.11***	0.19***	0.19***	0.00
22 Bactivity	-0.04***	-0.07***	-0.03***	0.01	0.01	0.00	0.01	-0.04***	-0.04***	-0.01
23 Bindp	0.27***	0.27***	0.16***	-0.01	-0.02	0.02	0.22***	0.18***	0.18***	0.00
24 CEOdua	0.01	0.02**	-0.02**	0.00	-0.01	0.01	0.01	-0.02*	-0.02*	-0.02
25 Bdiversity	0.41***	0.42***	0.26***	-0.02*	-0.02*	0.02*	0.34***	0.24***	0.24***	0.02*
26 COVID-19	0.36***	0.32***	0.28***	-0.05***	-0.05***	-0.07***	0.36***	0.05***	0.05***	0.00
27 EU	0.01	-0.02	0.02**	-0.01	-0.02*	0.00	0.00	0.1***	0.1***	0.01
28 SPI	-0.04***	-0.04***	-0.01	0.01	0.02	0.00	0.03***	-0.05***	-0.05***	0.00

Table 4 (continued)

	1	2	3	4	5	6	7	8	9	10
29 WPSindex	0.05***	0.07***	0.00	-0.01	0.00	0.00	0.11***	0.01	0.01	0.00
30 LRI	-0.03***	-0.04***	0.01	0.03**	0.03**	-0.01	-0.08***	-0.06***	-0.06***	-0.01
31 HR	0.01	0.03***	0.03**	0.01	0.02	-0.01	0.02	-0.09***	-0.09***	0.01
11 ALHRPerf	1									
12 ALPerf	0.9***	1								
13 ΔHRPerf	0.01	0.00	1							
14 Fage	0.00	0.00	0.00	1						
15 Fsize	-0.03**	-0.03**	0.00	0.08***	1					
16 ROA	0.03**	0.03**	0.00	-0.04***	-0.17***	1				
17 Leverage	0.00	0.00	0.00	0.00	-0.08***	0.03***	1			
18 R&D	0.00	0.00	0.00	0.02	0.07***	0.02*	0.02	1		
19 Advertising	0.00	0.00	0.00	0.02*	0.06***	0.03***	0.32***	0.89***	1	
20 Capex	0.00	0.00	0.00	0.01	0.06***	0.03**	0.42***	0.84***	0.93***	1
21 Bsize	-0.03**	-0.03**	0.00	0.11***	0.45***	-0.12***	-0.1***	-0.02	-0.03***	-
22 Bactivity	0.00	0.00	0.00	0.02*	0.13***	-0.12***	0.04***	0.00	0.02*	0.04***
23 Bindep	-0.03**	-0.03**	0.01	-0.09***	0.11***	-0.01	-0.08***	0.00	-0.04***	-
24 CEOdua	-0.01	-0.01	0.00	-0.07***	-0.15***	-0.02	0.06***	-0.05***	-0.03***	-0.02*
25 Bdiversity	-0.04***	-0.04***	0.00	0.01	0.09***	0.04***	-0.14***	-0.05***	-0.1***	-
26 COVID-19	-0.01	-0.01	-0.03**	0.06***	0.04***	-0.08***	0.01	0.01	0.01	0.11***
27 EU	0.01	0.01	0.00	0.07***	0.09***	-0.08***	0.13***	0.05***	0.1***	0.00
28 SPI	-0.01	-0.01	0.00	0.05***	0.06***	-0.09***	-0.28***	0.02	-0.07***	0.11***
29 WPSindex	-0.03**	-0.03**	0.00	-0.04***	0.01	-0.07***	-0.26***	-0.01	-0.1***	-
30 LRI	0.01	0.01	0.00	-0.05***	0.04***	0.11***	0.24***	0.12***	0.18***	0.12***
										0.21***

Table 4 (continued)

	11	12	13	14	15	16	17	18	19	20
31 HR	-0.01	-0.01	0.00	-0.07***	0.02*	0.03**	-0.27***	-0.08***	-0.1***	-0.11***
21 Bsize	1									
22 Bactivity	0.00	1								
23 Binddep	0.03**	-0.08***	1							
24 CEOdua	-0.11***	0.07***	0.07***	1						
25 Bdiversity	0.01	-0.12***	0.27***	0.00	1					
26 COVID-19	-0.04***	0.08***	0.08***	0.03***	0.19***	1				
27 EU	0.19***	0.26***	-0.12***	-0.02**	-0.13***	0.00	1			
28 SPI	-0.06***	0.06***	-0.04***	-0.01	0.12***	0.00	0.25***	1		
29 WPSindex	-0.07***	-0.06***	0.08***	0.04***	0.28***	0.00	0.08***	0.89***	1	
30 LRI	-0.08***	-0.01	-0.01	-0.14***	-0.2***	0.00	-0.47***	-0.52***	-0.56***	1
31 HR	-0.2***	0.03**	0.07***	0.03**	0.26***	0.00	0.04***	0.7***	0.6***	-0.34***

LHRDiscl: Labour and Human Rights disclosure score; LDiscl: Labour disclosure score; HRDiscl: Human Right disclosure score; LHRGov: Human-oriented governance score; LHRPerf: Labour and Human Rights performance score; LPerf: Labour performance score; HRPerf: Human Rights performance score; Fage: Logarithm of the age of the firm; Fsize: Logarithm of total assets; ROA: Return on Assets Ratio; Leverage: Ratio of total debt to total assets; R&D: Research and development intensity; Advertising: Advertising investment intensity; Capex: Capital investment intensity; Bsize: Number of board members; Bactivity: Number of board meetings; Binddep: Percentage of independent directors on the board; CEOdua: Dummy coded 1 to indicate that the CEO is the chairman of the board, otherwise 0; Bdiversity: Percentage of women on the board; COVID-19: Dummy coded 1 for 2020 to control for the impact of the pandemic, otherwise 0; EU: Dummy coded by 1 for companies headquartered in an EU country affected by Directive 2014/95/EU in 2014–2020, otherwise 0; SPI: Social Progress Index; WPSindex: Women Peace and Security Index; LRI: Labour Rights Index; HR: Human Freedom Index

**Table 5** Basic and robust models I  
Lagged endogenous models (Eq. 1)

	LHRDiscI		LDiscI		HRDiscI	
	coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)
LHRDiscI (t-1)	0.956*** (0.00705)	0.955*** (0.00705)				
LHRGov	0.0457** (0.0202)	0.0947*** (0.0391)	0.00218* (0.0051)	0.0868* (0.0521)	0.0127** (0.00624)	0.0132** (0.00624)
LHRPerf	0.00256 (0.00201)	0.00265 (0.00317)				
LHRGov*LHRPerf		-0.00249** (0.00117)				
LDiscI (t-1)			0.916*** (0.00758)	0.916*** (0.00759)		
LPerf			0.000379 (0.00110)	0.00264 (0.00173)		
LHRGov*LPerf				-0.00109* (0.000641)		
HRDiscI (t-1)					0.800*** (0.00818)	0.800*** (0.00817)
HPerf					0.0102 (0.00634)	0.756** (0.315)
LHRGov*HPerf						-0.153** (0.0630)
Fage	0.0389 (0.0270)	0.0369 (0.0270)	0.0305 (0.0203)	0.0292 (0.0203)	0.0182** (0.00884)	0.0185** (0.00884)
Fsize	0.0171 (0.0178)	0.0188 (0.0178)	0.0220 (0.0134)	0.0230* (0.0134)	0.00481 (0.00576)	0.00436 (0.00576)
ROA	0.00313	0.00354	0.00411*	0.00435**	-1.91e-05	-1.37e-06

Table 5 (continued)

	LHRDisc1		LDisc1		HRDisc1	
	coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)
Leverage	(0.00286) -4.81e-05	(0.00287) -4.74e-05	(0.00216) -7.89e-05	(0.00216) -7.81e-05	(0.000938) -2.46e-05	(0.000937) -4.02e-05
R&D	(0.000374) -1.96e-10	(0.000374) -1.65e-10	(0.000282) -8.69e-11	(0.000282) -8.86e-11	(0.000122) -8.10e-11	(0.000122) -7.00e-11
Advertising	(2.34e-10) 0.000	(2.34e-10) 0.000	(1.76e-10) 0.000	(1.76e-10) 0.000	(7.66e-11) 0.000	(7.67e-11) 0.000
Capex	(7.23e-11) 8.01e-11	(7.24e-11) 7.81e-11	(5.45e-11) 0.000	(5.46e-11) 0.000	(0.000) 0.000	(0.000) 0.000
Bsize	(7.80e-11) -0.000851	(7.80e-11) 9.91e-05	(5.88e-11) 0.000634	(5.88e-11) 0.00121	(0.000) -0.00159	(0.000) -0.00154
Bactivity	(0.00793) -0.00342	(0.00794) -0.00380	(0.00598) -0.00129	(0.00599) -0.00152	(0.00260) -0.00338	(0.00260) -0.00336
Bindep	(0.00632) 0.00150**	(0.00632) 0.00155**	(0.00477) 0.00153***	(0.00477) 0.00156***	(0.00207) 0.000367*	(0.00207) 0.000372*
CEOdua	(0.000659) 0.0573	(0.000659) 0.0629	(0.000496) 0.0181	(0.000496) 0.0215	(0.000215) 0.0284*	(0.000215) 0.0282*
Bdiversity	(0.0494) 0.0168***	(0.0495) 0.0170***	(0.0373) 0.0101***	(0.0373) 0.0102***	(0.0162) 0.00554***	(0.0162) 0.00547***
COVID-19	(0.00218) 0.159**	(0.00218) 0.168**	(0.00164) 0.116*	(0.00164) 0.121**	(0.000705) 0.0130	(0.000705) 0.0140
EU	(0.0794) 0.0981	(0.0795) 0.107	(0.0591) 0.0450	(0.0591) 0.0498	(0.0251) 0.0649**	(0.0251) 0.0660**
SPI	(0.0843) 0.0192*	(0.0844) 0.0191*	(0.0634) 0.00142	(0.0635) 0.00137	(0.0276) 0.00823**	(0.0276) 0.00814**
	(0.0115) (0.0115)	(0.0115) (0.0115)	(0.00871) (0.00871)	(0.00870) (0.00870)	(0.00372) (0.00372)	(0.00371) (0.00371)

Table 5 (continued)

	LHRDiscl		LDiscl		HRDiscl	
	coeff. (std. error)	Coef. (std. error)	Coef. (std. error)	Coef. (std. error)	Coef. (std. error)	Coef. (std. error)
WPSindex	-2.465* (1.353)	-2.438* (1.353)	-0.330 (1.026)	-0.312 (1.026)	-1.258*** (0.441)	-1.223*** (0.441)
LRI	0.0314 (0.0275)	0.0328 (0.0275)	0.0288 (0.0207)	0.0296 (0.0207)	0.00862 (0.00900)	0.00945 (0.00900)
HR	-0.00326 (0.00306)	-0.00333 (0.00306)	0.00149 (0.00232)	0.00144 (0.00232)	-0.000987 (0.000998)	-0.00101 (0.000997)
Constant	1.763*** (0.580)	1.448** (0.599)	0.841* (0.437)	0.650 (0.451)	0.406** (0.189)	0.391** (0.189)
Log likelihood	11866.03***	11863.78***	-10152.72***	-10151.28***	-5100.96***	-5098.01***

\*\*\*  $p < 0.01$ . \*\*  $p < 0.05$ . \*  $p < 0.1$

VIF's values: LHRDiscl (t-1): 3.057; LHRGov: 3.034; LHRPerf: 1.090; Fage: 1.822; Fsize: 1.604; ROA: 3.511; Leverage: 3.446; R&D: 3.733; Advertising: 3.279; CAPEX: 2.815; Bsize: 2.186; Bactivity: 2.562; Bindep: 2.010; CEOdua: 2.665; Bdiversity: 2.605; COVID-19: 2.451; EU: 2.513; SPI: 2.045; WPSindex: 2.975; LRI: 3.483; HR: 2.093

LHRDiscl: Labour and Human Rights disclosure score; LDiscl: Labour disclosure score; HRDiscl: Human Right disclosure score; LHRGov: Human-oriented governance score; LHRPerf: Labour and Human Rights performance score; LPerf: Labour performance score; HRPerf: Human Rights performance score; Fage: Logarithm of the age of the firm; Fsize: Logarithm of total assets; ROA: Return on Assets Ratio; Leverage: Ratio of total debt to total assets; R&D: Research and development intensity; Advertising: Advertising investment intensity; Capex: Capital investment intensity; Bsize: Number of board members; Bactivity: Number of board meetings; Bindep: Percentage of independent directors on the board; CEOdua: Dummy coded 1 to indicate that the CEO is the chairman of the board, otherwise 0; Bdiversity: Percentage of women on the board; COVID-19: Dummy coded 1 for 2020 to control for the impact of the pandemic, otherwise 0; EU: Dummy coded by 1 for companies headquartered in an EU country affected by Directive 2014/95/EU in 2014–2020, otherwise 0; SPI: Social Progress Index; WPSindex: Women Peace and Security Index; LRI: Labour Rights Index; HR: Human Freedom Index

while continuing to promote ethics and transparency, do not exert significant additional pressure on LHR disclosure.

From a theoretical perspective, the findings provide empirical support for the three theories that underpin this study. Contribution to resource dependence theory is made by demonstrating that human-oriented governance acts as a distinct resource for firms aiming to genuinely respect LHR and enhance LHR disclosure. Additionally, contribution to legitimacy theory is shown by demonstrating that human-oriented governance facilitates the disclosure of more comprehensive and accurate LHR information, helping firms meet societal expectations and attain legitimacy. Finally, contribution to stakeholder theory is made by identifying a new pathway through which firms can effectively manage stakeholder relationships in a balanced and responsible manner.

### 5.3.2 Practical implications

In terms of the practical implications of these findings, evidence is provided on how human-oriented governance mechanisms affect LHR disclosure. Companies and regulators are provided with guidance on enhancing corporate transparency and improving stakeholder engagement. For instance, companies interested in improving LHR disclosure could consider implementing elements of human-oriented governance systems, such as sustainability-related remuneration policies, sustainability committees, certifications in sustainability and occupational health and safety, adherence to leading sustainability reporting standards and frameworks, and assurance of sustainability reports.

Policymakers and regulators could be encouraged to promote the adoption of these human-oriented governance mechanisms, not just as self-regulatory initiatives aligned with an organisational culture that respects LHR, but as “best practices” in corporate governance to enhance corporate transparency on LHR.

## 6 Conclusions

Although CSR and business and human rights share the common view that companies have responsibilities extending beyond their shareholders, there are important differences between them in terms of the nature and scope of these responsibilities and the ways in which companies should address them (Ramasastry 2015; Deva 2020; Schrempf-Stirling et al. 2022). In particular, several authors (e.g., Wettstein 2012; Obara and Peattie 2018; Carroll 2021) have highlighted the failure of CSR to truly integrate human rights and to take a more proactive approach with regard to LHR due diligence.

According to Muchlinski (2012, p. 156), “unless a corporate culture of concern for human rights is instilled into the officers, agents and employees of the company, due diligence could end up missing the very issues it is set up to discover. At worst it could degenerate into a “tick-box” exercise designed for public relations purposes rather than a serious integral part of corporate decision-making. It is here that the ethical duty to respect human rights is key. The acceptance of such a duty may be

**Table 6** Robust models II

Lagged endogenous models (Eq. 1)

	LHRDiscl		LDiscl		HRDiscl	
	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)
LHRDiscl (t-1)	0.953*** (0.00703)	0.953*** (0.00704)				
newLHRGov	0.0221** (0.0110)	0.0227** (0.0110)	0.0157* (0.00829)	0.0160* (0.00829)	0.0143** (0.00655)	0.0146** (0.00654)
LHRPerf	-0.00274 (0.00201)	0.00164 (0.00324)				
newLHRGov *LHRPerf		-0.00212* (0.00123)				
LDiscl (t-1)			0.915*** (0.00757)	0.915*** (0.00757)		
LPerf			0.000302 (0.00110)	0.00217 (0.00177)		
newLHRGov *LPerf				-0.000910** (0.000373)		
HRDiscl (t-1)					0.800*** (0.00818)	0.800*** (0.00818)
HRPerf					-0.0103 (0.00634)	0.756** (0.318)
newLHRGov *HRPerf						-0.153** (0.0636)
Fage	0.0386 (0.0270)	0.0371 (0.0271)	0.0301 (0.0203)	0.0292 (0.0203)	0.0182** (0.00884)	0.0184** (0.00884)
Fsize	0.0129 (0.0178)	0.0147 (0.0179)	0.0200 (0.0134)	0.0210 (0.0135)	0.00449 (0.00577)	0.00402 (0.00577)
ROA	0.00321 (0.00286)	0.00355 (0.00287)	0.00414* (0.00216)	0.00433** (0.00216)	-1.73e-05 (0.000938)	4.20e-07 (0.000937)
Leverage	-6.18e-05 (0.000374)	-6.04e-05 (0.000374)	-8.36e-05 (0.000282)	-8.26e-05 (0.000282)	-2.55e-05 (0.000122)	-4.21e-05 (0.000122)
R&D	-2.05e-10 (2.34e-10)	-1.83e-10 (2.34e-10)	-8.87e-11 (1.76e-10)	-7.59e-11 (1.76e-10)	-8.00e-11 (7.66e-11)	-6.92e-11 (7.67e-11)
Advertising	0.000 (7.23e-11)	0.000 (7.24e-11)	0.000 (5.45e-11)	0.000 (5.45e-11)	0.000 (0.000)	0.000 (0.000)
Capex	8.07e-11 (7.80e-11)	7.92e-11 (7.80e-11)	0.000 (5.88e-11)	0.000 (5.88e-11)	0.000 (0.000)	0.000 (0.000)
Bsize	-0.000616 (0.00793)	0.000123 (0.00794)	0.000743 (0.00598)	0.00118 (0.00599)	-0.00159 (0.00260)	-0.00155 (0.00260)
Bactivity	-0.00374 (0.00633)	-0.00406 (0.00633)	-0.00146 (0.00477)	-0.00165 (0.00477)	-0.00342* (0.00207)	-0.00339 (0.00207)
Bindep	0.00147** (0.000659)	0.00151** (0.000659)	0.00152*** (0.000496)	0.00154*** (0.000496)	0.000367* (0.000215)	0.000374* (0.000215)
CEOdua	0.0562 (0.0495)	0.0609 (0.0495)	0.0172 (0.0373)	0.0200 (0.0373)	0.0281* (0.0162)	0.0278* (0.0162)
Bdiversity	0.0167*** (0.00218)	0.0169*** (0.00218)	0.0101*** (0.00164)	0.0102*** (0.00164)	0.00551*** (0.000706)	0.00544*** (0.000706)

**Table 6** (continued)

Lagged endogenous models (Eq. 1)						
	LHRDiscl		LDiscl		HRDiscl	
	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)
COVID-19	0.136* (0.0787)	0.141* (0.0787)	0.114* (0.0583)	0.116** (0.0583)	0.0181 (0.0247)	0.0186 (0.0246)
EU	0.0986 (0.0843)	0.105 (0.0844)	0.0453 (0.0634)	0.0490 (0.0635)	0.0652** (0.0276)	0.0663** (0.0276)
SPI	0.0208* (0.0115)	0.0206* (0.0115)	0.00216 (0.00871)	0.00205 (0.00871)	0.00838** (0.00372)	0.00830** (0.00372)
WPSindex	-2.680** (1.355)	-2.646* (1.355)	-0.426 (1.027)	-0.404 (1.027)	-1.275*** (0.441)	-1.239*** (0.441)
LRI	0.0313 (0.0275)	0.0323 (0.0275)	0.0287 (0.0207)	0.0293 (0.0207)	0.00868 (0.00900)	0.00956 (0.00900)
HR	-0.00335 (0.00306)	-0.00338 (0.00306)	0.00143 (0.00232)	0.00141 (0.00232)	-0.00101 (0.000998)	-0.00104 (0.000998)
Year, country and industry controlled by dichotomic variables						
Constant	1.869*** (0.580)	1.599*** (0.601)	0.887** (0.437)	0.728 (0.453)	0.411** (0.189)	0.395** (0.189)
Log likelihood	-11868.04***	-11866.55***	-10152.39***	-10151.47***	-5100.67***	-5097.77***

\*\*\*  $p < 0.01$ . \*\*  $p < 0.05$ . \*  $p < 0.1$

VIFs values: LHRDiscl (t-1): 2.23; LHRGov: 1.49; LHRPerf: 1.65; Fage: 1.13; Fsize: 1.70; ROA: 1.10; Leverage: 2.14; R&D: 3.594; Advertising: 3.331; CAPEX: 1.599; Bsize: 1.53; Bactivity: 1.33; Bindep: 1.23; CEOdua: 1.16; Bdiversity: 1.70; COVID-19: 1.26; EU: 1.05; SPI: 1.419; WPSindex: 1.080; LRI: 3.92; HR: 3.44

LHRDiscl: Labour and Human Rights disclosure score; LDiscl: Labour disclosure score; HRDiscl: Human Right disclosure score; LHRGov: Human-oriented governance score; LHRPerf: Labour and Human Rights performance score; LPerf: Labour performance score; HRPerf: Human Rights performance score; Fage: Logarithm of the age of the firm; Fsize: Logarithm of total assets; ROA: Return on Assets Ratio; Leverage: Ratio of total debt to total assets; R&D: Research and development intensity; Advertising: Advertising investment intensity; Capex: Capital investment intensity; Bsize: Number of board members; Bactivity: Number of board meetings; Bindep: Percentage of independent directors on the board; CEOdua: Dummy coded 1 to indicate that the CEO is the chairman of the board, otherwise 0; Bdiversity: Percentage of women on the board; COVID-19: Dummy coded 1 for 2020 to control for the impact of the pandemic, otherwise 0; EU: Dummy coded by 1 for companies headquartered in an EU country affected by Directive 2014/95/EU in 2014–2020, otherwise 0; SPI: Social Progress Index; WPSindex: Women Peace and Security Index; LRI: Labour Rights Index; HR: Human Freedom Index

said to “constitutionalise” concern over human rights impacts in the corporate psyche and culture”.

Human-oriented governance systems broaden the scope of CSR by fostering an ethical organisational culture in which protecting and promoting LHR is not seen as a moral option (Muchlinski 2012; Ramasastry 2015), but as a fundamental responsibility. Thus, the central idea of this study is that such governance structures raise awareness of the importance of disclosing material information on LHR issues, thereby promoting corporate transparency. The results showed that companies characterised by human-oriented governance systems disclose more complete LHR information by providing a transparent account of negative LHR performance, with the aim of high-

Table 7 Robust models III

	LHRDiscl			LDiscI			HRDiscl		
	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	
LHRDiscl (t-1)	0.864*** (0.00517)	0.863*** (0.00517)							
LHRGov	0.198*** (0.0144)	0.331*** (0.0459)	0.127*** (0.0105)		0.200*** (0.0338)	0.142*** (0.00727)	0.142*** (0.00727)		
LHRPerf	0.0252 (0.0241)	0.0301 (0.0312)							
LHRGov*LHRPerf		-0.00240*** (0.000786)							
LDiscI (t-1)			0.835*** (0.00546)	0.834*** (0.00546)					
LPerf			0.0154 (0.01756)	0.0173 (0.0113)					
LHRGov*LPerf				-0.000966** (0.000420)					
HRDiscl (t-1)					0.998*** (0.322)	0.998*** (0.322)	0.994*** (0.322)		
HRPerf					0.0212 (0.0809)	0.0212 (0.0809)	0.356 (0.393)		
LHRGov*HRPerf							-0.0669 (0.0387)		
Fage	0.00155 (0.0201)	0.000739 (0.0201)	-0.00364 (0.0149)	-0.00415 (0.0149)		0.230*** (0.0203)	0.230*** (0.0203)		
Fsize	-0.0347*** (0.0129)	-0.0332** (0.0129)	-0.00786 (0.00954)	-0.00704 (0.00954)		0.0227** (0.0113)	0.0225** (0.0113)		
ROA	0.000315	0.000478	0.000168	0.000257		0.000928	0.000930		

Table 7 (continued)

	LHRDiscl		LDiscl		HRDiscl	
	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)
Leverage	(0.00177) -5.23e-05	(0.00177) -5.10e-05	(0.00131) -1.67e-05	(0.00131) -1.60e-05	(0.000968) 5.82e-05	(0.000968) 5.73e-05
R&D	(0.000195) 9.04e-11	(0.000194) 1.10e-10	(0.000144) 0.000	(0.000144) 5.28e-11	(0.000163) 0.000	(0.000163) 0.000
Advertising	(1.42e-10) 0.000	(1.42e-10) 0.000	(1.05e-10) 0.000	(1.05e-10) 0.000	(7.66e-11) 0.000	(7.66e-11) 0.000
Capex	(0.002) 0.000	(0.000) 0.000	(0.001) 0.000	(0.000) 0.000	(0.006) 0.000	(0.000) 0.000
Bsize	(0.000) -0.00274	(0.000) -0.00180	(0.000) -0.00176	(0.000) -0.00123	(0.000) -0.0245***	(0.000) -0.0244***
Bactivity	(0.00605) -0.0123***	(0.00605) -0.0127***	(0.00447) -0.00597**	(0.00447) -0.00617**	(0.00409) -0.00317	(0.00409) -0.00316
Bindep	(0.00400) 0.00310***	(0.00400) 0.00313***	(0.00296) 0.00182***	(0.00296) 0.00184***	(0.00214) 0.00291***	(0.00214) 0.00292***
CEOdua	(0.000484) 0.0811**	(0.000484) 0.0833**	(0.000357) 0.0435	(0.000357) 0.0448	(0.000265) 0.147***	(0.000265) 0.147***
Bdiversity	(0.0375) 0.0138***	(0.0375) 0.0141***	(0.0277) 0.00931***	(0.0277) 0.00948***	(0.0243) 0.0250***	(0.0243) 0.0250***
COVID-19	(0.00163) 0.207***	(0.00163) 0.216***	(0.00121) 0.134***	(0.00121) 0.139***	(0.000943) 0.285***	(0.000943) 0.285***
EU	(0.0620) 0.0194	(0.0621) 0.0312	(0.0454) -0.0397	(0.0454) -0.0333	(0.0254) 0.247***	(0.0254) 0.248***
SPI	(0.0606) 0.0438***	(0.0607) 0.0435***	(0.0447) 0.0141**	(0.0448) 0.0139**	(0.0655) 0.0281***	(0.0655) 0.0280***
	(0.00865) (0.00865)	(0.00865) (0.00865)	(0.00644) (0.00644)	(0.00643) (0.00643)	(0.00913) (0.00913)	(0.00913) (0.00913)

Table 7 (continued)

	LHRDiscl		LDiscl		HRDiscl	
	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)	Coeff. (std. error)
WPSindex	-6.401*** (1.007)	-6.381*** (1.007)	-2.490*** (0.749)	-2.478*** (0.749)	-4.507*** (1.019)	-4.498*** (1.019)
LRI	0.0224 (0.0180)	0.0234 (0.0180)	0.0184 (0.0133)	0.0190 (0.0133)	0.0479*** (0.0186)	0.0481*** (0.0186)
HR	0.000674 (0.00234)	0.000625 (0.00234)	0.00458*** (0.00174)	0.00455*** (0.00174)	-0.00171 (0.00266)	-0.00170 (0.00266)
Constant	2.975*** (0.404)	2.711*** (0.413)	1.475*** (0.299)	1.327*** (0.305)	-0.0492 (0.396)	-0.0501 (0.396)
Log likelihood	-22337.83***	-22333.19***	-18945.14***	-18942.50***	-13102.12***	-13101.76***

\*\*\*  $p < 0.01$ . \*\*  $p < 0.05$ . \*  $p < 0.1$

VIFs values: LHRDiscl (t-1): 2.20; LHRGov: 1.69; LHRPerf: 1.60; Fage: 1.11; Fsize: 1.68; ROA: 1.08; Leverage: 1.79; R&D: 1.645; Advertising: 1.485; CAPEX: 3.85; Bsize: 1.44; Bactivity: 1.30; Bindep: 1.15; CEOdua: 1.14; Bdiversity: 1.67; COVID-19: 1.25; EU: 3.16; SPI: 1.858; WPSindex: 1.437; LRI: 3.58; HR: 3.95

LHRDiscl: Labour and Human Rights disclosure score; LDiscl: Labour disclosure score; HRDiscl: Human Right disclosure score; LHRGov: Human-oriented governance score; LHRPerf: Labour and Human Rights performance score; LPerf: Labour performance score; HRPerf: Human Rights performance score; Fage: Logarithm of the age of the firm; Fsize: Logarithm of total assets; ROA: Return on Assets Ratio; Leverage: Ratio of total debt to total assets; R&D: Research and development intensity; Advertising: Advertising investment intensity; Capex: Capital investment intensity; Bsize: Number of board members; Bactivity: Number of board meetings; Bindep: Percentage of independent directors on the board; CEOdua: Dummy coded 1 to indicate that the CEO is the chairman of the board, otherwise 0; Bdiversity: Percentage of women on the board; COVID-19: Dummy coded 1 for 2020 to control for the impact of the pandemic, otherwise 0; EU: Dummy coded by 1 for companies headquartered in an EU country affected by Directive 2014/95/EU in 2014–2020, otherwise 0; SPI: Social Progress Index; WPSindex: Women Peace and Security Index; LRI: Labour Rights Index; HR: Human Freedom Index

lighting the underlying issues that caused it. This suggests that this type of corporate governance system may discourage window-dressing behaviour, which involves the symbolic adoption of a commitment to LHR protection, and instead promote the internalisation of such a commitment as morally binding. Given the positive impact on the materiality of LHR information disclosed by companies, policymakers should explore the possibility of intervening with specific measures to promote governance mechanisms that are more focused on sustainability and human resources.

The novelty of this study lies in its examination of how a corporate governance approach designed to support the internalisation of LHR concerns into corporate strategies and decisions (i.e., human-oriented governance) influences the disclosure of material information related to LHR. This approach goes beyond “classical” corporate governance mechanisms (e.g., board attributes). In doing so, it confirms that corporate governance is a soft law mechanism that can act as an alternative or complement to hard law (Gallhofer et al. 2011; Hess 2021), providing insight into the type of corporate governance structure that can improve corporate transparency with respect to LHR. This is particularly important given that the enforcement of human rights is seen as the “Achilles heel” of international law (Giuliani 2016, p. 42).

In addition, we showed that while human-oriented governance mechanisms are crucial for promoting greater transparency in companies with poor LHR performance, their impact is less pronounced if the company already has a strong track record in this area, as these companies already meet high disclosure standards. Moreover, such companies may feel that their reputation and legitimacy are already strong, reducing the need to implement new governance mechanisms to improve disclosure.

This study is not free from limitations. The moderator variable used to measure LHR performance (LHRPerf) was constructed from Refinitiv EIKON’s Workforce Score (LPerf) and Human Rights Score (HRPerf). These scores may be related to some of the items in the dependent variable, creating a risk of endogeneity, which was corrected with lags. In addition, although multinational companies face the greatest challenges in terms of LHR (Aibar-Guzmán et al. 2023), it is acknowledged that focusing on these companies may affect the results. Nevertheless, these limitations do not diminish the overall interest and value of the findings and provide interesting suggestions for future research.

Future studies could extend the sample to all types of companies and use different measures for the variables. Although it is possible (and would be expected) that the introduction of a human-oriented corporate governance model in companies will improve their performance in terms of LHR, this study focused on its effect on LHR disclosure, considering LHR performance as a possible moderator of this relationship. Future research could analyse the effect of human-oriented governance on LHR performance. Finally, other theoretical frameworks may provide interesting insights into this issue. For example, as noted by Schrempf-Stirling and Van Buren III (2020), institutional theory could be used to explain the institutional factors that shape the management and disclosure of LHR. The internalisation of responsible action and transparency in corporate strategy does not happen suddenly, but generally has a history in the emergence of pressures linked to the development of legislation, the demands of different stakeholders, etc. (Lee 2023). The institutional environment defines norms based on the moral and cultural standards by which an organisation is

legitimised to operate. Thus, a culture that respects LHR would itself be a source of normative pressure that prescribes how the firm should behave (Amran and Haniffa 2011). In this sense, previous studies (e.g., Koster et al. 2019; Javeed et al. 2020) document the effect of coercive and normative pressures on firm behaviour, including sustainable behaviour, while authors such as Ben Selma et al. (2022), Lee (2023) and Morán-Muñoz et al. (2024) show that the influence of corporate governance characteristics on corporate philanthropy and sustainability and LHR performance is moderated by the firm's institutional context. These studies would provide a fruitful perspective for future research on this topic.

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## Declarations

**Conflict of interest** The authors declare no conflict of interest.

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## Authors and Affiliations

Isabel-María García-Sánchez<sup>1</sup>  · Nicola Raimo<sup>2</sup>  · Filippo Vitolla<sup>2</sup>  ·  
Beatriz Aibar-Guzmán<sup>3</sup> 

✉ Nicola Raimo  
raimo@lum.it

Isabel-María García-Sánchez  
lajefa@usal.es

Filippo Vitolla  
vitolla@lum.it

Beatriz Aibar-Guzmán  
beatriz.aibar@usc.es

- <sup>1</sup> Instituto Multidisciplinar de Empresa– IME, Universidad de Salamanca, Campus Miguel de Unamuno, Edificio FES, 37007 Salamanca, Spain
- <sup>2</sup> Department of Management, Finance and Technology, LUM University, 70010 Casamassima, Bari, Italy
- <sup>3</sup> Departamento de Economía Financiera y Contabilidad, Facultad de Ciencias Económicas y Empresariales, Universidad de Santiago de Compostela, Av. Burgo, s/n, 15782 Santiago Compostela, Spain