

Chapter 6

Business Conduct Incidents: Promoting Transparency Through Sustainability Standards

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ABSTRACT

Business conduct incidents like corruption have become a global ethical problem. In line with the suggested amendments to Directive 2014/95/EU, which resulted in the new corporate sustainability reporting directive, the European Commission has appointed the European Financial Reporting Advisory Group (EFRAG) to establish European sustainability reporting standards (ESRS). This study draws on the recent ESRS G1 Business Conduct published by EFRAG, which requires disclosure of information related to the prevention and detection of corruption and bribery, to provide a comprehensive analysis of this topic. To this end, several existing definitions of “corruption” and related terms are presented, and an overview of the European initiatives on disclosure of information on business conduct is provided. This research aims to contribute to a greater knowledge of the subject of corruption, opening the way for professionals and academics who are interested in the subject.

INTRODUCTION

In the last decades there have been several corporate scandals that “opened the world’s eyes to corruption” (Blanc et al., 2017). In this context, “responsible

DOI: 10.4018/978-1-6684-7885-1.ch006

business conduct” and “transparency” have become an integral part of any business vocabulary (United Nations, 2023).

The implementation of responsible business conduct principles and standards can help companies to make a positive contribution to economic, environmental, and social progress of the countries in which they operate and avoid and address negative impacts of their activities, including in the supply chain (OECD, 2018). Transparency provides a way to build, repair, and maintain trust with stakeholders (Shnackenberg & Tomlinson, 2016).

One way to promote transparency and a responsible business conduct is through the disclosure of environmental, social and governance information, i.e., through sustainability reporting (Tang & Higgins, 2022). This research will focus on governance information, more specifically about business conduct, with the aim of analyzing recent developments in sustainability reporting standards on business conduct.

Business conduct includes some principles such as leadership, accountability, integrity, respect for other, honesty, respect for laws, responsibility, transparency, compassion, fairness, loyalty, environmental concern. Anti-corruption standards are included in business conduct standards.

Although perceived differently from country to country, corruption tends to include the following behaviours: conflict of interest, embezzlement, fraud, bribery, political corruption, nepotism, secretarisme and extortion. One common measure of the extent of corruption in a particular country is the Corruption Perceptions Index published every year by the Transparency International (TI). This index covers 180 countries and territories globally and uses a scale of zero to 100, where zero is highly corrupt and 100 is very clean. In its 2021 report the average score across the European Union (EU) was 66 out of 100, much better than the global average of 43.66 (TI, 2021). Even the lowest scoring countries in the EU, such as Bulgaria, Hungary, and Romania, have an average score above the global average. In 2021, Denmark, Finland and New Zealand are the top countries ranked with a score of 88. The countries with the lowest scores are in Europe and are Norway, Singapore, Sweden, Switzerland, the Netherlands, Luxembourg, and Germany. While corruption takes different forms from country to country, 2021 scores reveal that all parts of the globe need to act to tackle corruption in the public sector.

After de emergence of the themes of anti-corruption and bribery in the Global Reporting Initiative (GRI) guidelines, in 2002, and in the 10th principle of United Nations (UN) Global Compact, in 2004, this topic started to gain more attention and to become an integral part of Corporate Social Reporting (CSR) issues (Branco & Matos, 2016). In the following years, standards and frameworks containing business conduct requirements for companies, have also been developed, such as ISO 26000 –

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