THE EFFECTIVENESS OF CORPORATE HUMAN RIGHTS POLICIES IN PREVENTING MISBEHAVIOR: AN EMPIRICAL INVESTIGATION IN THE GARMENT INDUSTRY

ABSTRACT

This study investigates the effectiveness of corporate human rights policies in reducing human rights infringements in the garment industry, a sector characterized by complex global value chains and recurring violations. We theorize and empirically test that policy adoption and quality significantly influence firms' ability to mitigate human rights misbehavior. Using a unique dataset of 156 global fashion brands spanning 2013–2023, our analysis applies a Difference-in-Differences approach and Heckman selection model to evaluate the relationship between human rights policies, their quality, and corporate misconduct. Our findings confirm that adopting a human rights policy reduces the incidence of human rights violations, with this effect becoming stronger in the years following policy implementation. Furthermore, we demonstrate that higher-quality policies, characterized by clear governance sponsorship, operational guidelines, and comprehensive communication, are associated with greater reductions in human rights infringements. Notably, the positive effects of policy adoption and quality vary across firm characteristics, with larger firms and those in the fast fashion segment facing distinct challenges. This study advances the quantitative and empirical branch of Business and Human Rights (BHR) scholarship by providing robust evidence on the societal impact of corporate human rights policies.

Keywords: Business and human rights; Human rights infringements; human rights policy

Word count: 10.970

INTRODUCTION

Following the introduction of corporate human rights regulations in many countries and the development of normative frameworks, guidance principles and guidelines by non-state and state actors, companies have been increasingly faced with demands to extend their responsibilities to human rights protection (Schrempf-Stirling et al., 2022; Schrempf-Stirling & Van Buren III, 2024).

With the intent to examine the human rights responsibilities of business, the academic discussion on Business and Human Rights (BHR, hereafter) scholarship has grown significantly. Early studies on underlying motivations, content and limits of corporate human rights obligations (Wickert, 2016) have been progressively complemented with research on the implementation of specific actions and practices such as corporate policies (Preuss & Brown, 2012; Sethi et al., 2011), due diligence mechanisms (Smit et al., 2021), stakeholder management tools, and grievance mechanisms (Harrison & Wielga, 2023).

Following the release of the United Nations Guiding Principles in 2011, human rights policies have started to receive scholarly attentions as the starting base for companies interested in embedding a corporatewide responsibility to respect human rights in their business operations (Schrempf-Stirling & Wettstein, 2017; Surya et al., 2019). In particular, policies refer to "a company's environmental [or social] intention declared externally or internally in formal arguments, including written and published symbolic statements, declarations and slogans about environmental [or social] management" (Rhee & Lee, 2003, p. 177). By acknowledging the growing diffusion of human rights policies among multinational companies (Lopatta et al., 2022), recent contributions have investigated the content of these policies and their determinants, pointing out to stakeholder pressures or litigations as major drivers (Loughran et al., 2023; Schrempf-Stirling & Wettstein, 2017).

Despite different in their focus on specific practices or industries, such studies on the adoption of human rights policies increasingly point out to implementation complexities (Srinivasan & Venkatachalam, 2021; Wettstein, 2021) and the need for future research on whether and to what extent tools and practices are effective in reducing or avoiding human rights violations (Schrempf-Stirling et al., 2022; Schrempf-Stirling & Van Buren III, 2024).

To the best of our knowledge, extant research on effectiveness of human rights policy in preventing corporate malpractice is extremely limited and narrowly focused on developing countries (Fiaschi, Giuliani, & Nieri, 2017) or with a focus on a specific type of human right violations (Olsen, et al., 2022). One of the most notable contributions is the study by Olsen et al (2022), who tested the effectiveness of human rights policies issued by oil and gas companies, operating in developing countries, in reducing physical integrity abuses. Their results suggest that the issuance of a policy per se is not effective in reducing negative societal outcomes. Indeed, the authors open to further studies on the role of policy quality and its related longevity as key elements for a policy to be effective. More recently a cross-sectors study analysed the effectiveness of corporate social responsibility policies, including human rights protections, in reducing violations of human rights providing further support that the mere adoption of policies might not bring the intended outcomes (Nieri et al., 2023).

Heeding the call for further studies on how and with what results human rights obligations can be implemented in corporate practice (Giuliani et al., 2023; Schrempf-Stirling & Van Buren III, 2024), we theorize and empirically test the impact of human rights policies on the likelihood of human rights misbehaviour. In line with previous research, we define the latter as human rights violations that a company commits though acts or omissions in the context of its business activities, including infringements of civil and political rights, socioeconomic and cultural rights (Giuliani et al., 2023). In particular, we first investigate whether the adoption of a human rights policy reduce the likelihood of human rights misbehaviour. Secondly, we investigate variation in the level of policy quality and empirically test whether higher degrees of policy quality are associated with a stronger misbehaviour reduction outcome.

According to previous research, human rights abuses are highly dependent on industry specificities (Maloni & Brown, 2006; Olsen et al., 2022), for this reason we decided to focus on the garment industry which has long been under scrutiny for its human rights practices, with numerous high-profile cases of violations, particularly in supply chains located in developing countries (Nolan, 2022; Perry et al., 2015). This industry operates through a global division of labour, where knowledge-intensive activities—such as design, logistics, and marketing—are predominantly based in the global North, while labour-intensive manufacturing is largely carried out in the global South (Arnold & Bowie, 2003; Laudal, 2010).

We test our hypothesis on a unique sample of 156 fashion group over 10 years period 2013-2023. The sample was composed starting from the 250 most influential fashion brands selected to be assessed in the Fashion Transparency Index 2023. Results confirm our predictions, showing that adoption of a human rights policy reduces the likelihood of human rights misbehaviour. Focusing on companies that adopted a human rights policy our results show that higher degrees of policy quality are associated with a stronger misbehaviour reduction outcome.

Our research advances the emerging field of quantitative empirical studies on the effectiveness of corporate human rights practices (Fiaschi, Giuliani, & Nieri, 2017). It emphasizes the critical role of policy quality as a key determinant of a firm's capacity to effectively mitigate negative societal impacts. Moreover, our findings underscore the importance of accounting for temporal dynamics, as the positive outcomes of implementing human rights policies may not manifest immediately but rather require several years to materialize. This temporal aspect reflects the complexities inherent in corporate change processes. By providing robust empirical evidence, this study contributes to the Business and Human Rights (BHR) literature and offers practical insights for policymakers and firms aiming to enhance the efficacy of human rights policies.

THEORETICAL BACKGROUD AND HYPOTHESES

Theoretical background

The academic discussion on BHR has not only grown significantly, both in terms of number of contributions and scholars involved but has also made significant strides towards institutionalization as an academic field since the publication of the United Nation Global Compact in 2000. It represented the first initiative aimed at including the corporate sector in the institutional debate over Human Rights, followed by the United Nations Respect, Protect, and Remedy Framework (2008) and its implementing guidelines, namely the UN Guiding Principles on Business and Human Rights (UNGPs, 2011). Notwithstanding the advancements in international policy, national regulation, and global governance, companies still face significant challenges in addressing human rights effectively (Schrempf-Stirling et al., 2022).

Early stages of Business and Human Rights (BHR hereafter) scholarship focused on foundational arguments, establishing corporate responsibilities to respect and manage human rights (Santoro, 2010; Wettstein, 2012; Ramasastry, 2015; Brenkert, 2016) and thus treated BHR as the entire complex of human rights recognised in the Bill of Human Rights (1996). As BHR gained momentum in the corporate world, thanks to the publication of the UNGPs (2011) (Schrempf-Stirling, Van Buren III, & Wettstein, 2022), scholars started delving into the corporate management of specific human rights issues and gauging how BHR is shaped and prioritised in various industries (Wettstein, Giuliani, Santangelo, & Stahl, 2019; Schrempf-Stirling & Van Buren III, 2020), geographies, and companies with different sizes and scopes.

First definitions of BHR responsibility focused on *negative* obligations as the initial stages of the BHR debate, which were heavily centred on corporate wrongdoing and human rights abuses by corporations (Ruggie, 2007; Kobrin, 2009; Wettstein, 2012). Later contributions started to develop a *positive* notion of BHR, considering a more extensive and morally grounded conception of corporate human rights obligations derived from integrating CSR's voluntary and proactive stance within the BHR debate (Wettstein, 2012)

In addition to definitions, the literature has begun to address the motivations and rationales of positive and negative corporate human rights responsibilities. Non-legal BHR scholars tend to explore the fundamental principles underpinning corporate human rights responsibilities, ranging from ethical or moral rationales (Hahn , 2009; Griffin, 2008; Ivison, 2008; Bishop, 2008) and stakeholder theories (Obara & Peattie, 2018; Obara, 2017; Gunningham, Kagan, & Thornton, 2004) to instrumental (Robinson, 1998; Orlitzky, Schmidt, & Rynes, 2003; Paine, 2000) and political rationales (Matten & Crane, 2005; Scherer & Palazzo, 2007; Scherer & Palazzo, 2011).

More recently BHR studies have delved into management processes developed to cope with human rights at the organizational level in descriptive and qualitative terms (Schrempf-Stirling & Van Buren III, 2017; Deva, Ramasastry, Wettstein, & Santoro, 2019). Indeed scholarship focuses on describing the most common implementation measures, such as policies that define human rights codes of conduct (Sethi, Lowry, Veral, Shapiro, & Emelianova, 2011; Preuss & Brown, 2012; Stohl, Stohl, & Popova, 2009), due diligence mechanisms (Smith, Holly, McCorquodale, & Neely, 2021), stakeholder management tools, and grievance mechanisms (Kemp, 2011; Harrison & Wielga, 2023). However, we lately witnessed the development of empirical studies (Giuliani, Nieri, & Vezzulli, 2023; Lopatta, et al., 2022; Olsen, et al., 2022). Also, Lopatta et al. (2022) contributed to the accounting field by examining the determinants of human rights reporting scope and quality. They found that consistent with legitimacy and stakeholder theories, human rights reporting is positively associated with corporate visibility and institutional pressure (Lopatta, Tideman, Scheil, & Makarem, 2022). Finally, Schrempf-Stirling and Wettstein noticed the reactive attitude of companies towards human rights policies, as most companies tend to strengthen their policies and practices in the aftermath of legal proceedings for alleged human rights breaches (Schrempf-Stirling & Wettstein, 2017)

Although it is the least developed area (Schrempf-Stirling & Van Buren III, 2020), BHR scholarship has also preliminarily delved into the outcomes of corporate human rights management practices and violations. Scholars investigated the benefits of introducing human rights corporate processes such to corporate performance. Positive impacts were measured using either financial metrics, such as foreign direct investments (Blanton & Blanton, 2006) and stock performance (Janney, Dess, & Forlani, 2009), or qualitative metrics such as stakeholder relationship (Wolf, 2014), corporate legitimacy (Murphy & Vives, 2013), and, at micro level, improved job performance (Carmeli, Gilat, & Waldman, 2007). At the macro level, one topic that is gaining attention is the impact of BHR on society (Schrempf-Stirling & Van Buren III, 2020), which aims to study the impact of governmental and corporate actions on reducing human rights abuses. Preliminary studies quantitatively examined the effectiveness of firms' human rights policies in reducing certain types of human rights infringements (Nieri, Giuliani, & Fiaschi, 2023; Olsen, Rehbein, Snelson-Powell, & Westermann-Behaylo, 2022)

This study contributes to the outcome segment of the empirical scholarship on BHR and build on the recent contributions made by Olsen et al. (2022) extending the time frame of analysis and testing the industry generalization hypothesis by moving the research setting from the oil and gas industry to the fashion segment.

The introduction of corporate human rights policies to prevent misbehaviors

Despite the efficacy of policy introduction in the context of BHR has been challenged on the premise of different decoupling effects (Graafland & Smid, 2019; Snelson-Powell, A., & Millington, 2016; Olsen, Rehbein, Snelson-Powell, & Westermann-Behaylo, 2022; Nieri, Giuliani,

& Fiaschi, 2023), extant literature agree on identifying a positive role of policy adoption: releasing a human rights policy can represent an important milestone for companies in the process of ensuring the protection of stakeholders' rights by reducing the number of human rights infringements (Graafland & Smid, 2019).

The first argument supporting a positive effect of policy adoption to infringement reduction pertains to the fact that the development of a policy per se trigger managers' sense-making mechanisms to reconcile external normative pressures on the role of business in human rights with internal processes (Obara, 2017). The policy formulation requires company's members to enact mechanisms of translation of the regulatory requirements into organizational settings and operational guidelines (McVey, Ferguson, & Puyou, 2023; Monciardini & Berna, 2021). By the time the policy is adopted the company will have started a productive narrative with potential positive managerial change and outcomes (Graafland & Smid, 2019). It is argued that public policies, as means "aspirational talk", could achieve such positive societal outcome also when managerial practices do not fully mirror declared commitments(Christensen & Morsing, 2013).

A second argument pertains to the commitment effect of the policy release. Scholars argued that primarily companies engage into human rights actions in response to stakeholder pressure (Obara & Peattie, 2018) rather than any moral rationale (Obara, 2017; Arkani & Theobald, 2005). Thus, from a stakeholder perspective, maintaining a social licence to operate motivates companies to integrate human rights policies and tools (Ruggie, 2008). The release of a policy committing to respect human rights represents a public document that entails reputational exposure and the risk of losing such social license to operate in the case of contradictory conduct (Graafland & Smid, 2019; Buhmann, 2016; Gunningham, Kagan, & Thornton, 2004). Companies will strive to act in accordance with the commitments made in order to protect and assure its reputation (Arkani & Theobald, 2005), especially when their integrity is under scrutiny (Schrempf-Stirling & Wettstein, 2017).Therefore, we expect that, all other things being equal, the release of a public commitment to respect human rights will reduce the likelihood that firms will engage in human rights infringements. Thus, we hypothesize that:

Hp1: The release of a corporate human rights policy mitigates the incidence of human rights infringements.

As extant literature demonstrates, the content and structure of corporate human rights policies vary across companies and sectors (Preuss & Brown, 2012). Despite such evidence, extant research has not considered the content of policy under the assumption that the higher the quality of such content the less likely infringements will be. The quality level of a corporate human rights policy can be considered as a determinant of its effectiveness as it has been proved in the context of codes of ethics and their relation to unethical behavior within firms (Garegnani et al., 2015; Kaptein, 2011; Singh, 2011).

Scholars explored the quality variance in terms of scope analyzing the number of human rights mentioned as relevant in their commitment documents as compared to the list of the UN Universal Declaration of Human Rights (1948). Recent studies instead employed synthetic measure of policy quality developed by Sustainalytics (Graafland & Smid, 2019; Olsen, Rehbein, Snelson-Powell, & Westermann-Behaylo, 2022) which codifies quality based on presence of detailed requirements such as commitments to human rights protection within a company's sphere of influence, applicability to employees and contractors, regular reporting on policy implementation. Building on previous studies on human rights (Olsen, et al., 2022) and corporate social policies, firms with higher-quality human rights policies are likely to be more successful in influencing organizational decisions and practices aimed at preventing human rights violations. Thus, we hypothesize that:

Hp2: Corporate policy quality is associated with a reduction in the incidence of human rights infringements.

RESEARCH SETTING AND METHODOLOGY

The garment industry

The garment industry, particularly the clothing and textile sector, faces significant challenges regarding human rights violations and sustainability. These challenges are mostly linked to its structural characteristics (Laudal, 2010). Indeed, the global fashion industry relies on a complex global division of labor: design and sales are based in the global North, while the labor-intensive production occurs in the global South under competitive pressures (Niebank, 2018; Arnold & Bowie, 2003). The garment industry is populated by large multinational companies with growing market shares (Baden, 2002; Norda, 2004) and relatively low costs of replacing suppliers (Laudal, 2010). This dominant stance enables them to exercise downward pressure on production costs which results in the negation of workers' rights by their suppliers (Arnold & Bowie, 2003; Egels-Zandén, 2017; Giuliani & Macchi, 2014). Further negative pressions on labor rights is connected to the purchasing practices of the sector. Aiming at multiplying the purchasing occasions, fashion brands establish numerous product cycles or seasons per year that translate into request of manufacturing at shorter time intervals (Norda, 2004). Similarly, replenishing orders are typically done weekly. Changes to orders or rushed orders may contribute to labor and human rights abuses, such as excessive or forced overtime and outsourcing to third parties where respect for human rights may be even lower (Laudal, 2010). Structural issues like weak regulations (Ruggie, 2007; Ruggie, 2006) and corruption (Niebank, 2018) in production countries further exacerbate rights violations.

Sample

To test our hypotheses, a unique dataset was developed that examines corporate involvement in human rights violations in the garment industry. The sample is composed by the 250 most influential fashion brands selected to be assessed in the Fashion Transparency Index 2023 (Fashion Revolution, 2023). The index selects some of the biggest fashion retailers, either listed or privately owned, with annual turnover exceeding USD $400 million[1]. The index choice was based on extant literature as it was employed in previous studies set in the fashion industry (Jestratijevic, Uanhoro, & Islam Rana, 2024; Schäfer, Petersen, & Hörisch, 2024). Companies in the sample encompass a diverse range of market segments including mass market (52%), fast fashion (25%), premium/affordable luxury (13%) and luxury (10%). The sample guarantees a global representation of fashion brands with skewed representation of advanced economies such as Europe and North America.

For these companies, aggregated at group level, we retrieved the BHR raw data from the Business and Human Rights Resource Centre (hereafter BHRRC). BHRRC is accredited as highly reliable knowledge hub, consistently offering up-to-date information on evidence of human rights abuses linked to business activities (Bernaz, 2016; Olsen, 2023). The unit of analysis for our manual coding of human rights infringement the individual document published in the BHRRC website, represented by either an article or a lawsuit. We first codified the 1,534 press documents distinguishing between news reporting negative impact on right holders and those having a neutral or positive tone (Figure 1). With the exception of some negative peaks in 2014 and 2018, there is a growing trend in total observations reported, that is aligned to the growing interested and attention around business and human rights.

[1] Estimations are based on publicly available for privately owned companies (Fashion Revolution, 2023).

--- Insert Figure 1 about here ---

Documents reporting human rights infringement were further analyzed extracting details on the main characteristics of the abuse: the firm's involvement (direct or indirect), the macro type of human rights abuse, and, finally, the type of alleged human rights abuse following codification guidelines of the Rebalance Project[2]. By direct irresponsible conduct we refer to actions that are committed by the MNE headquarters' managers and/or managers at any of its subsidiaries, while indirect irresponsibility refers to actions that are committed by third parties (e.g. suppliers, clients, governments) with the complicity of the corporation. As production is being increasingly organized along Global Value Chains (GVCs) that span different countries, the monitoring and analyses of indirect abuses is very important as it accounts for the abusing or unethical behaviors of actors in the focal firm's value chain (Giuliani, Macchi, & Fiaschi, 2014). Overall, direct abuses compose 44 % while indirect abuses account for 56 % of total observations (Figure 2).

---Insert Figure 2 about here ---

Next, we organized the dataset with a firm-year perspective into a panel dataset with a time span from 2013 to 2023. Although BHRRC covers also the period antecedent to 2013, the database starts in 2013 because that is the year of the Rana Plaza factory collapse, which killed 1,134 workers in Dhaka, Bangladesh, on 24 April 2013. This was a major disaster in the clothing and fashion industry, which probably caused a spike of news on the argument, starting the dataset in 2013 we implicitly control for the shock. The time span remains advantageous in that it allows us to observe the behavior of companies over a 10-year period, which covers periods of global economic growth,

[2] The methodological guidelines developed by the Rebalance Project are currently under testing phases and will be available for consultation in the upcoming months.

recession, recovery, and, most importantly, the events following the COVID-19. As each document in the BHRRC database may relate to more than one company, the result is a panel dataset of 156 unique firms/group with 1,716 firm-year observations. The sample includes a total of 4,694 observations of which the 70% were codified as human rights infringements, while the remaining had a neutral or positive impact on the right holders with which the company entered into contacts.

Variables

Treatment variable

To test the first hypothesis the treatment variable used is *HRP Release Year (HRP Release Year)*. *HRP Release Year* indicates the year of first introduction of the human rights policy at firm level, which indicates the starting of the treatment period. The variable takes the year of human rights policy release if the firm has issued while it takes the value 0 if the firm has not issued any policy in the years of observation. The variable was built by collecting human rights policy statements published in firms' corporate website and manually extracting the publication year either from the document itself or through consultation of sustainability reports. 50% of firms in our sample (78 firms) had a public human rights policy statement in the period 2013-2023 (Figure 3). The year of publication varies across the sample with more than half of the sample releasing it after the 2021. For a small number of companies in our sample we registered both the year of first release and subsequent update. In these cases, we used the year of first release. Furthermore, 16 of the companies with public human rights policy were excluded from the study, in two cases this is due to a policy release antecedent to the observation period, in the rest of the cases we could not retrieve the year of first release but only the year of last update.

--- Insert Figure 3 about here ---

Dependent variable

Our dependent variable, *Human Rights Infringement (HRI)*, indicate the extent of infringements in which the firm has been involved at time *t*. It was built during the codification phase of the BHRRC dataset and represents the proportion of human rights infringements relative to the total number of observations at time *t.* This construction of the variable provides a normalized measure that already control for the observed growing number of total observations in the sample.

Starting from the treatment variable a second dependent variable is created which indicates the staggered adoption of the human rights policy. The variable *Human Rights Policy release (HRP release)* takes the value 1 if the firm has issued or updated a human resources policy at time t and in all subsequent years, while it takes the value 0 if the firm has not issued or updated any policy at time t and in the years prior to the year of the start of treatment.

Independent variable

To test the second hypothesis, we created a synthetic measure of Human Rights Policy Quality (*HRP Quality*). The first step was to collect the human rights policy published by brands in our sample by consulting their corporate websites. In the second stage, a framework of analysis to measure policy quality was developed in collaboration with a leading sustainability consultant active in the lobbying for human rights and based on a number of international recognized frameworks[3]. The framework is developed to assess three critical aspects of policies, first their formulation and governance sponsorship, the presence of operational guidelines and last the appropriateness of the policy communication. The third stage of the research activity implicated the construction of a disclosure-scoring sheet and the policies' manual coding. In the affirmative case the sub-category takes value one, zero otherwise. Each category was given the same weight,

[3]Reference frameworks: UN Guiding Principles on Business and Human Rights (UNGPs, 2011); The Global Reporting Initiative Sustainability Reporting Standards (GRI); the United Nation's Guidelines regarding the development of Human Rights Policy.

resulting in a percentage index varying from 0 to 100%. Quality rating ranges from 0 to 1, with higher values indicating better quality policies. In our case, the mean value of HRP Quality is 75%, suggesting that most firms in the sample have relatively high-quality policies in place (Table 3).

Building on mimetic isomorphism theory (DiMaggio & Powell, 1983), we developed the variable *Companies with Policy*$_{t-1}$ that measures the number of companies with outstanding human rights policy in reference segment in the previous year. Companies' legitimization strategy may build on the imitation of most reputable firms' conducts, as a consequence the probability of a company to adopt a human rights policy likely depends on the degree of adoption of other peer companies.

Control variables

Given the complexity of human rights issues, other factors besides those identified in our hypotheses are apt to contribute to the likelihood that firms will be involved in human rights violations.

First, we control for *News Exposure* in the year antecedent to the reported infringement since the level of scrutiny a company receives from media and NGOs likely influence the probability of firms being denounced as perpetuators of human rights abuses (Fiaschi, Giuliani, Nieri, & Salvati, 2020; Marquis & Qian, 2014). We operationalize firms' media exposure by dividing in quartile the variable counting the number of articles mentioning firm i at time t-1. The level of media exposure (e.g., news coverage) of a company relative to the previous period (year t-1) is used to control for whether media coverage in the previous period has an impact on the outcome (HRI) of the following period. It allows for detecting the lagged effect of media on observed behavior or outcomes, considering that media exposure may influence later rather than immediate events (Giuliani, Nieri, & Vezzulli, 2023).

For Model 2 we include further control variables. We control for the corporation country of origin (*Country*) based on the previous evidence that different cultures may value human rights and ethics differently (Lopatta, Tideman, Scheil, & Makarem, 2022). It is used to control for the effect of regional differences on outcome (HRI) and allows us to test whether specific characteristics of the state in which the firm has its headquarters and main operation, such as history, regulations, institutional measures, which can have a significant impact on its operations, performance and likely also on the propensity of companies to commit human rights abuses (Matten & Moon, 2008).

Our sample is composed of large fashion group, both publicly listed and privately owned ones. On the one side listed companies are exposed to a greater scrutiny and public attention. On the other, and as a consequence of it, they are also subject to a greater extent of regulation and reporting requirements such as the Corporate Sustainability Reporting Directive developed by the European Union, and the Securities and Exchange Commission's (SEC) requirements on climate change and human capital management for American publicly traded companies. We introduced the dummy variable *Listed* to control for the likely differential behavior also in terms of propensity to release a human rights commitment policy.

As described in the previous section, companies in the sample encompass a diverse range of market segments including mass market, fast fashion, premium/affordable luxury and luxury. Recent and historical evidence prove certain profit maximization logics that jeopardize human rights the most are more widespread in the fast fashion segment (Nolan & Bott, 2018; Perry, Osburg, Huq, & Fall Diallo, 2024). This likely concentrate a major interest by newspapers and NGOs on their actions. Thus, on the one side, fast fashion companies are likely more exposed to society scrutiny. And, on the other side, they might be more interested to signal their positive societal actions by favor corporate social sustainability practices, such as human rights policy release (Gunningham, Kagan, & Thornton, 2004). Based on these reasonings, the dummy variable *Fast Fashion* distinguishes companies that belong (1) or not (0) to the category.

Firm size has been widely recognized by the literature as a factor influencing a company's corporate sustainability activities (Block & Wagner, 2014; Strike et al., 2006). On the one side, it is argued that firms of bigger size can dedicate more organizational and financial resources to the prevention of human rights infringements (Martin, Cullen, & Johnson, 2007; Soundararajan, Spence, & Rees, 2018). On the other, organizational complexity characterizing large firms may hinder or slow down policy implementation to prevent corporate misconducts (Baucus & Near, 1991). Following Olsen et al. (2022), we define the control variable *Firm Size* as the natural logarithm of a firm's total number of employees. The data for this variable is sourced from BvD/Orbis, a leading provider of comprehensive firm-level data for public and private companies worldwide. Lastly based on evidence that effectiveness of a policy may increase over time (Olsen, Rehbein, Snelson-Powell, & Westermann-Behaylo, 2022) as its guidelines get spread throughout the company (Fiaschi & Giuliani, 2012) and translated into practices (Crilly, Zollo, & Hansen, 2012; Hallet, 2010), we created a variable which measures for how many years the policy has been in place (*HRP Year Since*).

Estimation procedure

To test our first hypothesis, we employed a Difference-in-Difference (DiD) study model with heterogeneous treatment effects (Callaway & Sant'Anna, 2021). DiD offers a nonexperimental method to estimate the average treatment effect on the treated (ATT) by comparing the difference across time between outcome means in the control and treatment groups. In the classical construct, there are uniquely two time periods and two groups: in the first phase no groups received the treatment, in the second stage a group received the treatment (treated group), while a second group does not (control group). The model with heterogeneous effects introduces additional complexities to estimate the ATT that may vary over time and over treatment timings. This estimation procedure particularly suits our research setting as companies in our sample introduced their human rights policy at different points in times. Using a DiD model with heterogeneous effects, we can thus capture heterogeneity between units and treatment moments, improving the robustness of the results, and identify more realistic causal effects, reflecting the actual variability with which policies affect different units over time. As we are not sure about the length of the effects of introducing a human rights policy on the outcome of interest, in our research design the control group is represented by companies that never released a policy in the years of observations (Duchiin, Gao, & Xu, 2024; Johnson, Shriver, & Goldberg, 2023; McGahan, 2023). Table 1 reports the descriptive statistics of variables used in Model 1 to test Hypothesis 1, and Table 2 report the relative correlation matrix.

---Insert Table 1 and Table 2 about here---

To test the second hypothesis, we followed extant managerial literature and employed a two-step Heckman model (Heckman, 1976) to overcome sample selection bias related to study the relationship between policy quality and human rights infringements (Certo, Bussenbark, Woo, & Semadeni, 2016). Indeed, quality of policies could be assessed only for companies with public human rights policy, that are a non-random selection of the entire population of fashion brands. To correct for this potential bias, we first modelled the probability of companies to develop a human rights policy through a probit regression. We use the following econometric specification:

$$\begin{aligned} P(HRP\ Release = 1|X) \\ &= \Phi(\beta_0 + \beta_1\ CompaniesWithPolicy_{t-1} + \beta_2\ Listed + \beta_3\ Country + \beta_4\ Fast\ Fashion \\ &+ \beta_5\ Firm\ Size + \epsilon) \end{aligned}$$

Where Φ is the cumulative distribution function of the standard normal distribution. To ensure robustness, we employ heteroskedasticity-robust standard errors in the estimation. In summary we assume that the probability of a company to release a policy is a function of the number of companies with outstanding human rights policy in its reference segment in the previous year (*Companies with Policy*$_{t-1}$), the public quotation (*Listed*), the country where it is headquartered (*Country*), the segment belonging (*Fast Fashion*) and the firm size (*Firm Size*). We then took the inverse Mills ratio (Grimmet, 2001) of the selection equation and estimates the λ term to be included in the following regression to account for the sample selectivity. In the second stage of the Heckman selection model, we estimate the outcome (*HRI*) equation as follows:

$$HRI_{t+1} = \beta_0 + \beta_1 HRP\ Quality + \beta_2 Fast\ Fashion + \beta_3 Listed + \beta_4 Country + +\beta_5 Firm\ Size$$
$$+\ \beta_6 HRP\ Year\ Since + \beta_7 News\ Exposure_{t-1} + \beta_8\,\lambda + \epsilon$$

Robust standard errors are employed to account for heteroskedasticity. We have included in the model all the controls of the previous model except for Companies with Policy$_{t-1}$, and inserted two additional variables. News Exposure in the year preceding the HRI to control for exposition to media coverage, and HRP Year Since to account for the positive influence on the corporate culture of a more long-lasting policy versus more recently instituted one. Table 3 reports the descriptive statistics of variables used in Model 2 to test Hypothesis 2, and Table 4 report the relative correlation matrix.

--- Insert Table 3 and Table 4 about here ---

RESULTS

Table 5 reports results for the DiD model used to test Hypothesis 1 reporting estimates of the ATT for all companies and across all periods. Column 1 reports estimate of the ATT without controls, showing a negative but not significant effect on Human Rights Infringements (*HRI*). Column 2 instead indicates supporting evidence for our first hypothesis, which aims to uncover the effect on the number of *HRI* in the years following the publication of the human rights policy. In line with our Hypothesis 1, the release of human rights policies by companies in the sample have on average a positive impact on business human rights respect, as measured by the negative (-0.18) and strongly statistically significant (p value <.01) average effect on HRI. Table 5 indicates aggregate results over all firms and across all periods. In addition, in Figure 4 we show the event study model decomposing the dynamics effect for the model considering control. Table 6 reports the detailed value of the dynamic ATT's that are estimated for each period relative to the period first treated, across all cohorts. These results show the absence of pre-treatment effect, indeed ATT in t-1 and t-2 are not statistically significant. Moreover, we observe that human rights infringements' incidence decreases once human rights policies are introduced, with magnitude effect increasing over the subsequent years. These results supported Hypothesis 1.

--- Insert Table 5, Table 6, and Figure 4 about here ---

Table 7 reports results of the probit model used to estimate the probability of companies to develop a human rights policy, which represents the first step to test Hypothesis 2. In line with our expectations the coefficients of variable considered in the model are all statistically significant (p <.1), except for the coefficient of the control variable *Fast Fashion*. In line with our expectations the probability of a company to release a policy is positively and statistically strongly (p <.01) associate with the number of companies with outstanding human rights policy in its reference segment in the previous year (*Companies with Policy*$_{t-1}$) and the public quotation (*Listed*). Also, as anticipated bigger companies show a higher propensity to release a human rights policy. Following the estimation procedure we then calculated the inverse Mills ratio and called λ in our next model. The results of the Heckman model are shown in Table 8. Results confirm Hypothesis 2 whose objective is to test whether different level of policy quality differently impact the reduction of HRI. Coefficient of *HRP Quality* is negative and statistically significant (p <.05) which corroborate the premise that higher quality level policies are more effective in reducing the incidence of HRI. The positive direction of *HRP Year Since* is less intuitive as we would expect long-standing policies to be more effective consistently with previous results (Olsen, 2022). Yet it could be that the positive effect of policy longevity decade over time, showing a need of cyclical policy update to maintain effectiveness. In line with our expectations, companies from the *Fast Fashion* (0.348) segment are associated with a higher incidence of misconducts. While publicly quoted companies exert a lower incidence of HRI compared to the privately owned counterparts. Notably, our results support the negative impact argumentation of *Firm Size*, whose coefficient (0.0776) is positive and statistically significant (p < .01).

---Insert Table 7 and Table 8 about here---

DISCUSSION

This study advanced the research on how and with what societal benefits human rights obligations can be implemented in corporate practice (Giuliani et al., 2023; Schrempf-Stirling & Van Buren III, 2024). Previous study in the BHR literature focused on the definition of corporate human rights obligations (Wettstein, 2022; Santoro, 2015; Shue, 1996), on its main rationales (Hahn R. , 2009; Obara, 2017; Scherer & Palazzo, 2011; Robinson, 1998), and on the micro and macro factors that shaped the development of the BHR discourse. At the micro level, recently BHR studies have delved into management processes developed to cope with human rights at the organizational level with a broad contribution of qualitative studies and early empirical ones. The least explored but growing field focuses on the macro-level outcomes of corporate human rights management practices and violations, especially on society (Schrempf-Stirling & Van Buren III, 2024).

In an attempt to bridge the micro and macro level and advance the empirical literature in this important respect, we drew from preliminary evidence of the positive societal effects of introducing corporate human rights policies (Fiaschi, Giuliani, & Nieri, 2017; Nieri, Giuliani, & Fiaschi, 2023; Olsen, et al., 2022). We theorized and empirically tested the impact of policies introduction on the likelihood of human rights misbehaviour. We found supporting evidence for our first hypothesis predicting that adoption of a human rights policy reduces the likelihood of human rights misbehaviour. To the best of our knowledge, our findings represent a significant contribution, as prior studies have either been unable to fully demonstrate or have only partially confirmed the positive impact of policy implementation in addressing corporate misbehavior (Nieri, Giuliani, & Fiaschi, 2023; Olsen, et al., 2022). Results of the event study demonstrate that this effect gets stronger in the years following the release, especially in two and three years following the adoption. This result is in line with previous in the field evidence which found a positive effect of policy longevity on corporate misbehaviour reduction (Graafland & Smid, 2019; Olsen, et al., 2022). On the one side, it is argued that some change management and learning effect throughout the company is already initiated during the drafting of the policy (McVey, Ferguson, & Puyou, 2023; Monciardini & Berna, 2021; Obara, 2017). However major effects of policy adoption are to be connected with culture shift and new practices embodying the policy precepts (Crilly, Zollo, & Hansen, 2012; Nelson & Winter, 1982). The publication of the policy will start corporate communication and learning effects (Haack, Schoeneborn, & Wickert, 2012), whose effects require time to become concrete and produce positive changes in management choices (Fiaschi & Giuliani, 2012).

Secondly, we investigate variation in the level of policy quality and empirically test whether higher degrees of policy quality are associated with a stronger misbehaviour reduction outcome. This hypothesis finds confirmation in our results, which attest that quality is an important attribute for efficacy of human rights policy (Olsen, et al., 2022). As far as we are aware, this also represents an unprecedent contribution to the BHR literature, indeed extant contribution could attest the joint positive effect of policy quality and longevity (Olsen, et al., 2022). Content of human rights policy is not yet regulated; however, the UN Guiding Principles contain some key guidelines on what a human rights policy should cover. Based them, other sources of soft law and key practitioners' contributions we created a measure of policy quality which assesses governance sponsorship and formulation mechanisms, the presence of operational guidelines, the appropriateness of the policy communication and the extended coverage.

These findings have substantial implications for the corporate world and management literature. A growing number of companies is adopting corporate social responsibilities policies, and human rights specific policies as to align with international standards. Study results demonstrates that the degree of alignment other than mere adoption of policy does impact on the level of desired outcome achieved. This should inform corporate practitioners on the importance of a sustained investment in policy developments. This is further reinforced by the evidence that positive societal effect of introducing a policy may decay over time, perhaps as an effect of policy stagnation or reduced attention to policy implementation practices.

Our results indicate notable relationships between firm characteristics and the likelihood of human rights infringements, warranting further discussion. First, the positive correlation between firm size and human rights violations challenges the conventional assumption that larger firms, with more resources and sophisticated compliance structures, are inherently better equipped to prevent misconduct (Ciravegna & Nieri, 2022). This finding may reflect the operational complexities and extended supply chains of larger firms (Baucus & Near, 1991), which increase the risk of indirect abuses (Wettstein, 2010), particularly in global value chains (Stuart & Wang, 2016). Second, publicly listed companies show a lower incidence of infringements compared to privately held firms. This is likely attributable to the heightened scrutiny faced by listed companies from regulators, investors, and the public, which creates stronger incentives for transparency and compliance (Arkani & Theobald, 2005; Obara, 2017). Lastly, firms in the fast fashion segment exhibit a higher propensity for misconduct, underscoring the structural pressures unique to this industry (Perry, Osburg, Huq, & Fall Diallo, 2024). Rapid production cycles, cost minimization strategies, and frequent supplier changes intensify risks in labor-intensive manufacturing processes (Laudal, 2010). These findings emphasize the need for targeted strategies, tailored to firm-specific and industry-specific dynamics, to enhance the effectiveness of human rights policies.

LIMITATIONS AND AREAS FOR FUTURE RESEARCH

While this article makes important contributions to the BHR stream of quantitative empirical research on the effectiveness of corporate human rights practices, there are still limitations associated with the study.

One limitation is that we analyzed only publicly reported human rights abuses. Our research is based on BHRRC resources, which is the most accredited source of up-to-date information on evidence of human rights abuses linked to business activities. However, relying on reported evidence may let us underestimate our measure of dependent variable. To cope with possible differences in how companies attract media attention, we have either taken a relative measure of human rights abuses on the total number of observations and controlled for a measure of media exposure. With growing reporting requirements mandated by soft and hard regulations, future research might be able to complete the external measure with internal number of misconducts reported through grievance mechanisms.

The research employes the garment industry as research setting, which has unique structural characteristics. While preliminary findings can be generalized to other sectors, further research is needed to proof-testing results. Future research may thus investigate whether the observed relationships between policy quality, longevity, and human rights outcomes hold across diverse industries, particularly those with less labor-intensive operations or lower stakeholder scrutiny.

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Tables

Table 1 Descriptive statistics Model 1

	N	Mean	SD	Min	Max	p50
Human Rights Infringement	706	0.66	0.35	0	1	0.71
Newsexposure$_{t-1}$	1,320	2.21	1.30	1	4	1
HRP Release Year	704	2021	2.48	2014	2023	2022

Notes: For *HRP Release Year* the table shows summary statistics of company which released the HRP policy during the observation years.

Table 2 Correlation matrix Model 1

	Human Rights Infringement	*Newsexposure$_{t-1}$*	*HRP Release Year*
Human Rights Infringement	1.000		
Newsexposure$_{t-1}$	-0.0872	1.000	
HRP Release Year	-0.0907	0.3421	1.000

Table 3 Descriptive statistics Model 2

	N	Mean	SD	Min	Max	Median
HRI$_{t+1}$	653	0.674	0.349	0	1	.75
HRP Release	1452	0.143	0.350	0	1	0
Companies with Policy$_{t-1}$	1320	3.398	3.826	0	24	2
HRP Quality	737	0.761	0.219	.25	1	.875
Fast Fashion	1452	0.265	0.442	0	1	0
Listed	1452	0.636	0.481	0	1	1
Country	1452	15.205	7.024	1	22	19
Firm Size	994	9.414	2.381	0	14.648	9.615
HRP Year Since	726	0.928	2.439	0	19	0

Table 4 Correlation matrix model 2

	HRP Release	*Companies with Policy$_{t-1}$*	*HRP Quality*	*Fast Fashion*	*Listed*	*EU*	*US*	*Other Geographies*	*HRP Year Since*
HRP Release	1.000								
Companies with Policy$_{t-1}$	0.394	1.000							
HRP Quality	-0.129	-0.000	1.000						
Fast Fashion	0.008	-0.129	0.090	1.000					
Listed	0.051	0.036	-0.099	-0.430	1.000				
EU	0.038	-0.080	-0.002	0.215	-0.297	1.000			
US	0.008	0.114	0.052	-0.256	0.155	-0.655	1.000		
Other Geographies	-0.057	-0.030	-0.056	0.022	0.197	-0.511	-0.315	1.000	
HRP Year Since	0.592	0.350	-0.088	-0.065	0.099	-0.079	0.040	0.054	1.000

Table 5 Results Model 1

	HRI (1)	*HRI* (2)
HRP Release Year	-0.013 (0.054)	-0.183** (0.083)
Observations	637	588
Covariate	No	Yes
Firm FE	Yes	Yes

Standard errors in parentheses * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Notes: Column 1 estimates ATT without including controls; column 2 estimates ATT including as covariate the lagged value of *News Exposure* Standard errors are clustered at firm level.

Table 6 Results Event Study model

	HRI (1)	*HRI* (2)
Pre_avg		-0.036 (0.057)
Post_avg		0.260** (0.101)
T_{t-3}		-0.048 (0.117)
T_{t-2}		-0.108 (0.075)
T_{t-1}		0.047 (0.098)
T_0		-0.180* (0.09)
T_{t+1}		-0.005 (0.098)
T_{t+2}		-0.246** (0.125)
T_{t+3}		-0.618** (0.270)
Observations		595
Firm FE		Yes

Standard errors in parentheses * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Notes: Column 1 estimates ATT without including controls; column 2 estimates ATT including as covariate the lagged value of *News Exposure*. Standard errors are clustered at firm level.

Table 7 Results probit model

	HRP release
Companies with Policy$_{t-1}$	0.114***
	(0.014)
Listed	0.936***
	(0.232)
Fast Fashion	-0.054
	(0.140)
Firm Size	0.048*
	(0.028)
Constant	-2.980***
	(0.367)
Country FE	YES
Observations	892
Pseudo-R:	0.217
Log-Likelihood:	-341.51
Chi-squared	144.78
Prob Wald:	0.000

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 8 Results Heckman selection model

	HRI_{t+1}
HRP Quality	-0.454** (0.191)
HRP Year Since	0.030*** (0.009)
Fast Fashion	0.348*** (0.128)
Listed	-0.586*** (0.140)
Firm Size	0.0776*** (0.028)
$Newsexposure_{t-1}$	0.0251 (0.068)
λ	-0.114 (0.124)
Constant	0.702 (0.475)
Sigma_u	0.138
Sigma_e	0.288
Rho	0.186
Observations	98
Number of id	34

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure 1 Total number of observations codified by type of impact

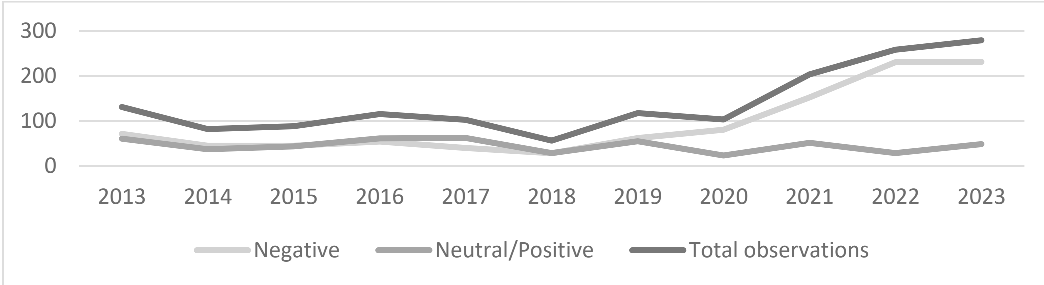

Figure 2 Direct and Indirect abuses percentage per year

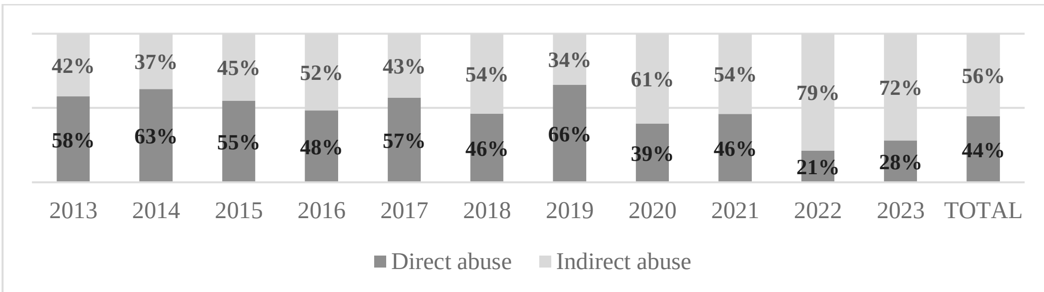

Figure 3 Human rights policy, distribution by year of publication

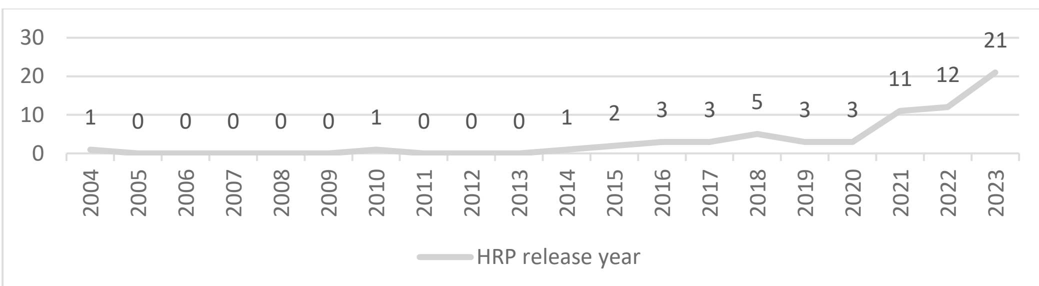

Figure 4 Dynamic effect on the incidence of human rights infringements