Emotional Sensibility and Corporate Performance in Supply Chain Governance: Evidence from the U.K. Modern Slavery Act

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A growing body of literature has highlighted the importance of emotions in policymaking (Boon et al. 2021; Fullerton and Weible 2024; Maor and Capelos, 2023; Pierce 2021). While much of this literature has focused on government, policymaking extends beyond government to include other key actors, such as corporations (Rhodes 2012; Schneider 2012). Our study examines the relationship between corporate performance and the emotional content of corporate compliance statements. Specifically, we investigate whether certain corporations are more likely to use emotionally charged language in their compliance statements—what we define as an indicator of emotional sensibility—based on various dimensions of their corporate performance. We propose that emotional sensibility is embedded in and reflected by these external aspects of corporate performance. In the realm of supply chain governance, multinational corporations (MNCs)[1] produce goods in complex supply chains, spanning multiple jurisdictions, often giving rise to violations of labour and human rights (LeBaron 2020; Toffel et al. 2015; Vogel 2005). Such transgressions elicit strong emotional reactions from stakeholders, including outrage and moral condemnation (Romani and Grappi 2014; Romani, Grappi and Bagozzi 2013; Xie, Bagozzi and Gronhaug 2015), particularly in cases of ethical transgressions, where "the corporate wrongdoer is seen to violate the freedom or human dignity of workers or consumers" (Grappi, Romani and Bagozzi 2013: 1815).

Efforts to combat labour abuse in supply chains increasingly emphasize corporate social responsibility (CSR) and transparency, and a number of countries have passed laws that require companies to disclose evidence of their efforts to combat modern slavery in supply chains. The UK Modern Slavery Act (MSA), the Australian Modern Slavery Act (AMSA), the California Transparency in Supply Chains Act (CTSCA), and the French

[1] We refer to MNCs, companies and corporations interchangeably throughout the paper, but all companies referred to are MNCs.

Corporate Duty of Vigilance Law (FCDV) are laws sharing the same underpinning principle: market and civil society actors should hold MNCs accountable by verifying the veracity of their compliance statements and bringing market and reputation pressure where needed (Koekkoek et al. 2017; LeBaron and Ruhmkorf 2017).

Studies assessing the content of corporate compliance statements identify them as a significant element of the accountability process around supply chains, noting that these statements represent an important medium through which companies communicate their commitments to ethical practices and respond to potential emotional responses of stakeholders. Early assessments of transparency initiatives around supply chains find variable statement quality across MNCs (Birkey et al. 2018; Business and Human Rights and Resource Centre (BHRRC) 2017; Ergon 2017; LeBaron and Ruhmkorf 2017; Mantouvalou 2018; Schaper and Pollach 2021).

Our study extends this line of work by examining the emotional *dimensions* of compliance statements prepared under the UK MSA. More analytically, we seek to identify whether some MNCs are more likely than others to include emotionally-laden information in their compliance statements. To answer this question, we develop a theoretical framework that centres around two key concepts: emotional sensibility and emotional capital. We posit that *Emotional Sensibility (ES)* – the ability to anticipate and address stakeholder emotions – plays a central role in shaping corporate communications. Omitting emotionally salient topics may provoke negative responses, while including them can reassure stakeholders and foster trust. Emotional sensibility in other words is demonstrated by communications that seek to reassure stakeholders and prevent emotionally negative reactions. We argue that emotional sensibility contributes to an organization's *emotional capital,* a "source of collective emotional energy" that "reflects in the internal and external interactions of the organisation's members" (Candea and Candea, 2010: 183).

Extant studies show that emotional capital within organisations is a means of improving performance and external relations with stakeholders (Candea and Candea 2010; Gupta 2022; Liu and Chen 2015; Lu et al. 2020; Virkki 2007). At the same time, emotional sentiments are present in company statements and can affect company outputs (Bryant et al. 2002; Buechel et al. 2016; Hajek et al. 2013; Wang et al. 2013). In our work, we link emotional sensibility and emotional capital, hypothesising that emotional sensibility within an organisation can be linked to these external and internal elements of corporate performance, generating positive emotional capital.

We analyse company statements produced under the UK MSA, to determine which companies' statements address emotionally sensitive issues related to ethical transgressions in supply chain governance. We classify MNCs that write statements to cater to emotional content as *emotionally sensible*. The presence of emotionally charged topics in these statements signals an awareness of the potential consequences of omission – namely negative emotional responses from stakeholders and the public. Conversely, addressing these issues can foster positive and reassuring reactions by producing statements that are more detailed, reflective, and aligned with stakeholder expectations.

Next, we investigate whether different dimensions of corporate performance influence the degree of emotionally relevant content in CSR statements. Social responsibility is conceptualised as "moral reliability", reflecting the moral obligation to care for workers in supply chains, while corporate governance is framed as "efficacy", emphasizing organizational competence. Our central hypothesis posits that emotional capital is intrinsically linked to an MNC's social responsibility and corporate governance profile. Specifically, we analyse whether socially responsible companies and those with robust corporate governance structures are more likely to produce statements that are emotionally sensitive, by addressing emotional topics. These topics include the treatment of vulnerable groups (e.g. child labour, migrant labour, debt bondage) and workers' rights (e.g. minimum wage, overtime pay, and collective bargaining).

We test whether corporate performance shapes emotionally attuned disclosures, by using a novel dataset of 212 statements filed under the MSA. These statements are coded across 29 indicators, enabling us to assess the extent to which companies address emotionally charged issues. We operationalize emotional sensibility as the inclusion of topics likely to elicit emotional responses from stakeholders. Six specific indicators directly involve potential ethical transgressions and therefore represent more emotionally laden content. To further explore these dynamics, we analyse the influence of Environmental, Social, and Governance company (ESG) ratings on the inclusion of emotionally-laden content.

Our study contributes to the growing body of research exploring the role of emotion in business organisations, particularly in supply chain governance, and offers several scholarly contributions to this field. First, our study extends the literature on emotions in policymaking to include the corporate domain, emphasizing the importance of communicating with emotional sensibility in supply chain governance. It builds on studies such as Boon et al. (2021) and Maor and Capelos (2023), emphasizing the interplay between emotions and organizational behavior.

Second, we contribute to research on emotional content in corporate disclosures (Buechel et al. 2016; Hajek et al. 2013; Wang et al. 2013), through the concept of emotional sensibility. Our study explores its relationship with specific dimensions of corporate performance such as governance efficacy and social responsibility, offering a novel perspective on how emotional content in corporate communications aligns with corporate values and practices. In this way, our study complements the CSR communication literature, which focuses on how stakeholders and consumers react emotionally to corporate communications. While emotional reactions are an important part of the CSR story focusing on audience response, our study turns to the factors that drive the supply of emotional content, pointing to the role of emotional sensibility within organisations. Third, by connecting emotional sensibility to emotional capital, we provide practical insights into the role of emotional capital in corporate compliance. By offering recommendations for enhancing compliance statements, we address stakeholder expectations and demonstrate how emotionally attuned disclosures can improve corporate accountability and public trust.

The real-word applicability of this research is substantial. Since the inception of the UK MSA and similar laws, criticism has been levelled at companies that fail to issue statements that contain extensive, detailed or emotionally sensitive information (Birkey et al. 2018; Ergon 2017; LeBaron and Ruhmkorf 2017; Mantouvalou 2018; Schaper and Pollach 2021). Our findings illuminate corporate behavior in the UK context and are generalisable to other information disclosure laws, such as the AMSA and the CTSCA. These laws share similar structures and requirements, making our study relevant to broader discussions on improving corporate transparency and accountability.

Emotions and Organisations

Modern MNCs operate within vast and fragmented supply chains, which often involve labour abuse and human rights violations (Crane 2013; LeBaron 2020; Toffel et al. 2015; Vogel 2005). To combat these issues, several jurisdictions have implemented laws requiring companies to disclose their efforts to eradicate modern slavery. These regulations, while varying in scope, share a common emphasis on promoting transparency and accountability through public disclosure. Companies are in theory held to account by non-governmental organisations (NGOs), consumers, and other stakeholders using media and public campaigns to pressure corporations to address issues within their supply chains (LeBaron 2020; LeBaron and Ruhmkorf 2017)

With these laws in place, MNCs have been criticized for publishing statements that lack specific information (BHRRC 2017; Ergon 2017; LeBaron and Ruhmkorf 2017; Mantouvalou 2018). These studies reveal wide variation in reporting practices (Schaper and Pollach 2021), and a tendency to emphasise symbolism over substance (Birkey et al. 2018), but also, some companies provide more detailed disclosures. These disclosures may indicate whether steps are taken to eradicate the use of ethical transgressions, such as child labour—information that CSR literature shows to be generating emotional responses among stakeholders (Romani and Grappi 2014; Romani, Grappi and Bagozzi 2013; Xie, Bagozzi and Gronhaug 2015). We study emotionality "at the source", looking at the performance characteristics of corporations and whether they help us understand why some issue compliance statements on topics that are emotionally sensitive, while others are less likely to do so. We refer to the ability of organizations to deal with emotionally laden topics as *emotional sensibility.* We seek to unpack the relationship between emotional sensibility and corporate performance dimensions, recognising that emotionally sensible companies would be, at least in theory, less avoidant when engaging with emotionally laden topics. In turn, such topics, precisely because they are emotionally sensitive, would elicit emotional reactions from stakeholders.

The presence of emotions within organisations can affect MNC performance across several dimensions. Lindebaum et al. argue that moral emotion, defined as a concern for others, is important within organisations (2016: 646). Similarly, Candea and Candea introduce the concept of "emotional knowledge", which encompasses abilities and experiences which assist individuals to adapt to new experiences (2010: 182). This emotional knowledge contributes to the development of "emotional capital" (2010: 183). Internally, emotional capital can produce more professionalised and ethical employees, as noted by Virkki in a study of a Finnish care homes (2007). Externally, emotional capital can affect a company's external goals, such as sustainability performance (Gupta et al. 2022). Building on this foundation, we propose that emotional capital fosters emotional sensibility within organisations, shaping the emotional content of their disclosures and communications. Are compliance statements under the UK MSA likely to contain emotional content and which companies are more likely to provide emotionally rich statements? The following two sections engage with these questions.

Emotions in disclosure statements

A handful of studies offer evidence that emotional content is indeed present in company disclosures. Buechel et al. (2016) find that company sustainability statements contain language that is more positive in tone and emotionally-laden when compared with financial statements. This suggests that sustainability statements often convey an inspired sense of commitment to sustainability goals, unlike the more neutral tone typically found in financial statements. Importantly, these emotional patterns appear to be stable over time, revealing that companies cultivate distinct emotional profiles in their disclosures. While Buechel et al. (2016) find that financial statements are generally less emotionally charged, other research highlights the presence and utility of emotional sentiment within financial disclosures. For example, emotional sentiment in financial statements can be an indicator of uncertainty or company risk, which in turn can be used to improve stock forecasting (Hajek et al. 2013; Wang et al. 2013).

These examples raise the question of whether anti-modern slavery compliance statements could also involve emotionally laden content. When it is revealed, labour abuse in supply chains frequently generates outrage from consumers and stakeholders (Romani and Grappi 2014; Romani, Grappi and Bagozzi 2013; Xie, Bagozzi and Gronhaug 2015). Reactions are especially negative when corporations commit ethical transgressions, (e.g.

child labour), defined as an activity where the "corporate wrongdoer is seen to violate the freedom or human dignity (of workers or consumers)" (Grappi, Romani and Bagozzi 2013: 1815). Consumers, in turn, are more likely to spread negative "word of mouth" when they become aware of ethical transgressions and in turn experience negative emotions (Grappi, Romani and Bogazzi 2013; Youn 2022).

Conversely, CSR policies have been shown to elicit positive emotional responses--including gratitude in consumers (Romani, Grappi and Bagozzi 2013; Xie, Bagozzi and Gronhaug 2015)—and inspire happiness, which can lead to feelings of warmth toward the company (Romani and Grappi 2014). Thus, companies with high levels of emotional capital should be better equipped to foresee and mitigate negatively emotional reactions to unethical supply chain practices. We would expect such companies to pre-emptively address these concerns in their disclosures, making their compliance statements more likely to engage with emotionally sensitive topics, particularly in cases of ethical transgressions such as human rights violations.

We propose that an organization's *emotional sensibility* affects both external and internal dimensions, reflecting its ability to align corporate behavior and communication with stakeholder expectations. This sensibility is likely mirrored in the nature and depth of emotionally charged content in the company's information disclosures. However, a key question remains: Is this emotional sensibility related to corporate performance, and if so in what ways is it evident? In the next section we explore the relationship between emotional sensibility and key corporate performance markers, specifically efficacy and moral reliability. Efficacy reflects a company's governance capabilities and organizational competence, while moral reliability pertains to its ethical responsibility (Capelos et al. 2016), particularly in addressing issues such as labour rights and human rights within supply chains. By examining these markers, we aim to understand how emotional sensibility influences and aligns with corporate performance, shaping, in this instance, external disclosures.

Corporate Performance and Emotional Sensibility

Emotional sensibility is associated with improved interactions with external stakeholders, as these stakeholders, particularly consumers and NGOs, tend to prioritize the company's performance on social responsibility measures (Candea and Candea 2010; Gupta et al. 2022). Emotional sensibility is likely influenced by corporate social performance, as socially responsible companies are more attuned to the emotional expectations of stakeholders. Additionally, employees also respond positively and report feelings of pride to meaningful corporate social responsibility initiatives (Lu et al. 2020; Ng et al. 2019; Onkila 2015). These findings underscore the role of CSR in fostering positive emotional climates internally and externally.

A company's socially responsible performance, as reflected in disclosures that detail measures taken to avoid ethical transgressions, can therefore serve as a proxy for moral reliability. For instance, anti-modern slavery compliance statements that explicitly address vulnerable groups and workers' rights are indicators of a company's ethical commitment. We expect that companies with higher moral reliability will be more likely to display emotional sensibility in their disclosures, actively addressing topics likely to elicit emotional responses from stakeholders. Stakeholder reactions further illustrate the importance of emotional engagement. While consumers often experience outrage upon learning about corporate ethical transgressions (Romani and Grappi 2014; Romani, Grappi and Bagozzi 2013; Xie, Bagozzi and Gronhaug 2015), they also report positive and reassuring emotions in response to robust CSR policies (Romani, Grappi and Bagozzi 2013; Xie, Bagozzi and Gronhaug 2015). This complex dynamic highlights the three-way relationship between corporate performance on moral responsibility, communications that demonstrate emotional sensibility, and stakeholder perceptions. While we are not empirically testing the link with stakeholder perceptions, we can put to test the following hypothesis regarding CSR practices and emotional sensibility in compliance statements:

> *Hypothesis 1: Morally reliable companies – those that perform well with respect to social responsibility measures -- are more likely to address emotionally-laden issues that deal with ethical transgressions in their compliance statements.*

Efficacy refers to the quality of a company's corporate governance and its business success. Studies on emotional capital within organisations often highlight its role in improving external stakeholder relations. However, emotional capital also exists internally, contributing to effective corporate governance and enriching employee's work experiences. At the micro-level, emotional capital is associated with greater professionalism among employees (Virkki 2007), higher job satisfaction, and more positive emotional experiences (Liu and Chen 2015; Lu et al. 2020).

Several studies demonstrate the close relationship between corporate governance and corporate social responsibility (Jamali, Safieddine and Rabbath 2008; Jo and Harjoto 2012; Kolk and Pinkse 2009; Ntim and Soobaroyen 2013). Therefore, socially responsible firms with strong corporate governance records are likely to include emotionally charged content in their disclosures. However, contrary evidence suggests that improved corporate governance may reduce investments in CSR policies (Chintrakarn et al. 2016). Additionally, publicly listed companies that perform well on company metrics, such as profitability and corporate governance, may face pressure to scale back CSR, efforts to prioritize company profits and shareholder returns (Vogel 2005). Despite these complexities, the broader literature leans toward a positive association between corporate efficacy and showing emotional sensibility through the disclosure of emotionally salient issues in compliance statements. This leads to the following hypothesis:

> *Hypothesis 2: Efficacious companies -- those who perform well with respect to corporate governance - are more likely to address emotionally charged issues related to ethical transgressions in their compliance statements.*

Data Collection

Our analysis draws on an original database containing (a) company performance scores on corporate governance and social responsibility, used as proxies of efficacy and moral reliability; and (b) content from corporate statements issued under the UK Modern Slavery Act (MSA), with a particular focus on emotionally charged content. The database was constructed in three steps, detailed below.

Step One: Company Sampling Procedure

The company sample was selected in the spring of 2017, when nearly 1,700 companies had filed statements under the UK MSA. From this pool, a random sample of 1,000 companies were taken. For each company, we gathered performance indicators to serve as our primary independent variables: corporate governance (efficacy) and social responsibility (moral reliability). We sourced these indicators from Thomson Reuters (TR), which gives monthly scores for corporate governance, social governance (social responsibility), environmental performance, and an overall environmental, social, and governance (ESG) score that averages all three. These TR scores, ranging from 0 to 100, are based on data extracted from sources such as company reports, company filings, company and NGO websites, CSR reports and reputable media outlets (Thomson Reuters 2013). For this study, we accessed TR data for the 2014-2016 period.

Thomson Reuters ESG scores have the advantage of drawing on a wealth of diverse company information from a variety of sources. There is of course some danger of bias, as many of the data sources that comprise ESG scores are self-reported items. However, ESG scores are comprised of a variety of independent information from NGO and media sources, which mitigates the impact of self-reported bias. Thus, while no company-wide performance indicator is perfect, we believe that Thomson Reuters ESG scores are valuable due to the breadth and diversity of the data included, as well as the fact that much of the data is sourced from independent third parties, enhancing its credibility and reducing the risk of self-reporting bias. The widespread adoption of these scores in academic research further attests to their robustness and utility.

Of the initial 1,000 companies, 140 had ESG scores within this timeframe, forming our final sample. We averaged each company's monthly scores over the three-year period (36 observations per company) to generate a single average score. Social responsibility scores ranged from 31 to 81 points (mean 59.44, standard deviation 11.35) while corporate governance scores ranged from 21 to 85 points (mean 61.78, standard deviation 12).

We then created a typology of corporate performance, grouping them into four distinct categories, based on a threshold core of 60 as the key threshold for social responsibility and corporate governance, as it was closest to the mean scores:

- HighEHighMR: Companies scoring 60 or above on both corporate governance and social responsibility (high efficacy, high moral reliability)
- HighEAveMR: Companies scoring 60 or above on corporate governance, but below 00 on social responsibility (high efficacy, average moral reliability).

- AveEHighMR: Companies scoring below 60 on corporate governance but 60 or above on social responsibility (average efficacy, high moral reliability).

--AveEAveMR: Companies scoring below 60 on both corporate governance and social responsibility (average efficacy, average moral reliability).

Step Two: Collation of company statements

To obtain company statements, we used the Business and Human Rights Registry (BHRR) website. The UK MSA mandates that companies publish a statement linked to their website, signed by the company's CEO or a Director. While the MSA recommends addressing several key issues such as supply chain slavery risks and mitigation strategies, there is currently no central government repository for these filings[2]. Our search yielded a total of 219 statements from the sampled companies, consisting of 134 were first statements, 82 second statements and 3 third statements. We were unable to retrieve statements from six companies, which we subsequently excluded from the analysis.

Step Three: Coding instrument and process

We developed a novel coding instrument comprising 29 questions designed to assess company actions aimed at mitigating modern slavery (see Appendix 1).[3] For each company statement, responses to these questions were recorded as binary values: 1 if the statement addressed the issue and 0 if it did not. A cumulative score, referred to as the "statement

[2] Other organizations, such as TISC, maintain statement databases as well, but we used the BHRR website to locate statements in this project.

[3] Some readers may be concerned of the potential for endogeneity, as some of the data in the performance component measures may also be present in the data from the MSA statements. However, the MSA statements represent a choice of what to discuss in their public disclosures, which is what comprises the emotional sensibility to a significant extent. Thus, we argue that the performance components will drive the choice of what to express in their statements, as well as the content of said statements.

thoroughness" measure, indicates how comprehensively each statement covered the assessed issues.

Among the 29 indicators, six specifically address emotionally charged issues related to ethical transgressions. These were used to construct our measure of "emotional sensibility", ranging from 0 (no relevant indicators) to 6 (all indicators assessed). We also developed two thematic sub-measures:

- Vulnerable Groups: This category covers issues related to the treatment of vulnerable populations (questions 25, 26, 27, in Appendix 1), focusing specifically on human rights and how workers are treated in and around the workplace.
- Rights and Pay: This category includes indicators related to workers' pay and collective bargaining rights, reflecting key economic rights (questions 23, 24, 28 in Appendix 1).

The remaining indicators were grouped into nine thematic sections based on their focus:

1. Legal Requirement (questions 1-4): Basic compliance measures, such as posting the statement on the company website and securing a director's signature.
2. Organisation (questions 5-6): Information on the company's core business and corporate structure.
3. Code of Conduct (questions 7-9): Coverage of codes of conduct and their visibility.
4. Risk (questions 10-12): Identification of slavery-related risks in supply chains.
5. Transparency (questions 13-15): Visibility and openness about company processes and performance.
6. Third party monitoring (questions 16-17): Use of external parties to monitor compliance.
7. Internal-external engagement (questions 18, 19): Employee training and stakeholder engagement efforts.
8. Whistle blowing (questions 21-22): Mechanisms for reporting unethical behaviour.

9. Institutional Remedy (questions 20, 29): Corrective actions when contractors fail to comply.

To control for contextual factors, we created an “Industry Risk” dummy variable, identifying high-risk industries (e.g. food and beverages, electronics, textiles) with an elevated likelihood of modern slavery concerns. We also account for the size of each company, using the inflation-adjusted total revenue figure for each company in 2014 dollars. An independent coder conducted the content analysis after receiving detailed training on the coding instrument and performing pilot coding on a set of company statements outside the main sample. We checked inter-coder reliability scores between the coder and the authors, achieving a satisfactory level of agreement (.61). Upon reaching this threshold, the coder proceeded with coding the 134 company statements[4]

Descriptive Statistics

We began by analysing the extent to which companies address emotion-related and non-emotion-related items in their statements. Table 1 presents descriptive statistics from the content analysis, including means and standard deviations (on a 0-1 scale) for the overall “statement thoroughness” score and the two thematic measures of emotional sensibility: “Vulnerable Groups” and “Rights and Pay”.

TABLE 1 HERE

The “Vulnerable Groups” category registers a mean score of .36 suggesting moderate coverage of these issues. Breaking down this score reveals significant variation among

[4] Not all companies appearing in the sample crafted two statements. First statements were provided by 129 companies; second statements were provided by 79 of these, and third statements were provided by 2 companies. Companies who never appear to have never written a statement under the MSA are excluded from the analysis.

specific items[5]: child labour is addressed most frequently (mean .60), while debt bondage (mean .34) and the treatment of migrant labour (mean .13) receive less attention. While these data are descriptive, they suggest that companies prioritize addressing child labour over vulnerable group concerns. The "Rights and Pay" category las a lower mean score of .28. Among its three indicators, collective bargaining rights has a mean of .32, while minimum wage pay and enforcement has a mean of .36. Overtime pay receives the least attention, with a mean of .15. This suggests that minimum wage considerations are the most salient pay-related issue for companies.

Examining the broader thematic categories which comprise the remaining 23 indicators, the overall mean score is .49 (ranging from .14 to .97). Companies most frequently address basic legal requirements (mean .87) and organisational structure (mean .86), while transparency and third-party monitoring (mean .22) are the least frequently addressed topics. Overall, these findings suggest that companies tend to focus on compliance-related issues such as legal requirements, organizational structure, and codes of conduct. Although some emotionally charged issues are mentioned regularly, significant variation exists in the attention they receive.

TABLE 2 HERE

Table 2 presents our descriptive findings categorized by the typology of company performance. Companies classified as HighEHighMR (high efficacy and high moral reliability) provide statistically significantly more comprehensive statements (mean .54) than AveEAveMR (average efficacy and average moral reliability) companies (mean .43). In terms of *emotional sensibility*, companies with strong social responsibility records are the

[5] Means for each individual item among the 29 coded ones can be located in the Appendix.

most likely to address issues affecting vulnerable groups, as well as critical employment issues such as minimum wage, overtime pay and collective bargaining rights. Overall, the findings suggest that companies with strong moral reliability produce the most detailed and thorough statements. By contrast, good corporate governance performance alone appears to have less influence on the depth of disclosure.

Performance components as predictors of emotional sensibility

Table 3 presents the results of our regression analysis, assessing how company performance categories influence the inclusion of emotionally rich items in MSA compliance statements. The AveEAveMR category serves as the baselines for comparison. When examining statement thoroughness (measured by the total number of issues addressed), statements from HighEHighMR companies increase by .114 points, while those from AveEHighMR companies score .111 points higher compared to AveEAveMR firms. This indicates that companies with strong social responsibility records (moral reliability) or balanced performance across governance and social responsibility tend to issue more comprehensive statements. By contrast, statements from HighEAveMR are not statistically different from those of AveEAveMR companies in terms of the amount of information provided. This suggests that high corporate governance performance alone does not guarantee more detailed disclosures in compliance statements.

TABLE 3 HERE

We next assessed how frequently companies address vulnerable groups and rights and pay, examining whether these emotionally charged topics correlated with our typology of company performance. Both HighEHighMR and AveEHighMR companies are significantly more likely to address the plight of vulnerable groups compared to AveEAveMR companies, with effects significant at the $p<.10$ level. This suggests that corporate efficacy (effective governance) has a meaningful impact on emotional sensibility only when coupled with strong moral reliability. Similarly, HighEHighMR and AveEHighMR companies are significantly more likely to address rights and pay issues, with higher coefficients and significance at the $p<.05$ level. This indicates that socially responsible performance plays a stronger role in encouraging the disclosure of these issues. Finally, companies operating in higher risk industries (e.g. textiles, food and beverages) are also more likely to address vulnerable groups, though their focus on rights and pay remains less consistent. This finding highlights industry-specific pressures shaping companies' disclosure practices.

TABLE 4 HERE

Table 4 presents a detailed breakdown of vulnerable groups and rights and pay indicators, examining how our company performance typology influences the inclusion of emotionally-laden content. Given the dichotomous nature of the dependent variables (coded as 1 if addressed and 0 if not) we used logit models for estimation. Regarding vulnerable groups, only the issue of child labour was significantly more likely to be addressed, particularly by AveEHighMR companies ($p<.10$). This suggests that companies with high moral reliability even when paired with average efficacy, are more likely to engage in this critical human rights concern.

A similar pattern emerged for the rights and pay indicators. HighEHighMR and AveEHighMR companies were significantly more likely to address collective bargaining and overtime pay compared to AveEAveMR firms. Notably, HighEAveMR companies were less likely to include these items, underscoring that strong efficacy alone does not drive such disclosures. Additionally, HighEHighMR companies were the only group more likely to address minimum wage concerns. These findings highlight the critical role of moral reliability in supporting human rights, through wage-related disclosures and advocacy for collective bargaining rights.

In summary, our results provide strong support for Hypothesis 1, indicating that morally reliable companies are more committed to CSR and are more likely to address emotionally sensitive issues in their compliance statements. However, the emphasis on specific emotionally laden topics varies considerably across companies. By contrast, we found limited support for Hypothesis 2, as corporate efficacy alone did not consistently predict emotionally laden disclosures. When HighE companies did include such items, it was typically in combination with a HighMR characteristic. Moreover, moral reliability significantly influenced the presentation of standard compliance information, with the notable exception of basic legal requirements and organizational details, which were included by nearly all companies regardless of performance.

Discussion

This paper set out to understand which companies demonstrate emotional sensibility – defined as addressing emotionally sensitive issues such as ethical transgressions – in their anti-slavery compliance statements. We also examined how this emotional sensibility is linked to key aspects of corporate performance, specifically social responsibility (moral reliability) and corporate governance (efficacy). As public disclosures containing emotionally charged content become more prevalent, discussions about corporate emotional sensibility and its impact on performance are gaining prominence. Since *corporate irresponsibility* is known to provoke intense negative emotions among consumers and stakeholders (Grappi et al. 2013), we argued that the omission of strategies to prevent ethical transgressions and human rights violations in compliance statements could trigger such responses. Given these stakes, companies have strong incentives to mitigate potential backlash by offering detailed and emotionally sensible compliance statements. This study investigated whether companies' moral reliability and efficacy profiles influence their likelihood of issuing comprehensive disclosures that address emotionally sensitive topics.

Our findings indicate that morally reliable companies - those performing well in terms of social responsibility (HighMR) -- are significantly more likely to reference emotionally laden content in their compliance statements than companies whose performance is driven primarily by corporate governance (efficacy-based performance). Socially responsible companies display greater emotional sensibility through their willingness to address sensitive topics, particularly issues related to rights and pay. We also found that companies with morally reliable profiles (HighMR) produce the most comprehensive compliance statements, incorporating emotionally charged content about vulnerable groups and rights and pay issues. This aligns with prior research suggesting that companies with institutionalised CSR policies are more likely to maintain and expand such initiatives (Florida et al. 2001).

Moreover, our results support the broader literature linking morally reliable companies to stronger stakeholder relations due to transparent and emotionally aware communication efforts (Candea and Candea 2010; Gupta 2022). Companies' references to emotionally laden content concerning ethical transgressions serve as a reassurance mechanism for stakeholders, reducing potential negative emotional reactions such as anger or distrust (Romani and Grappi 2014; Romani, Grappi and Bagozzi 2013; Xie, Bagozzi and Gronhaug 2015).

Our findings provide interesting insights to extend this line of inquiry. Our analysis suggests that while morally reliable companies – those with strong social responsibility records – demonstrate emotional sensibility in their compliance statements, corporate governance (efficacy) alone is not associated with greater disclosure of emotionally laden content. Companies with high corporate governance scores addressed such issues only when paired with above average moral reliability. This adds nuance and depth to the study of emotionality in relation to corporate performance, as it contrasts with much of the existing literature, which often highlights a positive association between corporate governance and social responsibility (Jamali, Safieddine and Rabbath 2008; Jo and Harjoto 2012; Kolk and Pinkse 2009; Ntim and Soobaroyen 2013).

Additionally, prior research has linked emotional capital within organizations to employee satisfaction (Liu and Chen 2015; Lu et al. 2020), enhanced professionalism, and strengthened workplace ethics (Virkka 2007) -- all indicators of improved corporate governance. However, our study reveals that emotional sensibility in compliance statements is more closely associated with moral reliability than with corporate efficacy.

Looking ahead, companies should aim to expand the emotional content of their compliance statements by addressing ethical transgressions and human rights concerns in a thorough and detailed manner. This practice can stimulate positive emotional responses among stakeholders, offering reassurance that the company is committed to combatting modern slavery. Moreover, providing detailed, transparent disclosures that explain specific actions taken reflects thoughtful and deliberate processes – hallmarks of emotional sensibility within organisations. Companies should recognise that emotional transparency is not merely a compliance requirement but a strategic approach to strengthening stakeholder trust and corporate reputation in an increasingly values-driven global economy.

Our research opens several promising avenues for future studies on emotions in organisations and CSR. First, future work should explore the branch of the three-way relationship between companies and stakeholders which we did not examine here: how stakeholders respond and provide feedback when companies communicate emotions through compliance statements. Stakeholder response to CSR initiatives is a cornerstone of the CSR communication literature (Chung and Lee 2017; Lee and Chung 2018; Zhao 2023). Extending our work, future research can address how emotional sensibility in organisations and stakeholder response to communication efforts interact. Do companies adjust their compliance statements based on actual or anticipated stakeholder feedback or public criticism, particularly when mitigation efforts against forced labour prove ineffective? Are emotionally sensible companies also more aware of the emotional needs of their stakeholders and audiences? Understanding these feedback loops between companies and their audiences could reveal not only how, but also why companies adapt their CSR disclosures and emotional narratives overtime.

Second, given our null findings on corporate governance, future research should disaggregate governance processes to identify which aspects might be more closely linked to emotional sensibility. While overall governance scores were not predictive of emotionally laden disclosures, it is plausible that specific governance practices – such as ethical oversight, employee engagement, or corporate transparency mechanisms – could play a more direct role. Further investigation into these dimensions could clarify how governance structures influence emotional communication.

Finally, our work builds on prior studies examining compliance statement content (Birkey et al. 2018; Koekkoek et al. 2017; LeBaron and Ruhmkorf 2017; Schaper and Pollock 2021). As similar legislation continues to expand globally – most notably in Australia, France and Germany – future research should conduct longitudinal analysis of compliance statements across countries and industries. Examining how the emotional tone and content depth evolve over time, can offer valuable insights into companies' CSR strategies and their broader institutional commitments. Such analyses could also yield insights regarding how emotional content is both projected by companies in different nations, as well as how it is received by key stakeholders in diverse emotional environments. Understanding these dynamics may shed light on whether compliance statements serve as genuine reflections of corporate accountability or merely as strategic responses to regulatory pressures and stakeholder expectations. Furthermore, comparative analysis across legal and cultural contexts could illuminate how national policies shape corporate communications and whether increased regulatory scrutiny leads to significant shifts in corporate behavior, or mainly results in symbolic, and perhaps emotionally-vivid compliance By pursuing these lines of inquiry, future research can deepen our understanding of how companies balance emotional sensibility, moral accountability, and corporate governance, in an era of growing societal expectations and pressures on ethical corporate behavior.

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Table 1: Descriptive statistics for content analysis categories

	N	Mean	Standard Deviation
Sum Total (Questions 1-29)	210	.49	.18
Total—Statement 1 (Questions 1-29)	129	.47	.18
Total—Statement 2 (Questions 1-29)	79	.52	.19
Total – Statement 3 (Questions 1-29)	2	.67	.18
Emotion-Oriented Items			
Rights and Pay (questions 23, 24, 28)	215	.28	.35
Vulnerable Groups (questions 25, 26, 27)	215	.36	.32
Non-Emotion-Oriented Items			
Legal Requirement (questions 1-4)	212	.87	.16
Organization (questions 5-6)	216	.86	.27
Code of Conduct (questions 7-9)	216	.62	.34
Risk (questions 10-12)	215	.53	.35
Transparency (questions 13-15)	215	.22	.32
Third Party Monitoring (questions 16-17)	216	.22	.37
Whistle Blowing (questions 21-22)	216	.76	.42
Internal External Engagement (questions 18-19)	214	.54	.33
Institutional Remedy (questions 20, 29)	215	.30	.34

Note: All variables range from 0-1.

Source: Authors' own work.

Table 2: Descriptive statistics for performance profiles and information in statements

	HighE HighMR (82)	HighE AveMR (66)	AveE HighMR (22)	AveE AveMR (44)	Total (214)
Sum of questions	.54 (.21) [a]	.45 (.18) [b]	.53 (.17)[a]	.43 (.12) [b]	.49 (18)
Emotion-Oriented Items					
Vulnerable groups	.39 (.35)[a]	.34 (.31)[ab]	.44 (.28)[a]	.28 (.29)[b]	.36 (.32)
Rights and pay	.37 (.40)[a]	.19 (.27) [b]	.39 (.39)[a]	.18 (.26)[b]	.28 (.35)
Non-Emotion-Oriented Items					
Legal requirement	.85 (.17) [a]	.90 (.14) [b]	.84 (.15)[a]	.86 (.17) [a]	.87 (.16)
Organization	.84 (.30) [a]	.86 (.26)[a]	.89 (.22)[a]	.88 (.24)[a]	.86 (.27)
Whistleblowing	.83 (.37)[a]	.73 (.44)[a]	.70 (.47)[a]	.72 (.45)[a]	.76 (.42)
Code of conduct	.69 (.31)[a]	.49 (.37)[b]	.78 (.24)[a]	.58 (.36) [b]	.62 (.34)
Internal/External engagement	.57 (.34)[a]	48 (.32)[b]	.77 (.25)[c]	.45 (.30)[b]	.54 (.33)
Risk	.61 (.35)[a]	53 (.34)[a]	.55 (.35)[a]	.37 (.31)[b]	.53 (.35)
Institutional remedy	.33 (.39)[a]	.27 (.32)[a]	.30 (.37)[a]	.29 (.42)[a]	.34 (.47)
Third party monitoring	.31 (.42)[a]	.20 (.36)[b]	.09 (.25)[b]	.17 (.35)[b]	.22 (.38)
Transparency	.32 (.39)[a]	.17 (.27)[b]	.21 (.32)[ab]	.10 (.18)[b]	.21 (.32)

Note: Values are means, standard deviations in parentheses. All variables have been rescaled and values range from 0-1. Different superscripts (a, b, c) indicate statistically significant differences across rows (p<.10).

Source: Authors' own work.

Table 3: The effects of company performance profiles on emotional content in MSA statements

	Constant	Industry Risk	HighE HighMR	HighE AveM R	AveE HighM R	Revenue	Adj R Square
Sum of questions	.407 (.029)***	.077 (.028) ***	.114 (.034) ***	.024 (.035)	.111 (.048)*	4.35E-8 (.000)+	.087
Emotion-Oriented Items							
Rights and pay	.138 (.053)**	.073 (.052)	.202 (.063)**	.031 (.065)	.272 (.090)**	1.04E-7 (.000)*	.084
Vulnerable groups	.247 (.050)***	.112 (.049)*	.113 (.060)+	.057 (.062)	.152 (.086)+	5.21E-8 (.000)	.025
Non-Emotion-Oriented Items							
Legal requirement	.857 (.026)***	-.036 (.025)	-.002 (.030)	.057 (.031)+	.016 (.043)	2.69E-8 (.000)	.018
Organization	.876 (.043)***	.020 (.042)	-.041 (.051)	-.026 (.053)	.023 (.072)	2.29E-8 (.000)	-.014
Whistleblowing	.766 (.066)***	.032 (.065)	.055 (.079)	-.040 (.082)	-.060 (.110)	-1.45E-7 (.000)**	.020
Code of conduct	.533 (.052)***	.079 (.051)	.139 (.062) *	-.063 (.065)	.269 (.087)*	9.55E-8 (.000)*	.102
Internal/External engagement	.421 (.051)***	.109 (.049)*	.127 (.061)*	.031 (.063)	.296 (.086) ***	6.70E-8 (.000)	.071
Risk	.327 (.053)***	.111 (.052)*	.255 (.063)***	.169 (.066)*	.139 (.090)	1.00E-7 (.000)*	.077
Institutional remedy	.245 (.055)***	.150 (.053)**	.053 (.065)	-.018 (.067)	.035 (.093)	5.33E-8 (.000)	.023
Third party monitoring	.087 (.055)	.349 (.054)***	.134 (.066)*	.005 (.068)	-.091 (.092)	-1.45E-8 (.000)	.179
Transparency	.081 (.050)	.019 (.049)	.235 (.060)***	.085 (.062)	.146 (.085)	5.21E-8 (.000)	.059

Note: Values are unstandardized regression coefficients, standard errors in parentheses. All variables range from 0-1. OLS regressions with dependent variables on the first column and independent variables the company reputation profiles and a dummy of whether the company is in a risk industry (electronics, food and beverage or textile). Baseline for reputation comparisons is AveEAveMR. Significant coefficients are marked with + p<.10, * p<.05, **p<.01, *** p<.001

Source: Authors' own work.

Table 4: The effects of company performance profiles on specific emotionally-laden indicators in MSA statements

	Constant	Industry Risk	HighE HighMR	HighE AveMR	AveE HighMR	Revenue	Log Likelihood
Migrant Labour	-3.154 (.746)***	.517 (.455)	1.271 (.792)	.998 (.819)	1.249 (.961)	.000 (.000)	148.509*
Debt Bondage	-1.195 (.365)***	.924 (.323)**	.375 (.421)	.264 (.437)	.427 (.577)	.000 (.000)	263.711*
Child Labour	-.262 (.334)	.143 (.341)	.576 (.398)	.19 (.404)	1.130 (.606)+	.000 (.000)*	268.366+
Collective Bargaining	-2.099 (.479)***	.529 (.349)	1.497 (.509)**	.611 (.543)	2.155 (.637)***	.000 (.000)	238.774
Minimum Wage	-.936 (.354)**	.030 (.331)	.744 (.408)+	.012 (.437)	.297 (.580)	.000 (.000)	267.220*
Overtime	-3.259 (.752)*	.784 (.437)+	1.723 (.780)*	.224 (.894)	2.613 (.864)**	.000 (.000)	153.372+

Note: Values are logit coefficients, standard errors in parentheses. Dependent variables are in the first column and independent variables (the company reputation profiles, the industry risk and the company revenue) are marked in the top row. Baseline for reputation comparisons is AveEAveMR. Significant coefficients are marked with + p<.10, * p<.05, **p<.01, *** p<.001

Source: Authors' own work.

Appendix 1: Content Analysis Questions/Categories

1. Is the statement on the company's website?

   0 is not on the company's website; 1 is on the company's website.

2. Is there a link to the statement on the company's website?

   0 there is no link to the statement on the website; 1 there is a link to the company statement on the website.

3. Does the statement indicate that it has been **approved by the Board of Directors**?

   0 indicates it has not approved by the Board of Directors; 1 indicates that it has been approved by the Board of Directors.

4. Is the statement **signed by a director, with a written signature**?

   0 not signed; 1 signed by a director (or the Board of Directors) or someone high up in the company, with a written signature.

5. Does the statement discuss the **firm's core business**?

   0 does not discuss core business; 1 discusses core business.

6. Does the statement mention/discuss the **firm's corporate structure** (e.g. individual departments, Board of Directors, CEO, other leadership positions)?

   0 does not discuss corporate structure; 1 does discuss corporate structure.

7. Does the statement mention explicitly a **code of conduct** for practices related to labour, human rights or modern slavery? (The code can originate from an NGO, a trade association or the company itself)

   0 does not explicitly mention a code of conduct; 1 does explicitly mention a code of conduct.

8. Is there a link to this **code of conduct**?

   0 no link to the code of conduct; 1 there is a link to the code of conduct.

9. Does the statement mention a **code of conduct** specifically for the labour practices of its supply chain **partners**?

   0 does not mention a code of conduct for supply chain partners; 1 does mention a code of conduct for supply chain partners.

10. Does the statement map out any of the company's **geographic links** in its supply chain?

    0 no geographic links mentioned; 1 some or all geographic links mentioned.

11. Does the statement indicate that the company tries to **establish** where slavery **risks** are present? "Where" could mean where in their supply chain or where geographically.

    0 does not establish where slavery risks may be present; 1 does establish where slavery risks may be present.

12. Does the statement indicate whether the company performs any sort of **assessment** or **evaluation** of the company's **impact** on labour conditions or human rights?

0 no assessment of company's impact on labour/human rights; 1 assessment of company's impact on labour/human rights.

13. Does the statement reference specific **performance indicators** of the company or any other methods of measuring its progress in **eradicating slavery**?

    0 no mention of performance indicators in eradicating slavery; 1 mentions performance indicators in eradicating slavery.

14. Does the statement mention whether the company **publishes information** about **goals/progress** towards fighting slavery in their supply chain?

    0 no mention of publishing information; 1 mentions publishing information.

15. If the statement mentions publishing information about goals/progress towards fighting slavery, is there a link to the information or is the statement clear on where to find such information?

    0 there is no link to the information; 1 there is a link to the information or it is made clear where to find this information.

16. Does the statement indicate that there is any **third party monitoring** of supply chain activities?

    0 statement does not mention any third party monitoring; 1 statement does mention third party monitoring.

17. Does it provide **information** on **how** this monitoring takes place?

    0 does not provide information about third party monitoring; 1 does provide information about third party monitoring.

18. Does the statement indicate that the company **trains employees** with respect to the identification or eradication of slavery?

    0 does not indicate that the company trains employees with respect to the identification or eradication of slavery; 1 does indicate that the company trains employees with respect to the identification or eradication of slavery.

19. Does the statement indicate that the company **consults with stakeholders** (e.g. domestic or foreign governments, relevant labour unions, NGOs, local community groups within supply chains) about **labour conditions in supply chains**?

    0 does not indicate consultation with stakeholders; 1 does indicate consultation with stakeholders.

20. Does the statement indicate what occurs **if a supplier fails to comply** with the relevant code of conduct?

    0 statement does not indicate what occurs; 1 the statement does indicate what occurs.

21. Does the statement indicate any **protection** for **whistle blowers** (ie company employees that raise concerns about labour practices)?

    0 statement does not indicate protection for whistle blowers; 1 statement does indicate protection for whistle blowers.

22. Does the statement mention structures or policies for **dealing with concerns voiced** by whistle blowers?

0 statement does not mention structures/policies for dealing with concerns voiced by whistle blowers; 1 statement does mention structures policies for dealing with concerns voiced by whistle blowers.

23. Does the statement contain a general mention or specific policy regarding **collective bargaining** in the supply chain?

    0 statement does not contain general or specific mentions/policies regarding collective bargaining; 1 statement does contain general or specific mentions/policies regarding collective bargaining.

24. Does the statement contain a general mention or specific policy regarding payment of **minimum/living wage**?

    0 statement does not contain general mention or specific policy regarding payment of minimum/living wage; 1 does contain general mention or specific policy regarding payment of minimum/living wage.

25. Does the statement contain a general mention or specific policy regarding **exploitation of migrant labour**?

    0 statement does not contain a general mention or specific policy regarding exploitation of labour; 1 statement does contain a general mention or specific policy regarding exploitation of labour.

26. Does the statement contain a general mention or specific policy regarding **debt bondage (pledge of labour services for the illegal repayment of debt)**?

    0 statement does not contain a general mention or specific policy regarding debt bondage; 1 statement does contain a general mention or specific policy regarding debt bondage.

27. Does the statement contain a general mention or a specific policy regarding the use of **child labour**?

    0 statement does not contain a general mention or specific policy regarding the use of child labour; 1 statement does contain a general mention or specific policy regarding the use of child labour.

28. Does the statement contain a general mention or a specific policy regarding **overtime pay**?

    0 statement does not contain a general mention or specific policy regarding overtime pay; 1 statement does contain a general mention or specific policy regarding overtime pay.

29. Does the statement contain a general mention or specific policy regarding the **aid of slavery victims in their pursuit of justice, remedy or compensation**?

    0 statement does not contain general mention or specific policy regarding the aid of slavery victims in their pursuit of justice, remedy or compensation; 1 statement does contain general mention or specific policy regarding the aid of slavery victims in their pursuit of justice, remedy or compensation.