Sustainable corporate governance and human rights: Policies and alleged infringements in the garment industry[1][2]

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Abstract

Frame of the research: *Despite the growing diffusion of corporate human rights policies, evidence on their effectiveness in preventing infringements remains scarce and mixed, and little is known about how policy quality shapes their impact. This study addresses this gap by disentangling policy adoption from policy quality.*

Purpose of the paper: *This study investigates whether, and under what conditions, corporate human rights policies, that is, public corporate documents that formally articulate a firm's commitment to respect internationally recognised human rights and specify expectations for employees and business partners, function as effective sustainable corporate governance (SCG) mechanisms.*

Methodology*: To test our hypotheses, we create a novel longitudinal dataset of 156 fashion companies. First, we examine the effect of policy introduction using a Difference-in-Differences approach. Next, we adopt a two-stage selection model to investigate how policy quality heterogeneity is associated with corporate infringements.*

Findings*: Contrary to expectations, policy adoption alone is not associated with fewer subsequent human rights infringements. Accounting for policy quality reveals a different pattern. Higher-quality human rights policies, that is, those embedding governance sponsorship, operational guidelines, and credible communication, are associated with fewer infringements.*

Research limits*: The study relies on Business & Human Rights Resource Centre (BHRRC)-reported incidents, which may be affected by visibility bias. Additionally, it focuses on a single high-risk industry, limiting generalisability.*

Practical implications*: Results underscore the need for sustained investments in policy development, updating, and integration to ensure SCG is effective. Regulators should define minimum quality criteria to avoid symbolic compliance.*

Originality of the paper: *The study disentangles policy adoption from policy quality, providing quantitative evidence of their distinct effects. Additionally, it introduces a replicable measure of human rights policy quality for SCG and Business and Human Rights (BHR) research.*

Keywords: *sustainable corporate governance; business and human rights; human rights infringements; human rights policy*

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1. Introduction

Companies are increasingly expected not only to create economic value but also to safeguard fundamental human rights along their global value chains (Schrempf-Stirling and Van Buren III, 2024). According to United Nations and International Labour Organisations (ILO), human rights within the corporate context include, among others, freedom from forced labour and child labour, non-discrimination, freedom of association, and the right to safe and healthy working conditions (ILO, 2022). Across different industries, these rights are routinely undermined through abuses such as wage theft, excessive or forced overtime, unsafe workplaces, harassment, restrictions on organising, and, at the most severe end, forced labour and modern slavery (Chowdhury, 2017). Beyond harm to individuals, such infringements generate material risks for firms, including reputational damage, litigation exposure, supply-chain disruption, and increasing regulatory scrutiny (Dupont *et al.*, 2024).

As these risks become more salient to investors, regulators, and civil society, the protection of human rights by companies is increasingly becoming a core governance issue: firms are asked to internalise social risks, make their supply chains more transparent, and align with emerging sustainability-oriented regulations and stakeholder demands (Giuliani *et al.*, 2021; Muchlinski, 2012; Wolf, 2014). Current debates on sustainable corporate governance (SCG) and its effectiveness in advancing firms' sustainability agendas have developed along two complementary lines (Aguilera *et al.* 2021). A first stream investigates the governance characteristics that orient firms' attention toward sustainability-related issues, including business and human rights (Collevecchio *et al.*, 2024; Rubino and Mastrorocco, 2025). A second, more recent stream shifts the focus to governance decisions concerning the adoption of formal tools, such as policies, codes of conduct, and standards, and calls for empirical evidence on whether and under what conditions these tools effectively translate corporate commitments into substantive outcomes (Naciti *et al.*, 2022).

Accordingly, we focus on one particular type of governance tool: corporate human rights policies, defined as public documents that articulate the company's commitment to respect internationally recognised human rights and specify expectations for employees and business partners (Preuss and Brown, 2012). Consistent with the UN Guiding Principles, these commitments are intended to support a firm's responsibility to respect human rights by clarifying scope (own operations and/or supply chain), assigning internal responsibilities, and linking the commitment to due diligence, training, monitoring, and grievance/remedy mechanisms (United Nations, 2011). However, empirical evidence on whether such policies translate into concrete improvements in corporate conduct remains scarce. Studies to date have either focused on narrow contexts (e.g., extractive industries in developing countries) or yielded mixed results regarding the impact of policy adoption on the incidence of misconduct. Moreover, little is known about how the quality of human rights policies conditions their effectiveness, or about the temporal dynamics involved in translating commitments into impact. Together, these aspects limit our understanding of the governance mechanisms through which companies prevent human rights abuses.

This research examines the effectiveness of human rights policies as an SCG tool for preventing human rights infringements. We focus on the garment industry, long criticised for labour practices and rights violations (Chowdhury, 2017; Perry *et al.*, 2024), and construct a novel longitudinal dataset of 156 fashion companies spanning 2013-2023, beginning with the Fashion Transparency Index and linking it to the Business and Human Rights Resource Centre (BHRRC) dataset. First, we apply Difference-in-Differences (DiD) model with heterogeneous treatment timing to analyse whether adopting such a policy reduces the likelihood of being involved in human rights infringements. Next, we develop a synthetic index of human rights policy quality and use a Heckman two-step selection model to assess whether higher-quality policies are associated with fewer human rights infringements.

Our research contributes to the emerging quantitative evidence on the effectiveness of corporate human rights practices by disentangling policy adoption from policy quality (Olsen *et al.*, 2022). We find that adoption alone does not lead to fewer infringements, whereas higher policy quality results in fewer subsequent infringements. Further, this study contributes to the SCG literature by providing robust evidence that well-designed formal governance mechanisms can align firms with their sustainability goals.

The remainder of the study is structured as follows. Section 2 reviews the theoretical background on SCG and BHR and develop the hypotheses. Section 3 presents the research setting, describes the data and the empirical strategy. Section 4 reports the results of the econometric analyses. Section 5 discusses the findings and their implications for SCG and BHR. Section 6 concludes by highlighting the study's limitations and suggesting avenues for future research.

2. Theoretical background and hypotheses development

Over the past two decades, the field of BHR has expanded considerably, especially following the adoption of the UN Guiding Principles (UNGPs) on Business and Human Rights in 2011, which clarified that firms have a responsibility to respect human rights across their operations and global value chains (Giuliani *et al.*, 2023; Soundararajan *et al.*, 2025). Simultaneously, the SCG literature has emphasised the need for governance mechanisms that extend beyond shareholder protection and enable firms to anticipate, manage, and remedy negative social and environmental impacts (Aguilera *et al.*, 2018; Rasche *et al.*, 2017). Within this broader understanding of governance, the protection of human rights has become an integral part of the corporate governance agenda, driven not only by normative developments but also by the growing salience of reputational and regulatory risks (Avallone *et al.*, 2025; Giuliani, 2016).

Within this context, the development of formal corporate human rights policies has emerged as a central governance tool (Murphy and Vives, 2013; Preuss and Brown, 2012). Policies make explicit the company's commitment, define the scope of application (own operations, subsidiaries, suppliers), allocate responsibilities, and sometimes specify monitoring and reporting requirements. In practice, many companies have moved quickly to issue human-rights-related policies, supplier codes, and due diligence statements. Particularly in high-risk, labour-intensive sectors, such as fashion and apparel, the release of human rights policies is now a common practice, often encouraged by soft-law instruments such as the OECD Guidelines for Responsible Business Conduct and forthcoming EU regulations mandating human rights and environmental due diligence.

Despite the growing institutionalisation of the BHR agenda and the increasing diffusion of corporate human rights policies across high-risk sectors, the effectiveness of these instruments in curbing human rights infringements remains insufficiently understood. While firms have been quick to formalise their commitments-often in response to stakeholder pressures, reputational concerns, or evolving regulatory expectations-it remains unclear whether adopting such policies translates into actual changes in corporate conduct. This issue is particularly relevant in sectors such as the fashion industry, where exposure to social risk is high, supply chains are opaque, and enforcement is often fragmented.

We posit that the adoption of a human rights policy can represent a meaningful inflection point in a firm's engagement with human rights governance. Two mechanisms support this proposition. First, the policy development process itself may activate internal sense-making dynamics. As firms respond to increasing normative and regulatory pressures, managers are required to interpret and translate abstract external demands into organisational routines, operational guidelines, and internal accountability mechanisms (Monciardini and Berna, 2021; Obara, 2017). This process of translation can foster learning, internal alignment, and gradual behavioural adaptation. Even when implementation is incomplete, adopting a policy may initiate a trajectory of change by embedding new expectations and fostering greater organisational reflexivity over time (Graafland and Smid, 2019).

Second, the public nature of these commitments generates reputational exposure, which can have significant governance effects. From a stakeholder perspective, the adoption of a formal human rights policy increases the reputational stakes of misconduct, particularly in industries that are highly visible and exposed to stakeholder scrutiny. The release of a policy functions as a public signal of the firm's values and priorities, creating an accountability framework that can influence behaviour by raising the costs of inconsistency between declared commitments and actual conduct (Arkani and Theobald, 2005; Buhmann, 2016). Companies seeking to maintain legitimacy and their social license to operate may be more inclined to enforce compliance with the standards they have publicly endorsed, especially when stakeholder trust and brand integrity are at risk (Schrempf-Stirling and Wettstein, 2017).

Together, these internal and external mechanisms suggest that the adoption of human rights policies may contribute to reducing the likelihood of corporate involvement in human rights infringements. While not denying the risk of symbolic adoption, this perspective highlights the potential for policies to act as catalysts for change by fostering internal alignment and increasing external accountability. Accordingly, we propose the following hypothesis:

Hypothesis 1: The adoption of a corporate human rights policy is negatively associated with human rights infringements.

While the existence of a human rights policy may signal a firm's intention to engage with human rights issues, growing evidence suggests that the quality of such policies plays a critical role in shaping their impact. Recent research by Olsen *et al.* (2022) underscores this point by examining when human rights policies and practices in the oil and gas industry are sufficient to prevent abuse. Their findings highlight that firms are more likely to avoid rights violations when their policies are not only present but are of high quality-implying they are concrete, comprehensive, and supported by accountability mechanisms.

A high-quality human rights policy, by extending beyond generic statements and clearly specifying scope and substantive expectations, provides a stronger signal of a firm's commitment to engage with human rights issues. Clear articulation of responsibilities, procedures, and oversight arrangements reduces internal and external ambiguity and narrows "grey zones" that could otherwise permit inconsistent or opportunistic interpretation. Thereby, the policy offers practical guidance by translating commitments into implementation activities such as training and awareness initiatives, due diligence and monitoring procedures, and the screening of business partners based on their prior record of alleged infringements and risk exposure (Olsen *et al.*, 2022).

This perspective aligns with a broader body of literature that emphasises the importance of policy design (Garegnani *et al.*, 2015). High-quality policies are typically characterised by clear commitments to human rights, applicability across corporate and supply chain activities, specification of due diligence procedures, and regular public reporting. Such features do not merely signal intent; they institutionalise responsibility by assigning it, operationalising it, and making it observable. Firm-level policies may be more impactful if they are detailed and explicit, ensuring that firms have processes in place to credibly enforce their policies. Firms that set targets, deadlines, initiate monitoring, and produce reports on their progress should incentivise compliance with standards (Graafland and Smid, 2019). Conversely, vague policies are easier to decouple from practice and may offer little guidance or incentive for changes. Low-quality policies may generate a false sense of security, allowing firms to claim alignment with normative expectations while lacking the internal systems necessary to prevent or address abuses (Olsen *et al.*, 2022).

Building on these insights, we argue that the quality of corporate human rights policies is a crucial determinant of their effectiveness. Firms that articulate detailed, enforceable, and far-reaching commitments are more likely to internalise human rights norms into their decision-making processes and supply chain governance. Accordingly, we hypothesise that:

Hypothesis 2: The quality of a corporate human rights policy is negatively associated with human rights infringements.

3. Research setting and methodology

3.1 Garment industry

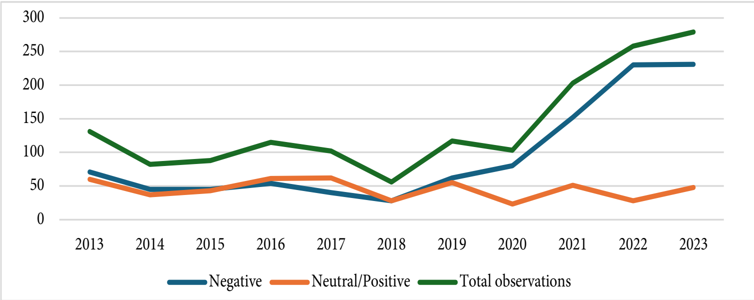
The garment industry, particularly the clothing and textile sector, faces significant challenges regarding human rights violations and sustainability. The garment industry is populated by large multinational companies with growing market shares and relatively low costs of replacing suppliers (Chowdhury, 2017). This dominant stance enables them to exert downward pressure on production costs, thereby undermining workers' rights at supplier level (Giuliani, 2016). Further negative pressures on labour rights are connected to the purchasing practices of the sector. To multiply the purchasing occasions, fashion brands establish numerous product cycles or seasons per year that translate into requests for manufacturing at shorter time intervals (Norda, 2004). Similarly, replenishing orders are typically done weekly. Changes to orders or rushed orders may contribute to labour 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).

3.2 Sample description

To test our hypotheses, a unique dataset was developed that examines corporate involvement in human rights violations in the garment industry. The sample comprises the 250 most influential fashion brands selected for assessment in the Fashion Transparency Index, which includes fashion brands or retailers, either listed or privately owned, with an annual turnover of at least US$400 million (Schäfer *et al.*, 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 global representation of fashion brands, but is skewed toward European and North American firms.

For these companies, aggregated at the group level, we retrieve the BHR raw data from BHRRC, which is accredited as a highly reliable knowledge hub, consistently offering up-to-date information on evidence of human rights abuses linked to business activities (Giuliani *et al.*, 2023). For manually coding human rights infringements, the unit of analysis is each document in the BHRRC database, whether an article or a lawsuit. First, we codify the 1,534 press documents, distinguishing between news reports with a negative impact on right holders and those with a neutral or positive tone. As depicted in Fig. 1, with the exception of two negative peaks in 2014 and 2018, the total number of observations reported exhibits a rising trend, consistent with increasing interest in business and human rights.

Fig. 1: Total number of observations codified by type of impact



Source: our elaboration

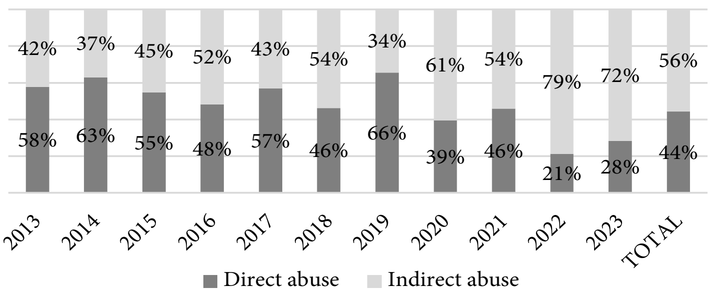
Documents reporting human rights infringement are further analysed, extracting details on the main characteristics of the abuse: the firm's involvement (direct or indirect), and the type of human rights abuse. *Direct irresponsible conduct* refers to actions committed by managers at the headquarters or any of its subsidiaries. *Indirect irresponsible conduct* refers to actions committed by third parties (e.g., suppliers, clients, or governments) with the complicity of the corporation (Giuliani *et al.*, 2023). As production is increasingly organised along global value chains that span different countries, monitoring and analysing indirect abuses is crucial, as they account for the abusive or unethical behaviours of actors in the focal firm's value chain. Overall, direct and indirect abuses account for 44% and 56% of total observations, respectively (Fig. 2).

Adapting the procedure suggested by researchers at the Rebalance Project[3] to our sample, we further distinguish different types of alleged human rights abuses, identifying the following 10 categories: *aggression; control and restriction; discrimination; legal action; operations; workplace; investment; climate; health and safety; and land.* Notably, 76% of all coded abuses concern workplace-related violations, including cases pertaining to Occupational Health & Safety, Labour & Modern Slavery, and Wage Theft.

Next, we organise the dataset by firm-year into a panel dataset spanning 2013-2023. As each document in the BHRRC database may relate to more than one company, the result is a panel dataset of 156 unique firms/groups with 1,716 firm-year observations. The sample includes a total of 4,694 observations, of which 70% are coded as human rights infringements, while the remaining have a neutral or positive impact on the right holders.

[3] Rebalance project is a collaboration between seven European universities and an international NGO. The project is funded by the European Commission's Horizon Europe funding programme and Innovate UK. The methodological guidelines developed by the Rebalance Project are currently under testing phases and will be available for consultation in the upcoming months. More information on the project is available here: https://rebalanceproject.org

Fig. 2: Distribution of direct and indirect abuses per year (%)



Source: our elaboration

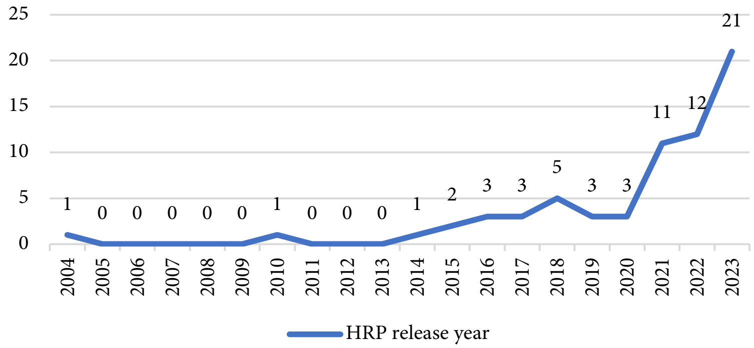
3.3 Data and methods

To test the first hypothesis, we employ a DiD model with staggered adoption and heterogeneous treatment effects (Callaway and Sant'Anna, 2021). This model estimates the average treatment effect on the treated (ATT) by comparing changes in outcomes over time for treated firms with those of an appropriate comparison group. Notably, this estimation procedure particularly suits our research setting as companies in the sample introduce their human rights policy at different points in time. Thus, using a DiD model with heterogeneous effects, we capture heterogeneity across units and treatment moments, reflecting the actual variability in how policies affect different units over time. In the research setting, the control group comprises companies that did not release a policy during the observation period (2013-2023) (Johnson *et al.*, 2023).

To obtain data on human rights policies, we download corporate documents from company websites that explicitly reference human rights. Qualifying documents include stand-alone Human Rights Policy statements and clearly identifiable and substantive human-rights-specific sections embedded within corporate codes of conduct or supplier codes of conduct.

The treatment variable used is HRP Release Year, which indicates the year of first introduction of the human rights policy at the firm level (the start of the treatment period). The variable takes the value 1 in the year of first public release and in all subsequent years, and 0 otherwise. To create this variable, we manually collect human rights policy statements published on firms' corporate websites, extracting the publication year either from the document itself or, when not available, through consultation of sustainability reports. Overall, 50% of firms in the sample (78 of 156) adopted a public human rights policy between 2013 and 2023 (Fig. 3), with more than half of adopters doing so after 2021. For a small number of companies in the sample, we register both the year of first release and subsequent update. In such cases, we define policy adoption as the first release year, as this marks the initial introduction of the policy and the onset of potential implementation. Later updates may involve modest adjustments that do not necessarily correspond to substantive changes in firm behaviour. Accordingly, policy quality is coded based on the policy text available at first release. Furthermore, 16 of the companies with public human rights policy are excluded from the study; in two cases this was owing to a policy release antecedent to the observation period, in the remaining cases, only the year of last update was available, while the year of first release could not be retrieved.

Fig. 3: Human rights policy, distribution by year of publication



Source: our elaboration

The dependent variable is Human Rights Infringement (HRI_{it}), which measures the extent of alleged infringements involving the firm *i* at time *t*. As described above, infringements were coded from the BHRRC dataset, adapting the coding procedure proposed by the Rebalance project (Giuliani *et al.*, 2023; Nieri *et al.*, 2025). For each firm-year, we count the number of human-rights-related misconduct cases reported by BHRRC. Following a consolidated approach in the field and consistent with the increasingly fragmented nature of global value chains, in which production is dispersed across multiple contractors and subcontractors, we include both direct and indirect abuses in the measure of infringements (Giuliani *et al.*, 2023).

Next, we scale this quantity by the total number of observations present in BHRRC concerning the firm *i* in time *t,* obtaining a percentage measure that ranges from 0 to 1. This normalisation facilitates comparability across firms and over time by adjusting for time-varying reporting intensity.

Given the complexity of human rights issues, we include additional covariates as controls in the regression model. First, for each firm *i,* we control for News Exposure (ln) in year *t-1*, proxied by the natural logarithm of the number of news articles mentioning each firm in year *t-1*. Second, we control for Firm Size (ln) in *t-1*, measured as the natural logarithm of the number of employees (sourced from Orbis BvD) in year *t-1*. In addition to these variables, the Callaway-Sant'Anna estimator (2021) implicitly controls for temporal dynamics and firms' time-invariant characteristics.

To test the second hypothesis on the relationship between policy quality and human-rights infringements, we estimate a two-step Heckman selection model (Heckman, 1976). Policy quality is observable only for firms that disclose a human-rights policy. As these firms constitute a non-random subset of fashion companies, estimates based solely on this subsample may be biased. To correct for this potential sample-selection bias, first, we model the probability that companies will release a human rights policy using a probit model and compute the Inverse Mills Ratio (*IMR*). Second, we include the IMR and estimate the effect of policy quality on infringements.

In the first stage (the selection equation), the dependent variable is *HRP present,* which assumes the value 1 if the firm *i* has issues or updates a human rights policy in year *t* and in all subsequent years, and 0 otherwise. As explanatory variables, we include: *Companies with Policy*$_{,j,t-1}$, which counts the number of companies in the focal firm's segment *j* that had an HRP in the previous year (t-1). This variable is used as the exclusion restriction because it captures isomorphic pressure to adopt a human rights policy: as more peer firms in the focal firm's reference group adopt a policy, the reputational and legitimacy costs of not having a comparable policy increase, raising the likelihood of adoption by the focal firm. At the same time, this peer-adoption proxy should not directly shift the focal firm's subsequent infringement rate. In addition, we control for *Firm sizei*$_{,t-1}$, measured as the natural logarithm of the number of employees for firm *i* in *t-1*; *Listed*, which takes value 1 if the firm is publicly listed; *Region*, which is a categorical variable to account for the country where the firm is headquartered (Europe, US, or Other Geographies), and *Fast Fashion*, which equals 1 if the firm belongs to the fast fashion segment according to the classification provided by the Fashion Transparency Index. At this stage, we compute the IMR.

In the second stage (*the outcome equation*), the dependent variable is HRI_{it}, as in the test of our first hypothesis. The main independent variable is Human Rights Policy Quality (*HRP Quality*$_{,t-1}$). We construct this variable using a coding framework. First, we consult internationally recognised standards that define norms and best practices for corporate human rights policies (UNGPs, 2011; GRI Standards; UN guidance on policy development). Next, we validate and refine the framework with input from a leading sustainability consultant with expertise in business and human rights.

The framework comprises 3 categories (Formulation & Governance sponsorship, Operational guidelines, and Communication) and 8 sub-categories. For each subcategory, we code 1 if the criterion is explicitly met and 0 otherwise. The quality index is the unweighted average across the 8 items, rescaled to the interval 0-1, with higher values indicating better policy quality. Table 1 reports a detailed description of each sub-category. To ensure consistency, two coders independently content-analysed the policy documents using a shared codebook; in cases of disagreement, a senior professor reviewed the document and made the final adjudication.

Tab. 1: The framework for assessing human rights quality

Category	Sub-category	Sub-category explanation
Formulation & Governance sponsorship	Relevant stakeholders	The company has involved the main stakeholders in the formulation of the human rights policy
	Formal approval	The policy on Human Rights is approved by the highest governance body (Board of Directors)
	HR Governance	A dedicated Human Rights governance structure supports the Human Rights Policy
Operational guidelines	Principles of conduct	The policy on Human Rights contains corporate values and sets out the rules which everyone must respect
	Operational procedure	The Policy on Human Rights is integrated within the company's activities and operational procedures
Communication	Public availability	The policy is publicly accessible and communicated internally and externally to all employees, commercial partners, and interested third parties
	Training	The company organises training sessions dedicated to the Human Rights policy
	Grievance	Reporting channels for abuses of human rights and breaches of the code of conduct, often referred to also as whistleblowing channels

Source: our elaboration

In addition to the IMR estimated from the selection equation, we include the following controls: $YearsSinceHRP_{i,t-1}$, which counts the years lapsed since the first policy release (Olsen *et al.*, 2022), $News\ Exposure(ln)_{i,t-1,}$ measured as the natural logarithm of the number of media articles mentioning the firm in *t-1*; Firm Size (ln) $(ln)_{i,t-1,}$ which is the natural logarithm of employees; and the categorical variables *Listed, Region*, and *FastFashion*. Additionally, we account for temporal dynamics by including a *year fixed effect* in the model.

Notably, consistent estimation of this model requires limiting the outcome analysis to firm-years in which a human rights policy is observed, since policy quality can only be measured once a policy has been introduced. Within this restricted subset, the inclusion of lagged dependent covariates further reduces the number of usable observations, decreasing the sample from 76 to 33 firms in the outcome estimation. Tables 2 and 3 report the main descriptive statistics and the correlation matrix.

Tab. 2: Descriptive statistics

Variables	N	Mean	Std. dev.	Min	Max
Human Rights Infringement (HRI_{it})	499	0.666	0.335	0	1
HRP Release Year	918	0.190	0.392	0	1
FirmSize $(ln)_{i,t-1}$	918	9.366	2.399	0	14.648
News Exposure$(ln)_{i,t-1}$	918	0.842	1.001	0	4.304
FastFashion	918	0.237	0.426	0	1
Listed	918	0.779	0.415	0	1
Region - US	918	0.317	0.466	0	1
Region - Europe	918	0.522	0.500	0	1
Region- Other	918	0.161	0.368	0	1
Companies with $Policy_{,j,t-1}$	918	3.495	3.977	0	24
$YearsSinceHRP_{i,t-1}$	573	-2.778	4.491	-11	18
HRP $Quality_{i,t-1}$	128	0.692	0.254	0.25	1

Source: own elaboration

Tab. 3: Pairwise correlations

	Variables	1	2	3	4	5	6
1	HRI_{it}						
2	HRP Release Year $_{i,t-1}$	-0.047					
3	Firm Size (ln) $_{i,t-1}$	-0.050	0.180				
4	News Exposure $(ln)_{i,t-1}$	-0.029	0.297	0.343			
5	Fast Fashion	0.052	0.050	0.079	-0.002		
6	Listed	-0.094	0.184	0.548	0.230	-0.085	
7	US	-0.068	-0.049	0.310	0.068	-0.160	0.352
8	Europe	0.037	0.057	-0.272	0.089	0.027	-0.421
9	Other	0.048	-0.016	-0.023	-0.207	0.166	0.127
10	Companies with $Policy_{,j,t-1}$	0.105	0.262	0.024	0.136	-0.098	0.014
11	Years Since $HRP_{i,t-1}$	0.097	0.557	0.208	0.244	0.003	0.043
12	HRP $Quality_{i,t-1}$	0.078	-0.066	0.175	0.296	-0.047	-0.270
	Variables	7	8	9	10	11	12
7	US						
8	Europe	-0.712					
9	Other	-0.299	-0.458				
10	Companies with $Policy_{,j,t-1}$	0.104	-0.059	-0.052			
11	Years Since $HRP_{i,t-1}$	-0.028	-0.029	0.070	0.300		
12	HRP $Quality_{i,t-1}$	0.228	-0.119	-0.096	0.193	-0.042	

Source: Own elaboration

4. Results

The key assumption of the DiD model is that, in the absence of treatment, treated and control groups would have followed parallel trends (Abadie, 2005). We assess this using the dynamic ATT estimates relative to the first treatment year, aggregated across cohorts. Table 4 reports the coefficients for each relative period and exhibits no evidence of pre-treatment effects.

A joint test of all pre-treatment leads fails to reject the null of no effect ($p > 0.10$). Fig. 4 plots these results with 95% confidence intervals and confirms flat pre-trends and the absence of anticipatory responses.

Having verified parallel pre-trends in the treatment and control groups, we proceed to Hp1, which posits that adopting a human rights policy reduces infringements. As depicted in Table 4, which reports the estimation results for each post-treatment period, and in Table 5, which presents the aggregated ATT across post-adoption periods, the effect is negative but not statistically significant (p-value > 0.10). Fig. 4 visualises the same pattern, with post-adoption coefficients overlapping zero. Overall, Hypothesis 1 is not supported-the incidence of human rights infringements remains broadly stable over time for both adopters and comparison firms.

Tab. 4: Results of the event study model

	Model I HRI	Model II HRI
T_{t-3}	-0.019	0.063
	(0.072)	(0.086)
T_{t-2}	-0.029	-0.008
	(0.058)	(0.079)
T_{t-1}	0.078	0.021
	(0.062)	(0.067)
T_{0}	-0.009	0.001
	(0.074)	(0.088)
T_{t+1}	-0.008	-0.075
	(0.075)	(0.093)
T_{t+2}	0.001	-0.111
	(0.099)	(0.087)
T_{t+3}	-0.007	-0.131
	(0.126)	(0.146)
Observations	500	385
Covariate	No	Yes
Firm FE	Yes	Yes

Note: Model I estimates ATT without including controls; Model II estimates ATT including the control variables. Standard errors are clustered at the firm level and reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Source: own elaboration

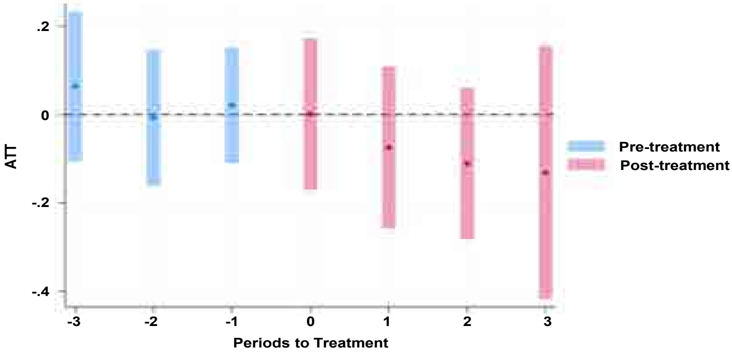
Tab. 5: Aggregated average treatment effect across post-adoption period

	Model I DV: HRI	Model I DV: HRI
HRP Release Year	-0.001 (0.051)	-0.059 (0.055)
Observations	500	385
Covariate	No	Yes
Firm FE	Yes	Yes

Note: Model I estimates ATT without including controls; Model II estimates ATT including controls variables. Standard errors are clustered at the firm level and reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Source: own elaboration

Fig. 4: Dynamic effect on the incidence of human rights infringements



Source: own elaboration

Table 6 reports the results of the Heckman model used to test Hypothesis 2 on the effect of policy quality on firms' human-rights infringements. Model *i* reports the selection equation used to estimate the probability of releasing a human rights policy. As expected, the coefficients for the variables in the model are all statistically significant ($p < .1$), except for the coefficient for the control variable Fast Fashion. The probability of a company releasing a policy is positively and strongly statistically ($p <.01$) associated with the number of companies in its reference segment, with outstanding human rights policies in the previous year (Companies with Policyt-1), and with public quotation (Listed). Additionally, larger companies are more likely to adopt a human rights policy. In Model II we include the IMR from Model *i* and estimate the effect of policy quality on infringements. The coefficient associated with HRP Quality is negative and statistically significant ($\beta = -0.324$, $p < .05$): higher-quality policies are associated with fewer infringements, supporting Hypothesis 2. In practical terms, a one-standard deviation increase in policy quality is associated with approximately a 7.4% lower alleged-infringement rate.

Tab. 6: Results of the Heckman selection model to test the effect of policy quality on HRI

	Model I (Selection Model) DV: HRP Release	Model II (Outcome Model) DV: HRI
Firm Size $_{i, t-1}$	0.051*	0.025
	(0.027)	(0.026)
Newsexposure $_{i, t-1}$	0.297***	0.07
	(0.055)	(0.045)
Fast Fashion $_{i, t-1}$	0.236**	0.112
	(0.12)	(0.079)
Listed $_{i, t-1}$	0.871***	-0.441***
	(0.191)	(0.113)
US	(Baseline)	(Baseline)
EU	0.562***	-0.11
	(0.131)	(0.09)
Other Geographies	0.399**	-0.113
	(0.171)	(0.132)
Companies with policy $_{i, t-1}$	0.091***	
	(0.012)	
IMR		-0.093
		(0.163)
HRP Year Since $_{i, t-1}$		0.024***
		(0.009)
HRP Quality $_{i, t-1}$		-0.293**
		(0.146)
Constant	-3.205	0.523
	(0.325)	(0.523)
Year FE	YES	YES
Observations	918	89
Number of id	108	33

Robust Standard errors are reported in parentheses. All the independent variables are lagged by 1 year (t-1). * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Source: own elaboration

5. Discussion

This study stemmed from a persistent tension in SCG: while tools such as human rights policies have proliferated, allegations of human rights infringements continue to surface. Using a novel longitudinal dataset of companies in the garment industry, we examine whether and under what conditions human rights policies are an effective governance tool for preventing corporate involvement in human rights abuses across global value chains.

Our findings are twofold. First, contrary to the hypothesis, adopting a human rights policy, in itself, is not associated with fewer subsequent human rights infringements. The DiD estimation exhibits no discernible post-adoption decline in the incidence of alleged misconduct. Second, a different picture emerges once the focus expands from adoption to quality. Drawing on international standards and expert input, we construct an index of human rights policy quality. The results show that higher-quality policies are associated with fewer human rights infringements. Firms that adopt more concrete, comprehensive, and operationalised policies subsequently display a lower incidence of negative human rights-related infringements.

The results are consistent with an interpretation of policy quality as a proxy for governance embedding and implementation capacity. Higher-quality policies do not only state principles; they specify scope and expectations, clarify responsibilities and oversight, and translate commitments into implementable routines (e.g., due diligence, training, monitoring, and partner management). By reducing interpretive "grey zones" and making responsibilities and procedures more explicit, such policies can make commitments more actionable inside the firm and more accountable externally, explaining why policy presence alone fails to produce outcomes, whereas policy quality does.

Together, the results contribute, first, to the ongoing debate in SCG literature on the effectiveness of SCG in advancing firms' sustainability outcomes (Aguilera *et al.*, 2021; Rubino and Mastrorocco, 2025). Whereas a substantial body of work has examined how governance characteristics orient firms toward sustainability, comparatively less attention has been devoted to the effectiveness of governance decisions concerning the adoption of formal internal or external sustainability mechanisms and tools (Naciti *et al.*, 2022; Peters and Romi, 2014; Romito *et al.*, 2024; Vurro *et al.*, 2024). The evidence positions human rights policies as an SCG tool whose design quality, rather than their mere presence, improves a firm's social performance. In particular, design quality matters as it fosters implementation capacity, by clarifying who is responsible, how commitments are operationalised, and how compliance and remediation are monitored and enforced. Policies that combine board-level sponsorship and oversight, precise allocation of roles and responsibilities, due diligence procedures, training, and credible communication and grievance channels are associated with fewer subsequent infringements. The results offer a more comprehensive account of how, and to what extent, SCG decisions, including those concerning the development of a human rights policy, alignment with international standards, or participation in multi-stakeholder initiatives shape firms' social outcomes.

Our second contribution is to the BHR literature, with specific regard to the emerging body of literature investigating the outcomes of corporate human rights management practices, especially their effectiveness in improving conditions for right holders (Olsen *et al.*, 2022; Schrempf-Stirling and Van Buren III, 2024). In a context where BHR is becoming increasingly central to corporate debates and more firms are introducing human rights policies, the findings highlight the importance of distinguishing between policies based on their characteristics rather than their mere existence. As the content of human rights policy is not yet regulated, the UN Guiding

Principles and other soft-law instruments offer only high-level guidance on policy design. Based on these sources and on practitioner expertise, we create a measure of policy quality that represents a replicable tool for future research and for practitioners seeking to evaluate or improve human rights policy design.

The findings have substantial implications for the corporate world and management literature. A growing number of companies are adopting corporate social responsibility policies, and human rights policies to align with international standards. The results demonstrate that the degree of alignment rather than mere policy adoption impacts the level of desired outcome achieved. This should inform corporate practitioners of the importance of sustained investment in policy development: firms seeking to limit the exposure to alleged misconduct should prioritise investments in policy development, updating, and integration into purchasing and supplier-management routines.

For regulators and policymakers, the results highlight the limitations of compliance regimes that focus on the presence of a policy or due-diligence statement without specifying minimum content requirements. If firms can meet regulatory expectations by merely issuing a generic policy, the regulatory framework risks incentivising symbolic compliance. This is directly relevant to current debates around the EU Corporate Sustainability Due Diligence Directive (CSDDD): mandating policy existence without attention to minimum quality criteria may increase the scope for "check-the-box" compliance. The evidence suggests that regulation can more effectively drive improvements when it defines (minimum) quality criteria regarding governance involvement, due diligence procedures, remediation processes, and supply-chain scope. Clarifying these expectations would reduce heterogeneity in firms' motivations for adopting human rights policies and align policy issuance with meaningful operational change.

6. Limitations and areas for future research

While this study makes essential contributions to the BHR stream of quantitative empirical research on the effectiveness of corporate human rights practices, it is subject to certain limitations, which we acknowledge in the following paragraphs.

A limitation is that we analysed only publicly reported human rights abuses. Our research is based on BHRRC resources, which are 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 underestimate the dependent variable. To address potential differences in how companies attract media attention, we employ a relative measure of human rights abuses relative to the total number of observations and control for media exposure. With growing reporting requirements mandated by soft and hard regulations, future research could use the external measure alongside the internal count of misconduct reported through grievance mechanisms.

Next, our research employs the garment industry as a research setting, which has unique structural characteristics. While preliminary findings may be generalisable to other sectors displaying similar human-rights related tensions, further research is needed to validate the results. Additional evidence should be provided on whether the observed relationships between policy quality and human rights outcomes hold across diverse industries, particularly those with less labour-intensive operations or lower levels of stakeholder scrutiny. Expanding the analysis to a larger and more diverse set of firms across sectors would address potential concerns related to the smaller sample size available for the policy-quality outcome model and strengthen the external validity of the findings.

Finally, we observe a positive association between the time elapsed since the first policy release and alleged infringements. However, the data do not allow us to identify the main mechanisms underlying this pattern. The association may reflect policy "ageing" in the absence of updates, changes in scrutiny/detection over time, or differences between early and late adopters. Therefore, we refrain from interpreting this association as evidence for any specific underlying mechanism. Future research could adjudicate among these explanations by combining information on policy revisions and implementation effort with measures of external scrutiny and by testing whether the relationship is non-linear over time.

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