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Developing country firms and the challenge of corruption: Do company commitments mirror the quality of national-level institutions?

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ABSTRACT

Corruption is an important topic for management scholars and practitioners. Given the rise to economic prominence of firms from developing countries, this paper investigates how developing country firms engage with this challenge. Based on a content analysis of 191 codes of conduct, issued by firms from 18 developing countries, we first investigate what

anti-corruption commitments developing country firms make in their codes of conduct; we then determine contextual factors at national business system level that drive differences in firm engagement. We provide evidence for a ‘mirror view’ of corporate social responsibility, according to which companies match the quality of national-level institutions in their own anti-corruption commitments. This result stands in contrast to the basic expectation underlying the concept of corporate social responsibility that companies step in to close governance gaps and address wider societal-level challenges. Our findings thus highlight limitations to purely private governance mechanisms aimed at combatting corruption.

Keywords: Codes of Conduct; Corporate Social Responsibility; Corruption; Developing Countries; Multi-Stakeholder Initiatives; National Business Systems

1. Introduction

Corruption imposes enormous costs on firms and the societies they are embedded in; it is also a complex challenge that defies easy solutions (Doh et al. 2003; Rose-Ackerman 2006). Hence management scholars have increasingly devoted energy to studying this phenomenon. The prior literature on corruption predominantly falls into three categories: it either takes a conceptual approach (e.g. Doh et al. 2003; Lee and Oh 2007); it discusses specific firm-level tools to combat corruption, like anti-corruption training or ethical leadership (Argandoña 2003; Schwartz et al. 2005); or it focusses on corporate engagement in specific countries, like China (Luo 2011; Zhu 2016). Much of the management literature has furthermore focussed on how multinational enterprises (MNEs) from developed countries deal with these

challenges (e.g. Kwok and Tadesse 2006; Murphy and Schlegelmilch 2013). However, the last few decades have also witnessed the rise to economic prominence of firms that hail from developing countries (Guillén and Garcia-Canal 2009).

Corporate anti-corruption engagement can be seen as a specific expression of corporate social responsibility (CSR) (Osuji 2011). Here, the wider CSR literature has started to investigate how institutional contexts shape a company's CSR engagement (Vogel 2006; Matten and Moon 2008; Koos 2012). A number of authors have argued that levels of CSR engagement mirror the general quality of governance in a given context (Campbell 2007; Gjøølberg 2009); in contrast, others have found CSR engagement to act as a substitute in contexts that are characterized by the lack of functioning governance mechanisms (Hiss 2009; Jackson and Apostolakou 2010). However, whilst scholars have investigated the link between institutional contexts and either CSR more generally (Gjøølberg 2009; Jackson and Apostolakou 2010) or with regard to specific issues such as labour rights (Jackson and Rathert 2016; Rathert 2016), few studies have specifically focussed on corporate anti-corruption engagement as part of companies' commitment to CSR.

Hence this paper will address two interrelated research questions: (1) What do developing country firms have to say about how they manage corruption? We will answer this more exploratory question through an analysis of the content of codes of conduct adopted by developing country firms from a total of 18 countries. (2) How is corruption-related code content shaped by a company's wider business environment? This question adopts a confirmatory perspective and builds on the literature on National Business Systems (NBSs) (Whitley 1999) and Varieties of Capitalism (VoC) (Hall and Soskice 2001).

Our paper makes several contributions to the existing literature. As a first contribution, we add a developing country firm perspective to the growing literature on the subject. Secondly, we explore the diversity of ways in which firms choose (not) to communicate their anti-corruption engagement. Thirdly, we explain how the wider business environment shapes these differences in anti-corruption engagement. Our study provides evidence of the ‘mirror view’ of corporate social responsibility (Koos 2012; Brown and Knudsen 2015), according to which companies match the quality of national-level institutions in their own commitments. Therefore, whilst we also found participation in the UN Global Compact, as an example of an anti-corruption-related multi-stakeholder initiative, to have a positive impact on corporate anti-corruption commitments, our results generally highlight the limitations of initiatives that seek to simply subsume firms’ anti-corruption engagements under an umbrella of voluntary, beyond-compliance CSR activities. Purely private governance mechanisms aimed at combatting corruption may ultimately be rendered ineffective by an inability or unwillingness of governments to regulate this aspect of economic activity.

The remainder of this paper is structured as follows. The next section focusses on the nature of and corporate approaches to corruption with particular emphasis on developing countries. In our theory development section, we apply a National Business Systems perspective and develop a set of hypotheses regarding factors that influence the extent to which developing country firms communicate anti-corruption engagement in codes of conduct. Thereafter we describe the research methods applied in this study. This is followed by the results of our content analysis of codes of conduct as well as a two-level Bernoulli regression analysis we use to test our hypotheses. Subsequently, we discuss key results of our analysis and potential implications for policymakers and corporate practitioners. The paper concludes with a discussion of its limitations as well as avenues for future research.

2. Literature Review

2.1. The nature of corruption

Corruption has been defined as the “misuse of an organizational position or authority for personal or organizational (or subunit) gain, where misuse in turn refers to departures from accepted societal norms” (Anand et al. 2004, p. 40). Corruption is an important topic for management studies because of the high costs and greater risks it imposes on firms and the societies they operate in (Jain 2001; Doh et al. 2003; Svensson 2005). Corruption imposes direct costs on firms they otherwise would not face, such as bribes for corrupt government officials (Doh et al. 2003). The World Bank estimated that world-wide bribery amounts to at least US\$ 1 trillion a year (Rose-Ackerman 2004).

At societal level, corruption fosters inefficiency by distorting market signals and misallocating resources (Langseth et al. 1997). Corrupt governments have less funds available to spend on education, welfare and infrastructure (Mauro 1995), which further reduces opportunities for economic growth (Svensson 2005). Corruption can also influence the distribution of income within a society, often to the detriment of its less powerful members (Jain 2001). Additionally, corruption weakens key societal institutions, like courts and regulatory agencies (Doh et al. 2003). Last but not least, corruption has a dynamic quality: it is not the corrupt act by an individual official that is problematic; rather, if left unchecked, corruption can lead to further erosion of existing governance structures (Ashforth et al. 2008).

A number of authors have argued that corruption is a particular challenge in developing countries (Treisman 2007; Venard and Hanafi 2008).¹ Developing countries have a greater need for generating economic growth through attracting international investment, yet corruption poses a direct threat to achieving that growth (Svensson 2005) as well as significantly higher transaction costs for firms wishing to operate in these markets (Doh et al. 2003; Luo 2011). In many such countries, corruption results from deficiencies in the quality of political institutions, under-developed legal systems and low salaries of civil servants (Venard and Hanafi 2008).

2.2. Anti-corruption in the Context of Corporate Social Responsibility

Historically, the main way of addressing corruption has been through government legislation. Some countries have enacted legislation that aims to curb the supply of bribes abroad by increasing the cost of doing so at home (Cuervo-Cazurra 2008), such as the Foreign Corrupt Practices Act (FCPA) in the United States or the Bribery Act 2010 in the United Kingdom. However, many of these regulatory tools suffer from serious implementation problems and have not managed to significantly deter global bribery (Weismann et al. 2014). Hence legislation has recently been supplemented by self-regulatory instruments. At a collective level, these include important multi-stakeholder initiatives, such as the UN Global Compact, the Publish What You Pay Initiative (PWYP), the Extractive Industries Transparency Initiative (EITI), the World Economic Forum's Partnering Against Corruption Initiative (PACI) or the Wolfsberg Principles. At the level of the individual company, these self-

¹ This should *not* be read to mean that corruption in the global economy might be the fault of developing country governments alone. Indeed, some authors have pointed to a stigmatising tone in the anti-corruption movement where the difference between public practices in some developing countries and private practices of individuals and corporations in some developed countries becomes blurred: "Imelda Marcos' shoes are a scandal, but Bill Gates' house is simply part of the idiosyncratic lifestyle of the rich and famous" (Kennedy 1999, p. 458).

regulatory efforts blend into corporate activities that are commonly subsumed under corporate social responsibility (CSR).

Anti-corruption emerged as a relatively recent addition to the CSR discourse, as for example illustrated by its late inclusion as a UN Global Compact principle in 2004 (Côté-Freeman and Fagan 2010) or, even more recently, by its belated integration into the GRI Guidelines as well as the FTSE4Good criteria (Branco and Delgado 2012). In line with the wider topic of CSR, both ethical and instrumental motives can drive a company's anti-corruption engagement (Osuji 2011). Whilst CSR and anti-corruption have typically been dealt with in different departments of a company (Rodriguez et al. 2006; Côté-Freeman and Fagan 2010), there is a link between the two in that CSR tools such as corporate codes of conduct or CSR disclosures can help to align employee behaviour and thus limit ethical discretion (Rose-Ackerman 2002).

2.3. Corporate Approaches to Addressing Corruption

Given the implementation deficits of regulatory and self-regulatory initiatives, a key question with regard to corruption is how companies themselves address this challenge (Gordon and Miyake 2001). A company could simply refuse to enter a highly corrupt market; however, given the tremendous growth in international trade and investment, avoiding corrupt markets is not always an option (Baughn et al. 2010). For example, firms in the extractive industry are limited in their location choices by the availability of the respective natural resources. For companies that do not have the option to ignore corrupt markets, Doh et al. (2003) propose a range of strategies. These range from including anti-bribery principles in their training and development through adopting a complementary strategy of investing in host country CSR initiatives to supporting host government initiatives to combat corruption (see also Di Guardo

et al. 2016). The literature has furthermore presented a range of tools firms can use to combat corruption, which range from monitoring corruption risks through addressing corruption in their codes of conduct to providing ethical leadership on the issue (Hess and Dunfee 2000; Schwartz et al. 2005).

However, adopting any one of the anti-corruption strategies is far from easy. At the individual level, tackling corruption is made difficult by a range of rationalization strategies organizational members may use to neutralize any negative feelings, while new members are induced to accept these practices through socialization (Anand et al. 2004). At the firm level, companies are concerned that “exposing corrupt behaviors will reduce profits or anger corrupt officials without changing the behavior of others” (Doh et al. 2003, p. 115). The development and execution of a firm’s anti-corruption strategy is thus an important issue, in particular in an era with a heightened emphasis on corporate governance and social responsibility (Luo 2011). A range of tools and initiatives can help to support a firm’s anti-corruption strategy, not least corporate code of conduct.

2.4. Codes of Conduct and Corruption

The code of conduct is one of the most widely adopted CSR tools (KPMG 2008; Wheldon and Webley 2013). The OECD (2001, p. 3) defines codes of conduct as “commitments voluntarily made by companies, associations or other entities, which put forth standards and principles for the conduct of business activities in the marketplace”. They may either be obligations that are imposed by the organization itself or commitments that are negotiated with a range of stakeholders (Murphy 2004). Companies usually accompany the issuance of a code with the establishment of management systems designed to address the underlying issues (Gordon and Miyake 2001). Given that codes are situated within the organization as

well as within the social systems in which the organization is embedded, their content should reflect both organizational and social priorities (Canary and Jennings 2008). However, code stipulations do not automatically translate into compliance (Stevens et al. 2005), although their likelihood of doing so can be enhanced through the inclusion of a robust monitoring system (Preuss 2010; Kaptein 2011) and some empirical support has been found for the effectiveness of codes of conduct in the context of anti-corruption (Healy and Serafeim 2015).

Codes of conduct saw an initial prominence in the United States (Cressey and Moore 1983; Weaver et al. 1999), but over the last three decades they have experienced large-scale adoption in other regions of the globe too (see e.g. Singh et al. 2005; Bondy et al. 2008). However, where codes have been studied in a comparative fashion, such research has predominantly been undertaken for developed countries. As an early comparative study across developing countries, Baskin (2006) found significant code development activity in Latin American and South African companies; whereas Asian companies tended to lag behind (see also Welford 2005). Preuss, Barkemeyer and Glavas (2016) analysed codes of conduct adopted by multinational enterprises from 18 developing countries in Latin America, sub-Saharan Africa, the Middle East and Asia. They found support for the ‘substitute’ view of CSR, i.e. that MNEs from poorer countries and from countries with lower governance effectiveness make more extensive commitments, although this ‘substitute effect’ did not appear to extend to the labour system, where a ‘mirror effect’ seemed to operate instead.

A first paper to specifically examine corruption-related commitments in codes of conduct is Gordon and Miyake (2001), who analysed a sample of 246 codes by companies and business associations from OECD member countries, of which 118 codes were issued by companies.

Codes often mention bribery (56 codes or 23 percent), although these commitments are expressed through a considerable diversity in language. On the implementation side, a range of specific measures and tools are adopted by companies, such as internal monitoring (57 percent of the 56 codes that address corruption), whistle-blowing (44 per cent) or compliance officers or committees (35 per cent). In another highly relevant paper, Scholtens and Dam (2007) examine data on 2681 firms from 24 countries gathered by the Ethical Investment Research Service (EIRIS) which scored companies against several criteria, including the existence of codes of conduct and specific policies on bribery and corruption. Their study reveals significant differences between countries. For example, examining their sample against Hofstede's (1991) dimensions of culture, they found that power distance and masculinity appear to be negatively associated with the adoption of corporate policies on bribery and corruption and/or codes of conduct, while uncertainty avoidance and individuality are positively associated. Of the 24 countries in their sample, however, all are OECD members except for Hong Kong and Singapore. Prior research thus confirmed that developing countries have made significant strides towards maturity in the design and adoption of codes of conduct; however, the body of literature on developing firm codes is not extensive, and this applies in particular to studies into commitments to address the challenge of corruption.

3. Theory building

We propose to examine the engagement of developing country firms with the challenge of corruption first through the concept of national business systems (NBS) (Whitley 1999; Witt and Redding 2014) or varieties of capitalism (VoC) (Hall and Soskice 2001; Hanké et al.

2007), but also consider the role of multi-stakeholder initiatives aimed at anti-corruption.

Whitley (1999, p. 33) defines national business systems as “distinctive patterns of economic organization that vary in their degree and mode of authoritative coordination of economic activities, and in the organization, and interconnections between owners, managers, experts, and other employees”. He then draws out four major elements of an NBS, (1) the political system, (2) the financial system, (3) the education and labour system and (4) the cultural system.² Crucially, for the overall business system to be successful, its elements need to complement each other to form a coherent logic for economic activity.

The prior literature on corporate social responsibility (CSR) identified two distinct ways in which NBS elements may prompt corporate responses, namely a ‘substitute’ and a ‘mirror’ view (Koos 2012; Brown and Knudsen 2015). From the substitute perspective, less robust national institutions engender greater firm engagement to compensate for deficiencies at national level; from the mirror perspective, high quality national institutions inspire firms to mirror these lofty standards in their own commitments. Applied to the challenge of corruption, deficient national-level institutions may encourage firms to unilaterally adopt anti-corruption measures; alternatively, the application of such tools may be encouraged by a high quality of national-level institutions.

The Political System. According to Whitley (1999, p. 48), countries differ in the extent to which states “directly or indirectly regulate market boundaries, entry and exit, as well as set constraints on the activities of economic actors”. The political system clearly shapes the context in which corruption prevails or is effectively addressed. For example, are certain

² For reasons of greater clarity, our terminology here follows Matten and Moon (2008). The original terminology by Whitley (1999) is: (1) the state, (2) the financial system, (3) the skill development and control system and (4) norms and values governing trust and authority relations.

corrupt practices generally accepted in a given country? Do government officials publicly condemn corruption? Has the state established effective institutions in order to combat corruption? Thus, corruption tends to thrive in countries that do not hold regular elections, depriving citizens of the opportunity to remove corrupt officials.

We expect the political system to influence how companies respond to corruption. Given the nature of corruption, we expect companies' anti-corruption engagement to reflect the 'mirror view' of corporate social responsibility (Koos 2012; Brown and Knudsen 2015), according to which companies match the quality of national-level institutions in their own commitments. In countries with high levels of corruption, companies that publicly adopt an anti-corruption stance may ultimately expose themselves to the risk of losing out on new commercial opportunities (Doh et al. 2003). Consequently, we would expect a negative link between the extent to which corruption is perceived to exist in a given context and the likelihood of companies publicly communicating their anti-corruption engagement.

Hypothesis 1a. Lower perceived levels of corruption in a country will make it more likely that a company headquartered there addresses corruption in its code of conduct

Another political factor that may influence the likelihood of a company committing itself to anti-corruption is a country's degree of press freedom (Svensson 2005). Restrictions on press freedom have been found to be associated with higher levels of corruption (Treisman 2007; Camaj 2013). In contrast, a higher degree of press freedom should lead to higher levels of public awareness of corruption and thus higher levels of public pressure on a company to adopt a position in the fight against corruption. Blanc et al. (2017) find robust empirical evidence for the positive impact of the degree of press freedom on a company's likelihood of

disclosing its anti-corruption commitment in corporate sustainability reports. Along similar lines, we would expect companies in countries characterized by high levels of press freedom to be more outspoken about anti-corruption in their codes of conduct.

Hypothesis 1b. Higher levels of press freedom in a country will make it more likely that a company headquartered there addresses corruption in its code of conduct.

The Financial System. Following Whitley (1999, p. 49), “the critical feature here deals with the processes by which capital is made available and priced. In particular, is it allocated by capital markets through competition [...] or is it provided by some set of intermediaries that deal directly with firms and become locked into their particular success?” Building on the distinction in the VoC literature between arm’s length relationships in liberal market economies (LMEs) and longer term cooperative relationships in coordinated market economies (CMEs) (Hall and Soskice 2001), the literature suggests that LMEs tend to rely on security markets and CMEs tend to favour banks (Allen and Gale 2000). In addition to domestic sources of finance, the financial system also entails the option to raise capital abroad, whether through international bank loans or foreign direct investment (FDI).

However, access to international financial markets imposes additional conditions on firms as investors are likely to be averse to corruption in host countries, in particular since anti-corruption legislation, like the FCPA in the US, often applies penalties to international as much as national transactions (Hines 1995). Indeed, there seems to be evidence that the level of corruption in a country negatively affects its ability to attract FDI (Zhao et al. 2003). Thus, if a firm wants to access international financial markets but comes from a country generally perceived to have a high level of corruption, then creditors might want to see additional

safeguards that their investment is in good hands. Hence, we would expect a higher likelihood of a firm publicly communicating its anti-corruption engagement if this firm is headquartered in a country that is highly integrated into the world economy.

Hypothesis 2. Higher levels of integration of a country into the world economy will make it more likely that a company headquartered there addresses corruption in its code of conduct.

*The Education System.*³ Whitley (1999, p. 50) furthermore argues that NBSs differ in terms of the “system for developing and controlling skills”. A crucial aspect of the education system refers to a preference for general or for vocational education. While the former is transferable between jobs and hence more suitable for a flexible workforce, the latter provides job-specific knowledge and can make employees more productive (Becker 1993). Although human capital attained through formal education is a critical determinant of economic progress, many developing countries continue to lag behind in terms of adult educational attainment (Barro and Lee 2001). Of course, there are again huge differences across this diverse group of countries; not least the so-called Asian Tigers grew rapidly by relying on a well-educated and conscientious labour force (Frenkel and Yu 2014).

The relationship between the level of education in a country and its level of corruption is likely to be complex and multi-faceted: higher education levels should improve the capacity of civil society to monitor government activities and therefore decrease levels of corruption, but may also increase expected corruption rents and therefore increase levels of corruption

³ Whitley distinguishes here between a system for developing and one for controlling skills, i.e. an education and a labour system. The latter is shaped by factors like the strength of a trade union movement in a country. Given vast differences between developing countries in the degree to which they permit the operation of genuinely free trade unions, we focus here on the education system alone.

(Eicher et al. 2009). Empirical studies have found greater evidence for the negative link between education and corruption, reflecting the improved monitoring capacity that can result from higher education levels (Bourguignon and Verdier 2000). We would therefore expect companies to experience a greater need to publicly communicate their anti-corruption engagement where their countries have attained higher education levels.

Hypothesis 3. Higher education levels in a country will make it more likely that a company headquartered there addresses corruption in its code of conduct.

The Cultural System. Finally, cultural values are crucial for the functioning of an NBS as “they structure exchange relationships between business partners and between employers and employees [and] affect the development of collective identities and prevalent modes of eliciting compliance and commitment within authority systems” (Whitley 1999, p. 51). Research by Hofstede (1980) and successor studies like GLOBE (House et al. 2004) have identified a range of elements of culture where countries differ from each other, such as power distance, individualism versus collectivism, long-term orientation or uncertainty avoidance. These elements have important implications for the functioning of NBSs and VoCs, as they influence the degree of inter-firm collaboration and the delegation of control over resources within a company (Lane and Bachmann 1998).

Power distance has emerged as an influential construct, which can be defined as “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (Hofstede 1991, p. 28). Countries characterized by high power distance tend to be more paternalistic, with decision-makers prioritizing loyalty rather than merit (Husted 1999). Such countries have been found to be

more prone to corruption, in particular in the form of favouritism and nepotism; while corrupt practices are also more likely to be tolerated in high power distance countries (Cohen et al. 1996; Husted 1999). Relatedly, power distance has been found to be negatively associated with the adoption of corporate policies on bribery and corruption and/or codes of conduct (Scholtens and Dam 2007). Again, following the ‘mirror view’ of CSR (Koos 2012; Brown and Knudsen 2015), in countries that are characterized by low power distance, and thus the absence of paternalistic structures, companies should be more likely to communicate their anti-corruption engagements.

Hypothesis 4. Lower power distance in a country will make it more likely that a company headquartered there addresses corruption in its code of conduct.

Factors beyond national boundaries. In addition to the pressures exerted by national-level institutional contexts, a company’s anti-corruption commitment may also be shaped by pressures that transcend national boundaries. As discussed above, one such case may be the influence of multi-stakeholder initiatives aimed at anti-corruption, many of which operate internationally (Sampson 2010). By definition, participation in multi-stakeholder initiatives leads to increased exposure of the company to stakeholders and hence greater pressure to act. Multi-stakeholder initiatives can be expected to support organizational learning (Ruggie 2002) and to promote the uptake of firm-level responses to corruption, including in corporate codes of conduct. Barkemeyer, Preuss and Lee (2015) provide empirical support for the positive impact of a company’s participation in major corruption-related multi-stakeholder initiatives and its likelihood of reporting on anti-corruption efforts in its CSR disclosures. Analogously, we expect that participation in multi-stakeholder initiatives aimed at

combatting corruption will also increase the likelihood of a company addressing corruption in its code of conduct.

Hypothesis 5. Participation in multi-stakeholder initiatives aimed at anti-corruption will make it more likely that a company addresses corruption in its code of conduct.

4. Research methods

As corruption is difficult to measure directly (Torsello and Venard 2016), we followed the example of authors like Gordon and Miyake (2001) and analysed company commitments as expressed in corporate codes of conduct. Data collection was performed between November 2014 and January 2015. The classification of countries as ‘developing country’ follows that of UNCTAD (2013), which classified all OECD member countries except Chile, Mexico, South Korea and Turkey as well as a number of European non-OECD member states as ‘developed’ countries.⁴ Given the wide range of ownership patterns in many developing countries (Booth et al. 2001), the study sought to identify large firms irrespective of ownership, i.e. covering publicly limited corporations, private companies as well as state-owned enterprises. As share indices could not be used, companies were identified through the Forbes Global 2000 Index, which applies four measures – sales, market value, assets and profits – to generate a composite measure of company size.

⁴ Classifications of countries as developing countries, emerging economies or newly industrialized countries, are in some cases contentious. Our classification of developing countries includes Hong Kong, Singapore, South Korea and Taiwan. This is not only in line with the classification by UNCTAD (2013) but also driven by the fact that companies from these countries traditionally had little exposure to the CSR discourse.

The Forbes Global 2000 Index of 2014 included a total of 606 companies from 35 developing countries. Bermuda (9 companies) and Cayman Islands (1 company) were excluded as a company's decision to locate its headquarters in these countries may be driven more by taxation rules than by commercial opportunities (for CSR in tax haven-based countries, see Preuss 2012). To ensure a minimum level of representativeness of country subsamples, only countries for which at least 5 codes were available were included in the final sample. For this reason, Bahrain (2 companies in the Forbes Global 2000), Egypt (1), Jordan (1), Kazakhstan (3), Kuwait (4), Lebanon (2), Mauritius (1), Morocco (3), Oman (1), Pakistan (2), Peru (2), Puerto Rico (1), Togo (1) Venezuela (2) and Vietnam (2) were excluded from the sample. Likewise, Nigeria and Qatar were excluded as none of the five Nigerian and eight Qatari companies produced a code of conduct. The final sample used to analyse code content comprised of 191 codes from 18 countries (see Appendix 1).

Codes of conduct were obtained through a search of the respective company websites, as these are an approved, formal and official expression of corporate policy (Bondy et al. 2008). We used a multi-stage coding process similar to a thematic analysis technique (Huberman and Miles 1994) in order to process the codes of conduct. In a first step, we identified all statements in the codes that referred to corruption using keywords such as *corruption*, *bribery* or *conflict of interest*. Statements that only coincidentally referred to anti-corruption, e.g. describing the content of the UN Global Compact, were not included in the analysis. Open coding served to identify relevant themes; axial and selective coding served to group all statements into these thematic categories and to identify and verify relationships between categories. The coding process was carried out in a reiterative fashion. We started by considering prior findings in the literature – e.g. code content categories developed by Gordon and Miyake (2001) – but kept this process open to the identification of new themes –

e.g. spelling out consequences of corrupt behaviour for a company or wider society is one such category that goes beyond the prior literature.

After an initial descriptive analysis of corruption-related code content, a hierarchical linear modelling technique was used to examine how a number of contextual variables shaped the corporate communication of anti-corruption commitments. We focus here specifically on statements about the enforcement of specific anti-corruption commitments, as information disclosure on enforcement mechanisms constitutes a substantive response to anti-corruption. Building on previous empirical studies that used the NBS/VoC framework for international comparative analyses (Whitley 1999; Ioannou and Serafeim 2012), we employed the framework to explore relationships between the elements of a national business system and the extent to which companies discuss corruption in their codes of conduct. The independent variables used to test the different NBS dimensions are presented in Table 1.

[insert Table 1 about here]

The communication of anti-corruption commitments represents a multilevel phenomenon and hence requires the application of multilevel empirical tests. The presence of substantive statements in codes of conduct is in all likelihood influenced by company-level factors, such as sales or internationalization, as well as country-level conditions, such as education attainment or the (perceived) level of corruption. As companies can come from one and the same country, their communication of anti-corruption initiatives cannot be considered independently; in other words, the data structure is hierarchical and the non-independence of observations may lead to biased statistical results. As our variables span company- and country-related factors, an appropriate methodology to analyse the data is hierarchical linear modelling (HLM) (Raudenbush and Bryk 2002). Furthermore, our dependent variable, i.e. substantive statements, is dichotomous, i.e. presence or non-presence, and therefore a two-

level Bernoulli HLM is a more appropriate choice than non-multilevel tools, such as logistic regression (Raudenbush and Bryk 2002).

A number of control variables were also included in the analysis. Human Development Index scores were included as proxies for levels of socioeconomic development, given that prior studies found levels of development to affect the extent to which companies are willing to address socioeconomic and environmental challenges (Fifka 2013). At company-level, company size has long been identified as one of the drivers of corporate non-financial disclosure (Patten 1991; Holder-Webb et al. 2009) and was operationalized here as sales. Likewise, sector affiliation can influence code content (Fifka 2013; Barkemeyer et al. 2015) and was therefore added as control variable. We created five dummy variables based on the six main sectors found in the Forbes Global 2000 list (i.e. consumer goods, energy and utilities, financials, industrials, information technology and telecommunications; here we used financials as the reference group). Furthermore, we included a company's degree of internationalization, measured as foreign sales divided by total sales (FSTS). Arguably, a higher degree of internationalization decreases a company's dependency on specific host countries and thus leads to a harmonization of corporate practices (Whitley 1999). We coded FSTS as a binary variable (0 if FSTS is equal to or smaller than 0.05, 1 if FSTS is greater than 0.05) based on information from the EBSCO Business and Bureau van Dijk Orbis databases.

5. Findings

5.1. Code Content Analysis

Our first research question is what developing country firms have to say about how they manage the challenge of corruption. The analysis of the content of our sample of 191 codes of conduct, issued by firms from 18 developing countries, shows that codes frequently engage with this topic. 72.8 percent or 139 codes by firms from across the 18 countries address this topic, resulting in 293 individual statements. In many countries the coverage rate of corruption is very high. It stands at 80 percent or above in Brazil, Chile, Colombia, Malaysia, Mexico, the Philippines and South Africa and reaches 100 percent in China, Hong Kong, Singapore and the United Arab Emirates. By comparison, there is low coverage in Indonesia (33 percent) and South Korea (41 percent).

[insert Table 2 about here]

The 293 statements can be grouped into four main categories (see Table 2; for typical quotes, see Appendix 3). A first category is that of aspirational statements, where companies commit themselves to addressing corruption without, however, offering additional details (121 individual statements; 41.3 percent of the total). Important as this category is in terms of signalling commitment, it does not spell out how the company's aspiration is to be translated into action. Hence many codes go beyond such aspirational statements and, as a second category, contain specific requirements concerning the company's relationship with a range of stakeholders, such as business partners (36 statements; 12.3 percent), customers (20 statements; 6.8 percent) and government officials (30 statements; 10.2 percent). This category fleshes out the aspirational statements, the first category, and makes company commitments more credible. As a third category, a number of companies explain in their codes why engagement with the challenge of corruption matters by pointing to consequences either for the firm itself (17 statements; 5.8 percent) or for wider society (5 statements; 1.7 percent). Although smaller than the first two, this category is again important in terms of making company commitment more credible.

A fourth category of statements discusses the enforcement of code commitments by the firm (39 statements; 13.3 percent), for example by stating that illegal or unethical acts will be subject to disciplinary action up to termination of employment. Some codes also provide a reassurance that employees who report suspected acts of corruption do not have to fear any retaliation (7 statements; 2.4 percent). Finally, a number of companies mention additional tools in their codes of conduct (37 statements). These range from a stand-alone Anti-Corruption Policy through the provision of online-training on the topic to the establishment of a Fraud Hotline, where employees can report suspected cases of corruption. Such tools are another important indicator of how thorough a company's commitment to addressing corruption is.

5.2. Multi-level Regression Analysis

Our second research question inquires how corruption-related code content is shaped by the elements of its country's national business system as well as by multi-stakeholder initiatives, such as the UN Global Compact. We employ a two-level HLM Bernoulli regression analysis to examine variation in companies' anti-corruption commitments as expressed in their codes of conduct. As shown above, these types of commitments range from merely aspirational statements to substantive obligations, such as specific enforcement mechanisms or reassurances that employees reporting suspected acts of corruption will not have to fear any retaliation. The two-level Bernoulli regression analysis will help us to explore patterns in the substantive commitments made by the sample firms (categories 4a and 4b in Table 2). More specifically, we examine contextual factors that seem to drive companies to make these commitments. A correlation matrix for the variables that we used in the regression analysis is presented in Appendix 2. A high degree of correlation exists between Human Development

Index scores and Education Attainment scores. However, multicollinearity diagnostics show that Variance Inflation Factors are well below the threshold level of 10 (Myers 1990), and therefore we do not expect multicollinearity issues to affect our analysis.

The results of the two-level Bernoulli regression analysis focussing on substantive commitments as the dependent variable are reported in Table 3. Corruption Perceptions Index scores have a significantly positive impact on the likelihood of companies committing to anti-corruption enforcement mechanisms ($b = .09$; $p < .001$). Likewise, companies headquartered in countries with higher power distance scores are significantly more likely to communicate substantive commitments in relation to anti-corruption ($b = .01$; $p < .05$). A negative relationship can be observed between education attainment scores and the likelihood of committing to anti-corruption-related enforcement mechanisms ($b = -7.93$; $p < .05$). In terms of sector affiliation, a significantly negative relationship is found only for IT companies ($b = 1.46$; $p < 0.05$). With regard to the other contextual variables included in the model, neither FDI as a percentage of GDP nor the degree of press freedom, nor HDI scores nor sales appear to affect code content. In addition, neither company size nor the degree of internationalization appear to affect the likelihood of committing to enforcement. UN Global Compact participation, however, has a significant and positive impact on the likelihood of communicating anti-corruption-related enforcement mechanisms ($b = .88$; $p < .05$).

[insert Table 3 about here]

6. Discussion

6.1. Implications for research into corruption and CSR

Our analysis has shown a considerable amount of diversity in the ways in which developing country firms voice anti-corruption engagement in their codes of conduct. At a first glance, it looked like the firms in our sample would extensively engage with this topic. After all, 72.8 percent of codes by firms from across 18 countries addressed corruption. At a second glance, however, it emerged that many of the anti-corruption statements were merely of an aspirational nature, rather than offering concrete commitments. This finding tallies with a long-standing criticism of codes of conduct that such documents often vary considerably between companies in terms of how specific their monitoring and compliance procedures are (Kolk and Van Tulder 2002). Van Tulder, van Wijk and Kolk (2009) presented a stage model that classifies the CSR approach of a company based on two dimensions of their code of conduct, the specificity of its content and the degree of monitoring and compliance. The majority of companies in our sample have to be placed in the reactive or even inactive categories, rather than the proactive one. However, where codes lack monitoring and compliance mechanisms, their value as a self-regulatory tool is likely to be limited (Sobczak 2006).

We then adopted the NBS framework to explain some of the variation in the extent to which companies publicly commit to anti-corruption enforcement mechanisms. Overall, the framework has proven a useful lens for this purpose. Our results show that code content in relation to anti-corruption is significantly more shaped by the wider institutional context rather than by company-level characteristics. Whilst UN Global Compact membership is found to have a positive impact on a company's likelihood of publicly positioning itself against corruption, the distribution of statements on enforcement mechanisms across our sample companies more generally supports the "mirror view" of corporate social

responsibility (Koos 2012; Brown and Knudsen 2015): companies appear to be more likely to adopt specific enforcement mechanisms in contexts in which corrupt practices (TI 2011) (as measured by Corruption Perception Index scores) appear to be less widespread, thereby supporting hypothesis 1. It is important to stress that this picture emerges irrespective of company size or (to a large degree) sector affiliation, even though prior studies have found corruption to be more widespread among smaller companies (TI 2008) and in resource-intensive sectors, such as oil and gas or mining (TI 2011). In other words, when designing their anti-corruption strategies and tools companies appear to respond to wider national-level institutional contexts rather than operational necessities at the firm level.

This overarching picture of corporate anti-corruption engagement as a mirror of the quality of (corruption-related) national-level institutions raises doubts regarding the effectiveness of private governance mechanisms. In recent years, anti-corruption engagement has increasingly become a part of the discourse on voluntary corporate social responsibility and corporate citizenship initiatives that go beyond legal compliance, as evidenced by e.g. the UN Global Compact and related initiatives (Gilbert and Rasche 2008). Underlying the idea of companies as corporate citizens is the expectation that – where there are governance gaps – companies step in and address wider societal-level challenges, such as corruption. From this perspective, it is desirable that companies are particularly outspoken about their anti-corruption engagement in countries that are most prone to corruption. However, we observe the opposite effect in our sample: companies are more likely to remain silent under these conditions.

The picture of corporate anti-corruption engagement as a mirror of the quality of national-level institutions also contrasts with prior findings that CSR activities by developing country firms – whether corporate philanthropy or contributions to health care or education – often

supplement or even substitute for missing public services (Hu and Scholtens 2014; Preuss et al. 2016). The apparent contradiction of a mirror approach to anti-corruption and a substitute approach to CSR can be explained by the fact that anti-corruption is one of a number of issues for which it is particularly difficult to establish a clear-cut business case. In the context of poverty alleviation, Kolk and van Tulder (2006) refer to Basu's (2001) notion of "conditional morality" as a defining feature that determines corporate responses: firms may only be willing to proactively combat poverty if their peers also do so. In order to cut out free riders and to incentivize proactive behaviour, meso- and/or macro-level approaches might therefore be more promising than company-level CSR activities. Anti-corruption is arguably even more difficult to address than poverty, given that previous studies have documented the grave risks associated with a proactive stance on anti-corruption (Doh et al. 2003). In line with recent inquiries into institutional factors that shape a company's labour practices (Jackson and Rathert 2016; Rathert 2016), our findings thereby also confirm that rather than theorizing the link between CSR practices and a company's governance context as a blanket effect across a variety of CSR practices (Gjølberg 2009; Jackson and Apostolakou 2010), more attention needs to be paid to the dynamics underlying individual CSR issues.

It should be noted that this overarching picture of corporate anti-corruption engagement as a mirror of corruption-related standards in a country does not appear to extend to the wider institutional contexts as postulated in hypotheses 2-4. Therefore, hypotheses 2-4 need to be rejected. Degrees of press freedom (hypothesis 1b) and levels of integration into the world economy (as measured by FDI as a percentage of GDP; hypothesis 2) were not found to have a significant impact on companies' likelihood of publicly committing to anti-corruption enforcement mechanisms. Education attainment scores were in fact significantly negatively related to firms' likelihood to communicate substantive engagement in anti-corruption (rather

than positively related, as postulated in hypothesis 3). Likewise, and in contrast to hypothesis 4, firms headquartered in countries with higher power distance are significantly more likely to voice their anti-corruption engagement with regard to specific enforcement mechanisms. However, bivariate correlation coefficients (Appendix 2) point to an anomaly in our sample in that a significantly positive correlation can be identified between power distance and Corruption Perceptions Index scores, where a country is seen as less corrupt the higher its score. Therefore, the widespread argument for a positive link between power distance and levels of corruption (Cohen et al. 1996; Husted 1999) is not supported for the countries included in our sample. Future research, employing a larger sample including a wider range of countries might be able to generate more conclusive findings regarding these relationships.

6.2. Implications for Practitioners and Policymakers

Corporate codes of conduct can play an important role in guiding the conduct of organizational members (Carasco and Singh 2003) while signalling that the issuing firm is a responsible societal actor (Cressey and Moore 1983). Given that a company's engagement with the challenge of corruption is difficult to measure directly, codes of conduct could be a reasonable proxy for such measurements. Such information would be of value to several external audiences. Not least investors are likely to appreciate reassurances that a company operating in a relatively corrupt society is actively engaging with this challenge. After all, they risk not only losing their investment due to corruption but – given the extraterritorial reach of much anti-corruption legislation like the FCPA in the US – potentially also incurring legal penalties.

In this context, Gordon and Miyake (2001) had found that the OECD firms in their sample deploy a fairly homogeneous set of practices and tools to address the challenge of corruption.

They suggested that a *de facto* standard practice of addressing corruption might be emerging. Our findings sound a more cautionary note: while aspirational statements on addressing corruption are wide-spread, concrete commitments were at lot rarer (e.g. only 13.3% of all statements discussing code enforcement mechanisms). Thus many codes in our sample fall short of minimum requirements with regard to code quality, in particular for monitoring, compliance and enforcement (Van Tulder et al. 2009; Kaptein 2011). Hence, if an international standard approach is indeed developing, then it would seem that the evidence for this is more clearly visible in OECD country firms than the developing country firms in our sample.

Finally, important implications for policymakers can be drawn from the analysis, in particular with regard to the significantly positive relationship between Corruption Perceptions Index scores and companies' likelihood of committing to anti-corruption enforcement mechanisms. The overall picture of corporate anti-corruption engagement as a mirror of levels of corruption in a given country raises questions about the effectiveness of voluntary, corporate-led initiatives in this context. Purely private governance mechanisms might simply not be the right mechanism to effectively combat corruption. This argument echoes recent research calling for a stronger – albeit modified – role of national governments in the governance of business conduct (Albareda et al. 2007). Without the “shadow of state hierarchy” (Jessop 1998, p. 93) providing a credible threat of sanctions, companies may not be willing to or capable of proactively addressing corruption.

7. Conclusions

The paper started with the twin observations that corruption is both pervasive and rampant, in particular in developing countries; and yet “organization theorists are surprisingly silent in addressing what impact corruption has on an organization and its operations” (Luo 2002, p. 405). To counter-steer, we specifically investigated what developing country firms have to say about how they manage the challenge of corruption. Analysing the content of codes of conduct issued by the developing country firms represented in the Forbes 2000 index of 2014, we indeed found what at a first glance looked like extensive engagement with the topic. After all, 72.8 percent of the 191 codes by firms from 18 countries addressed corruption. At a second glance, however, it emerged that many of the anti-corruption statements were merely of an aspirational nature, rather than containing concrete commitments. Hence, our findings call into question how serious developing country firms are about addressing the challenge of corruption. Having said this, we acknowledge of course that developing country firms are just one of many actors in the complex challenge of corruption.

We then applied a national business systems (NBS) lens to investigate how corruption-related code content is shaped by the elements of the NBS of the country from which the firm hails, honing in on the cases where companies make substantial anti-corruption commitments. The distribution of the respective statements across our sample companies supports the “mirror view” of corporate social responsibility (Koos 2012; Brown and Knudsen 2015): companies appear to be more likely to adopt specific enforcement mechanisms in countries where corrupt practices are less widespread. Whilst we do find anti-corruption-related multi-stakeholder initiatives, taking the example of the UN Global Compact, to have a positive impact on firms’ likelihood of committing to substantive enforcement mechanisms, the overarching finding of a mirror view nevertheless raises substantial questions regarding the effectiveness of purely private governance mechanisms aimed at combatting corruption.

We are aware of a number of limitations in our study. Our analysis of code content explores espoused values rather than actual corporate practice (c.f. Christmann and Taylor 2006); ultimately, any firm may fail to back up its publicly proclaimed anti-corruption commitments with substantive action (Perks et al. 2013). Furthermore, applying a national business systems perspective our analysis treats nation states as homogeneous entities, rather than capturing within-country differences (see the critique by McSweeney 2009). Finally, our analysis of codes of conduct issued by developing country firms is limited by the size of our sample. Given the fact that codes of conduct are still a relatively recent phenomenon among developing country firms when compared to developed country ones, this limitation is inevitable. Nevertheless, the sample of codes that is already available has provided a sound basis for our enquiry.

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TABLE 1
Independent Variables Employed in the Analysis

NBS dimension	Number	Indicator	Source
Political system	1a	Corruption Perceptions Index scores	<i>Transparency International (2014)</i>
	1b	Press freedom	<i>Reporters Without Borders (2017)</i>
Financial system	2	Foreign direct investment inflows as % of GDP	<i>UNDP (2014)</i>
Education and labour system	3	Education attainment	<i>UNESCO (2011)</i>
Cultural system	4	Power distance	<i>Hofstede (2001)</i>
Multi-stakeholder Initiatives	5	Participation in UN Global Compact	<i>UN Global Compact (2017)</i>
<i>(Control variables)</i>	5	Human Development Index scores	<i>UNDP (2014)</i>
	6	Sales (billion USD)	<i>Forbes Global 2000 (2014)</i>
	7	Sector	<i>Forbes Global 2000 (2014)</i>
	8	Internationalization (FSTS)	<i>Bureau van Dijk Orbis/ EBSCO</i>

TABLE 2

Categories of Code Statements Addressing Corruption

	Companies with Code Addressing Corruption	1. Aspirational Only	2a. Relationship with Business Partners	2b. Relationship with Customers	2c. Relationship with Government	3a. Consequences for Company	3b. Consequences for Wider Society	4a. Enforcement	4b. Reassurance	4c Additional Anti-Corruption Tools	Overall Total
Statements per Country											
<i>Brazil</i>	(18)	15	3	0	8	2	1	3	0	(2)	32
<i>Chile</i>	(4)	2	0	0	1	1	0	1	2	(0)	7
<i>China</i>	(8)	8	5	4	4	0	0	2	1	(1)	24
<i>Columbia</i>	(4)	4	1	0	0	1	0	0	0	(1)	6
<i>Hong Kong</i>	(9)	7	2	0	1	0	0	3	1	(4)	14
<i>India</i>	(11)	9	2	4	2	2	0	4	1	(3)	24
<i>Indonesia</i>	(2)	2	1	0	0	1	0	0	0	(0)	4
<i>Malaysia</i>	(8)	8	7	1	1	5	0	5	0	(2)	27
<i>Mexico</i>	(7)	7	4	4	2	1	1	3	0	(3)	22
<i>Philippines</i>	(4)	4	1	1	2	0	0	1	0	(2)	9
<i>Saudi Arabia</i>	(3)	3	0	0	1	1	1	0	0	(1)	6
<i>Singapore</i>	(6)	6	1	0	0	0	0	2	0	(5)	9
<i>South Africa</i>	(11)	8	2	0	2	0	0	4	1	(4)	17
<i>South Korea</i>	(12)	10	0	1	2	1	1	2	1	(3)	18
<i>Taiwan</i>	(11)	10	4	3	0	0	0	2	0	(2)	19
<i>Turkey</i>	(10)	5	1	0	1	0	0	0	0	(1)	7
<i>UAE</i>	(5)	4	1	1	1	0	0	3	0	(0)	10
<i>Thailand</i>	(6)	9	1	1	2	2	1	4	0	(3)	20
Statements Total	(139)	121	36	20	30	17	5	39	7	(37)	239
Percent		41.3	12.3	6.8	10.2	5.8	1.7	13.3	2.4	N/A	100

Note: Values for category 4c Additional Tools merely indicate the existence of such a tool, rather than a company position, and are therefore not included in the total.

TABLE 3
Results of HLM Regression Analysis – Substantive Engagement

		B	S.E
Level 2: Country-level	Constant	-.24	.33
	CPI scores	.009***	.002
	Press freedom	.02	.01
	FDI as % of GDP	.004	.003
	Education attainment	-7.93*	3.05
	Power distance	0.01*	.01
	Human Development Index scores	1.41	2.68
Level 1 : Company-level	Sales (1,000,000,000 USD)	-.001	.001
	Internationalization (FSTS)	-.58	.58
	UNGC Participation	.88*	.42
	Consumer Goods and Services	-.11	.57
	Energy and Utilities	.05	.62
	Industrials	-1.46	.66
	IT and Telecommunication	-1.38*	.66
	Materials	-.01	.56

* $p < .05$. ** $p < .01$. *** $p < .001$.

The reference group for Sector is *Financials*.

APPENDX 1

Codes of Conduct: Adoption Rates and Coverage of Corruption

Country	Number of Companies in Forbes 2000	Code Adoption [in %]	Companies with Code	Codes Addressing Corruption [in %]	Companies with Code Addressing Corruption
Brazil	25	88.0	22	81.8	18
Chile	8	62.5	5	80.0	4
China	149	5.4	8	100.0	8
Colombia	6	83.3	5	80.0	4
Hong Kong-China	58	15.5	9	100.0	9
India	54	31.5	17	64.7	11
Indonesia	9	66.7	6	33.3	2
Malaysia	17	52.9	9	88.9	8
Mexico	16	50.0	8	87.5	7
Nigeria	5	0.0	0	0.0	0
Philippines	10	50.0	5	80.0	4
Qatar	8	0.0	0	0.0	0
Saudi Arabia	20	30.0	6	50.0	3
Singapore	17	35.3	6	100.0	6
South Africa	15	80.0	12	91.7	11
South Korea	61	47.5	29	41.4	12
Taiwan	47	29.8	14	78.6	11
Thailand	17	88.2	15	66.7	10
Turkey	12	75.0	9	55.6	5
United Arab Emirates	14	42.9	6	100.0	6
Overall	568	33.6	191	72.8	139

Note: Bermuda (9 companies) was excluded due to its status as tax haven; also excluded due to a low number of companies in the Forbes Global 2000 Index of 2014 were: Bahrain (2 companies), Cayman Islands (1), Egypt (1), Jordan (1), Kazakhstan (3), Kuwait (4), Lebanon (2), Mauritius (1), Morocco (3), Oman (1), Pakistan (2), Peru (2), Puerto Rico (1), Togo (1), Venezuela (2), Vietnam (2).

APPENDIX 2
Correlation Matrix

	i	ii	iii	iv	v	vi	vii	viii	ix	x	xi	xii	xiii	xiv	xv
i Corruption – substantive	–														
ii Corruption Perceptions Index	.170*	–													
iii Press freedom	.074	-.368**	–												
iv FDI inflows as % of GDP	.292**	.651**	-.120	–											
v Education attainment	-.084	.654**	-.505**	.190*	–										
vi Power distance	.342**	.264**	.354**	.565**	-.117	–									
vii Human Development Index	.006	.687**	-.304**	.405**	.878**	.089	–								
viii UNGC participation	.019	-.131	.206**	-.116	-.007	-.221**	-.018	–							
ix Sales (billion USD)	.048	-.081	-.196**	-.044	.033	.117	.037	.217**	–						
x FSTS	.043	.276**	-.017	.143	.163*	.075	.123	.087	.117	–					
xi Consumer goods & services	.019	-.062	.073	.016	-.060	.056	-.056	.183*	-.072	.137	–				
xii Energy & utilities	.083	-.076	.052	-.018	-.081	.005	-.048	.191**	.388**	-.155*	-.142	–			
xiii Financials	.070	-.089	-.104	-.056	-.172*	-.089	-.170*	-.305**	-.161*	-.208**	-.270**	-.223**	–		
xiv Industrials	-.111	.087	-.011	.016	.164*	-.093	.092	-.019	-.064	.148*	-.161*	-.133	-.253**	–	
xv IT & telecommunications	-.057	.161*	-.002	.074	.130	.155*	.145*	.012	.022	-.016	-.210**	-.173*	-.330**	-.197**	–
xvi Materials	-0.013	-.025	-.101	-.023	.053	-.045	.071	.055	-.022	.160*	-.150*	-.123	-.235**	-.140	-.183*

APPENDIX 3

Examples of Anti-Corruption Commitments in Codes of Conduct

<p>1) Aspirational statements</p> <p>Kasikornbank, Thailand</p> <p>We are committed to doing the right thing and to carrying out our duties in an honest, ethical and straightforward manner, adhering to all anti-corruption principles under the law and Bank regulations.</p>
<p>2) Stipulations concerning relationships with stakeholders</p> <p>Business partners: Grupo Bimbo, Mexico</p> <p>In Grupo Bimbo we seek to obtain from Suppliers only the benefits that pertain to the negotiation in question, without gaining personal advantages for assigning contracts and for the acquisitions of goods and/or services. We want to maintain a relationship with Our Suppliers in which both parties profit.</p> <p>Customers: Axis Bank, India</p> <p>To maintain the spirit of fair dealings with any external body, we will refrain from the following ... Payment, acceptance, offer, or authorisation of money, gifts, or any other forms of bribe and corruption with the customers.</p> <p>Government officials: China Communications Services, China</p> <p>In respect of the relationship with regulatory authorities or officers, the employees shall take due consideration of the anti-corrupt rules governing the government officers and control such behaviors within legal range, and it is prohibited to offer any benefits to regulatory officers that may impair his or her fair judgment. It is prohibited to bribe, directly or indirectly, any regulatory officer in the name of the Company, or take any act violating the spirit of anti-corruption/bribe regulations, or violating civil servant policies, laws, regulations and administrative rules about part-time job in companies.</p>

3) Consequences of corruption

For the firm itself: Petronas Chemical, Malaysia

An act of corruption by you has the effect of compromising the due and proper performance of your duties and the exercise of your authority, thereby undermining the integrity of the decision-making process and the decisions of PETRONAS concerning its business and affairs.

Consequences for wider society: Metalurgica Gerdau, Brazil

Corruption harms society in many different ways, damaging a country's political, economic and social well-being.

4) Substantive commitment to enforcement

Commitment to enforcement: MTR, Hong Kong

The Company does not tolerate any illegal or unethical acts. Anyone violating the Code of Conduct shall be subject to disciplinary action, including termination of employment for serious breaches and offences. In cases of suspected corruption or other forms of criminality, a report shall be made to the Independent Commission Against Corruption or other appropriate authorities.

Reassurance of no retaliation: Korea Electric Power, South Korea

... any person who is discriminated against by reason of his or her reporting of a transgression may request protective measures and relief from said disadvantages to the person responsible for the code, the head of the belonging department, or the Anti-Corruption and Civil Rights Commission.

Additional tools mentioned in their codes of conduct: Itaú Unibanco, Brazil

The Corporate Ethics Policy (HF-5) and the Corporate Policy against Corruption and Bribery (HF-22) specify the rules applicable to gifts and contributions.