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Extraterritorial laws and the accounting profession

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Abstract

Purpose – This study aims to investigate the evolving and pivotal role of accounting professionals in guiding multinational companies toward substantive compliance with recent extraterritorial laws, specifically those aiming to address human rights violations and corruption.

Design/methodology/approach – This study examines recent laws affecting multinational companies alongside relevant research in accounting and law, as well as reports, company disclosures and other documents.

Findings – Emerging extraterritorial laws create meaningful opportunities for accounting professionals to expand their roles in financial reporting, auditing, disclosure and internal control. By applying their expertise and embracing broader responsibilities, accountants are uniquely positioned to contribute to the effectiveness of these laws by helping organisations mitigate regulatory risks.

Social implications – Extraterritorial laws offer new avenues for accountants to leverage and expand their roles in combating corruption, protecting human rights and advancing ethical business practices on a global scale.

Originality/value – This study offers a novel perspective on addressing complex cross-border challenges by linking the evolving global regulatory landscape with the expanding role of the accounting profession.

Keywords Human rights, Corruption, International business, ESG, Modern slavery, Extraterritoriality

Paper type Conceptual paper

1. Introduction

The increasingly globalised business environment has necessitated coordinated cross-border efforts to address the wide range of societal issues posed by multinational companies. While many nations have enacted laws to combat global problems – such as corruption – within their borders, curbing misconduct by companies operating internationally remains a significant challenge (OECD, 2020). Recently, several countries have adopted laws with *extraterritorial jurisdiction*, thus extending their reach to foreign companies. These laws present unique compliance challenges for multinational corporations, subjecting them to heightened regulatory scrutiny and significant legal risks across multiple jurisdictions (Davis, 2019).

Extraterritorial laws broaden the scope of accountants' responsibilities, requiring them to navigate complex international regulations and ensure that their clients or employing organisations are compliant. In a recent survey, 87% of practitioners report challenges adapting to new regulations and 65% of executives indicate that regulatory changes have

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disrupted their reporting processes (Workiva, 2024). As multinational companies face increased scrutiny, accounting professionals can leverage their expertise in internal controls, auditing and other areas to manage the legal and financial risks associated with non-compliance. By thoroughly understanding the implications of laws with extraterritorial jurisdiction and diligently applying their mandates, the accounting profession plays a crucial part in enhancing their effectiveness.

In this article, we focus on extraterritorial laws aimed at addressing two major global issues: human rights violations and corruption. While some empirical studies suggest that these laws have had a positive impact in curbing corporate misconduct (Christensen *et al.*, 2022; Sanseverino, 2024), significant challenges remain. Corruption, for instance, has worsened in recent years. The 2024 Corruption Perceptions Index reports that over two-thirds of countries scored below 50 (on a scale from 0 to 100), with the vast majority either stagnating or deteriorating since 2012 (Transparency International, 2025a). Similarly, the 2023 Global Slavery Index estimates that, in 2021, 50 million people were living in modern slavery per day, an increase of 10 million people since the 2018 index (Walk Free, 2024) [1]. The responsibilities and expertise of accounting professionals uniquely position them to help address these global challenges.

We begin by providing an overview of key human rights and corruption laws that affect multinational companies, with a focus on their mandates and extraterritorial scope [2]. Next, we describe how the accounting profession can support compliance efforts and thereby enhance the effectiveness of extraterritorial laws in curbing corporate misconduct. Overall, we demonstrate how recent extraterritorial legislation creates new opportunities for the accounting profession to take a leading role in mitigating international issues in the environmental, social and governance (ESG) space. In doing so, this paper illustrates an avenue for accounting to serve as the solution rather than an accomplice to these issues (see, e.g. Apostol, 2022).

Several extraterritorial laws impose disclosure mandates on companies that conduct business in the enacting country. For example, following allegations of human rights and environmental abuses in the Brazilian supply chain, unions in Brazil and France formally urged McDonald’s France to comply with the extraterritorial 2017 French Corporate Duty of Vigilance Law, which requires public disclosure of a vigilance plan focused on human rights [Radio France Internationale (RFI), 2022]. Similarly, under the 2018 Australian Modern Slavery Act (MSA), companies with business operations in Australia must disclose efforts made to combat modern slavery in their supply chains. ESG reporting, however, can sometimes function as a mere exercise in symbolic greenwashing, reflecting corporate interests rather than genuine efforts to improve societal outcomes (see, e.g. Islam and Staden, 2022; Lauwo and Otusanya, 2014; Perkiss *et al.*, 2021; Sikka, 2011). By thoughtfully carrying out their responsibilities to produce accurate and transparent disclosures, accounting professionals can help address the shortcomings of ESG reporting, driving positive change while also reducing companies’ risk of legal violations and reputational harm.

Extraterritorial laws also frequently include provisions related to internal controls and procedures. Such provisions either require or incentivise companies to establish robust frameworks for addressing misconduct. For example, under the 2010 Bribery Act in the UK, non-UK companies operating in the UK can present a legal defence if they have “adequate procedures” in place to prevent bribery domestically and abroad. With their expertise in internal controls, accounting professionals can help develop and oversee systems designed to detect and prevent corruption, modern slavery and other forms of misconduct. In addition, by ensuring that transactions are properly documented and that audit trails are maintained, accountants help ensure transparency within organisations, reducing the risk of violations and their associated costs. These actions serve to strengthen corporate resilience while also contributing to societal efforts to combat corporate misconduct.

The expanding role of accountants in addressing global regulatory risks can be viewed through the lens of stakeholder theory, which emphasises the importance of serving a broad range of interests beyond shareholders (Miles, 2019). Additionally, from an agency theory perspective, the various responsibilities of accounting professionals serve to reduce information asymmetries between managers and external parties by enhancing transparency and accountability (Bilyay-Erdogan, 2022; Jensen and Meckling, 1976).

In summary, this article emphasises the critical role of accountants in improving the effectiveness of extraterritorial laws and advancing ethical international business practices. As the reach of foreign laws continues to grow, so too do opportunities for accounting professionals to guide multinational companies through an increasingly complex global regulatory landscape. By helping to build strong governance frameworks and inform strategic decision-making, accountants can support compliance with ESG-focused regulations and thus contribute to a global culture of corporate integrity.

2. Modern slavery and human rights

International business operations are often linked to human rights violations, including modern slavery – "one of the most extreme forms of labor abuse in the global economy" (Crane *et al.*, 2022, p. 264). Modern slavery can be described as a situation in which one party exerts control over another party to the extent that it resembles ownership (Gold *et al.*, 2015). Recent laws aim to improve transparency in the supply chains of multinational companies (see, e.g. UK Government, 2021), and these developments carry significant implications for the accounting profession (Christ *et al.*, 2023). Section 2.4 of this paper discusses how accountants can contribute to preventing and addressing human rights violations by applying their expertise in disclosure, auditing and the design and implementation of internal controls.

2.1 The UK Modern Slavery Act

2.1.1 Background and extraterritorial scope. The 2015 MSA in the UK aims to combat modern slavery, human trafficking and forced labour by holding businesses accountable for their operations and global supply chains [3]. The purpose of the UK MSA is to ensure that businesses actively work to eradicate modern slavery and protect vulnerable individuals from exploitation. It encourages transparency, ethical practices and accountability by requiring companies to publicly report on their practices. The UK Independent Anti-Slavery Commissioner, an independent body within the UK Home Office, monitors the law's implementation and promotes best practices.

The UK MSA applies to any corporation or partnership that supplies goods or services, has an annual global turnover of £36m or more, and conducts its business, or part of its business, in the UK. The law's purview thus extends to multinational companies that meet the turnover threshold and have UK business operations. Governmental guidance indicates that any commercial activity undertaken by a partnership or corporation qualifies as carrying on business in the UK (UK Government, 2021).

2.1.2 Reporting requirements. Section 54 requires companies to publish an annual modern slavery statement outlining the steps they have taken to prevent modern slavery and human trafficking in their operations and supply chains during the financial year. This disclosure mandate aims to encourage meaningful change by using transparency as an accountability mechanism. The Secretary of State has the authority to seek an injunction to force a company's compliance. Failure to adhere to an injunction constitutes contempt of court punishable by an unlimited financial fine.

Key areas to be reported include the company's structure, supply chain operations, modern slavery policies, due diligence procedures, risk assessment and management practices and evaluations of the effectiveness of implemented measures. Additionally, companies are required to disclose details regarding training initiatives aimed at ensuring employees are aware of and understand modern slavery risks. The statement must be approved by the board of directors and signed by a director (such as the chief executive officer or chairman), then published online with a prominent link on the company's homepage [4]. Any company, whether required to publish a UK MSA statement or producing a statement voluntarily, can add it to the central online UK Modern Slavery Registry to make it more accessible.

The UK MSA has faced criticism, leading to calls for reform to address its shortcomings (see, e.g. Anti-Slavery International, 2024). In May 2019, an independent review of the law presented 80 recommendations (UK Government, 2019a), to which the UK Government issued detailed responses in July 2019 (UK Government, 2019b). Among the recommendations was a proposal to amend the Companies Act 2006 to require that companies reference their modern slavery statement in their annual reports, though the UK Government's response indicated a lack of agreement with this recommendation. Such gaps in reporting requirements highlight opportunities for accountants to advance transparency beyond minimal legal compliance (see Section 2.4 for further discussion).

2.2 France's corporate duty of vigilance law

2.2.1 Background and extraterritorial scope. The Corporate Duty of Vigilance Law adopted by the French legislature in 2017 aims to hold large companies accountable for preventing and addressing risks related to severe human rights violations, health and safety issues and environmental harm across their operations and supply chains. Drawing heavily on the framework established by the United Nations Guiding Principles on Business and Human Rights (UNGPs), the law operationalises the concept of human rights due diligence by requiring companies to implement a vigilance plan. Penalties for non-compliance include civil fines of up to €10m and the possibility of legal action from stakeholders such as non-governmental organisations (NGOs) and trade unions. Under Article 1, concerned parties may file a complaint if a company fails to establish, implement, or publish a vigilance plan. Once a formal notice to comply is issued, the company has three months to fulfil its obligations. If it does not do so, a civil fine may be imposed, the amount of which is determined based on "the seriousness of the negligence, the circumstances in which it was committed, and the personality of its author" (French Government, 2017).

The Corporate Duty of Vigilance Law applies to both French and non-French companies with business operations in France. Specifically, it covers French companies that have more than 5,000 employees in France or more than 10,000 employees globally, including through direct and indirect subsidiaries. Foreign companies headquartered outside of France are subject to the law if their French subsidiaries have at least 5,000 employees in France. The law therefore extends to French subsidiaries of a non-French parent company once the employee threshold is met.

2.2.2 Reporting requirements. The Corporate Duty of Vigilance Law requires that companies develop a vigilance plan, implement it effectively and publish a report annually detailing both the plan and its implementation. This report must be included in the company's annual shareholder report as required under Article L. 225–102 (French Government, 2017). The vigilance plan must include:

- a risk mapping process to identify and analyse risks related to severe human rights and environmental violations;
- procedures for regularly assessing risks;
- measures for mitigating these risks and preventing severe violations;
- an alert or whistleblowing mechanism to gather information on risks; and
- a system to monitor the implemented measures and evaluate their effectiveness.

Additionally, the plan must cover not only the company's own activities but also those of its subsidiaries, subcontractors and suppliers [5].

Criticism has been raised over the law's insufficient monitoring and enforcement (CCFD-Terre Solidaire and Sherpa, 2021; Savourey and Brabant, 2021; Rouas, 2024). In response, NGOs CCFD-Terre Solidaire and Sherpa created a public list of companies subject to the law, as no official government list is available. As of the latest update in October 2024, the list includes at least 279 companies, with 57 French companies still failing to meet the required public disclosure standards. Since the law's enactment, 13 legal actions have been initiated, and 30 formal notices have been issued to non-compliant companies (CCFD-Terre Solidaire and Sherpa, 2024).

2.3 The Australian Modern Slavery Act

2.3.1 Background and extraterritorial scope. The 2018 Australian MSA, which came into effect in 2019, seeks to combat modern slavery by requiring companies to disclose the steps taken to identify, address and mitigate the risks of modern slavery within their operations and supply chains. The law defines modern slavery as encompassing eight forms of serious exploitation, including human trafficking, forced labour, deceptive recruitment for labour or services, debt bondage, slavery, forced marriage, servitude and the worst forms of child labour (Australian Government, 2023a). It refers to "situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom" (Australian Government, 2023a, p. 16).

Governmental guidance indicates that companies failing to comply with the Australian MSA reporting requirements may be publicly named, potentially damaging their reputation and undermining their ability to conduct business and attract investor confidence. In November 2024, an amendment to the Australian MSA established the Australian Anti-Slavery Commissioner as an independent statutory officer who does not report to the government (Australian Government, 2024a). The Commissioner is accountable to the Australian Parliament, with responsibilities that include preparing strategic plans and annual reports. The Commissioner's functions include promoting compliance with the law, supporting companies in managing modern slavery risks, and assisting victims of modern slavery [6]. Prior to this appointment, the Australian Attorney-General's Department was responsible for providing guidance, education and support to companies regarding their legal obligations.

The Australian MSA's reporting requirements (discussed in the following subsection) apply to both Australian and non-Australian companies. For Australian companies, the law applies to entities with an annual consolidated revenue of AU$100m or more. Non-Australian companies are also subject to the law if they conduct business in Australia and meet the same revenue threshold. A foreign corporation is considered to be conducting business in Australia if it is registered with the Australian Securities and Investments Commission. Whether an entity that is not classified as a foreign corporation is considered to be conducting business in Australia is governed by section 21 of the Commonwealth

Corporations Act 2001, which lacks a clear definition and depends upon the individual circumstances. Companies that do not meet the criteria for mandatory reporting may still submit a voluntary statement (for example, to satisfy investor or consumer demands). Voluntary statements are required to adhere to the same criteria as those required for mandatory reports.

The Australian MSA does not currently require companies to engage in modern slavery due diligence nor impose monetary penalties for non-compliance. These and other issues were raised in the statutory review of the first three years of the law, published in May 2023 (Australian Government, 2023b). The government's response agreed in full, in part, or in principle with 25 of the report's 30 recommendations (Australian Government, 2024c). It supported the idea of strengthening the compliance and enforcement framework and aligned "in principle, in part" with the idea of introducing penalties (Recommendation 20). However, it only "noted" Recommendation 11, which calls for due diligence requirements, indicating that consultations will be carried out to explore potential amendments while taking into account "whether reporting entities may have due diligence reporting obligations across multiple jurisdictions" (Australian Government, 2024c, p. 22).

2.3.2 Reporting requirements. Companies subject to the Australian MSA must prepare and file annual statements. This mandate aims to raise awareness of modern slavery risks through transparency, mitigate these risks, encourage better workplace practices and provide information to investors and other stakeholders (Australian Government, 2023a). The statements must outline how the company, along with any entities it owns and controls, identifies and manages modern slavery risks in its domestic and global operations and across its supply chains [7]. Companies are required to submit statements within six months of the reporting period end to the Attorney-General's Department, which are published on a central online Modern Slavery Statements Register. Statements must be approved by the company's board of directors and signed by a responsible member, such as the chief executive officer.

A company's modern slavery statement must:

- clearly identify the reporting entity covered by the statement;
- describe its structure, operations and supply chains;
- outline modern slavery risks, specifically the potential that the company "cause[s], contribute[s] to, or is directly linked to modern slavery through its operations and supply chains" (Australian Government, 2023a, p. 40);
- detail the actions taken to evaluate and address these risks, including its processes for due diligence and remediation consistent with the UNGPs;
- describe how the effectiveness of these actions is evaluated;
- describe how the company consulted with any entities it owns or controls; and
- include any additional relevant information that is not directly related to the other six criteria, such as updates on modern slavery allegations disclosed in previous statements.

Currently, several revisions, additions and clarifications to the reporting requirements and processes are under consideration (Australian Government, 2024c).

Companies should regularly evaluate risks and ensure that their disclosures align with these assessments, with the goals of transparency and continuous improvement. As of August 2024, the database reported 731 total mandatory statements issued by companies headquartered in the USA (Australian Government, 2024b). The same statement may be submitted to comply with multiple laws, such as the UK and Australian MSAs, so long as it meets the requirements for each applicable law.

2.4 The role of accountants

2.4.1 Reporting. Companies report on modern slavery risks and activities both in their modern slavery statements and within their annual and ESG reports (Mai *et al.*, 2023). Extraterritorial legislative developments represent a positive step forward in improving disclosure practices, especially when compared to the previously low levels of reporting in their absence (e.g. Christ *et al.*, 2019). Prior research highlights the potential for modern slavery statements to yield beneficial outcomes. For example, Saha *et al.* (2024) analyse 212 Australian MSA statements for the year 2019–2020 and find a positive association between readability and firm value.

However, evidence from several studies suggests an inadequate degree of compliance with reporting requirements. A 2022 report examining statements from the 2019–2020 reporting period found that 77% of companies failed to meet all mandatory reporting criteria under the Australian MSA, and 52% did not identify clear modern slavery risks within their operations and supply chains (Sinclair and Dinshaw, 2022). Some of these omissions may be driven by proprietary costs, as companies may withhold relevant information to maintain a competitive advantage (Verrecchia, 1983).

Reports from the Business and Human Rights Resource Centre, which analysed UK MSA statements issued by FTSE 100 companies from 2015 to 2020, indicate that poor reporting quality has hindered the law's effectiveness (Business and Human Rights Resource Centre, 2021). Schaper and Pollach (2021) study a sample of UK MSA statements filed by companies in the textile and mining/metals industry. They find that while some companies disclose more substantive actions over time, the overall level of disclosure remains low and varies significantly across companies. Mai *et al.* (2023) document that although FTSE 100 companies are largely compliant with the minimum UK MSA requirements, their modern slavery disclosures are generally low in quality and appear largely symbolic. Still, their findings also suggest that the UK MSA improved both the extent and quality of modern slavery reporting, primarily because of the mandate to publish a formal statement.

The persistence of superficial reporting reflects a combination of internal and external challenges. Internally, companies may approach ESG disclosures as a box-ticking exercise rather than a genuine mechanism for transparency, particularly in the absence of robust enforcement (e.g. Perkiss *et al.*, 2021). Externally, factors such as vague regulatory standards and inconsistency across jurisdictions can undermine the intended aim of extraterritorial modern slavery laws. Accounting professionals are well suited to help address the shortcomings arising from internal challenges, given their expertise in measurement, verification and disclosure practices that support transparency and credibility. As ESG reporting continues to evolve, these extraterritorial laws are an important consideration for guiding the collection and management of non-financial data relevant to human rights risks. The goal is to produce more useful disclosures that not only meet legal requirements but also provide stakeholders with more relevant, decision-useful information. Doing so requires thorough data collection, in-depth analysis and detailed reporting on efforts to address modern slavery. Importantly, the accountability process, rather than the resulting disclosures, should remain the central focus (Pearce, 2002).

While all high-quality statements should outline the measures taken by the company to alleviate modern slavery risks and demonstrate the effectiveness of their vigilance plan, the specific approach will vary based on the nature of the company's operations. For example, a company may choose to report key performance indicators (KPIs) related to labour hours and environmental violations. Other potential KPIs include the number of training programmes conducted, resolutions of complaints and supplier contracts with modern slavery clauses. Companies can also report efforts made to enhance their suppliers' ability to address modern slavery risks (Australian Government, 2023a). Management accountants, along with other accounting professionals, help generate and track high-quality KPIs. Companies should also consider reporting the vulnerabilities created by certain incentives linked to KPIs; for example, using production turnover as a KPI for profitability and efficiency could inadvertently increase the risk of modern slavery (PwC, 2016).

2.4.2 Audits. As key gatekeepers, auditors help ensure legal compliance, build investor trust and promote ethical business practices. Auditors can contribute to addressing societal challenges by maintaining professional skepticism and avoiding complacency (see Christ *et al.*, 2017; Walker, 2023). This responsibility involves identifying red flags of illegal or unethical practices, such as discrepancies between reported data and operational realities, and escalating concerns to management or regulatory bodies when appropriate. A strong understanding of extraterritorial human rights regulations and familiarity with the various forms of modern slavery allow auditors to accurately assess and verify the completeness of any modern slavery information presented in financial statements.

Auditors are increasingly engaged to provide assurance on non-financial data to ensure its reliability and alignment with applicable standards, such as those issued by the International Sustainability Standards Board [International Federation of Accountants (IFAC), 2024b]. However, challenges in supply chain audit and certification systems designed to address ESG issues underscore the need for strong accounting expertise and commitment. For example, recent evidence suggests that local mine certifications based on mine-site audits did not have a deterrence effect on the conflict in the Eastern Democratic Republic of the Congo (Chang and Christensen, 2025). These audit systems were put in place to fulfil Section 1502 of the 2010 Dodd-Frank Act, which mandates disclosure of due diligence efforts undertaken to prevent sourcing minerals that fund armed groups.

2.4.3 Internal controls and compliance programmes. With their expertise in internal control systems, accountants can assess whether a company has sufficient controls and processes for identifying, mitigating and disclosing human rights risks. Effective due diligence involves identifying suppliers vulnerable to modern slavery risks and helping to develop corrective and preventive action plans. For example, supplier evaluations can be conducted by independent third-party auditing firms that deploy local auditors fluent in the native language, ensuring effective communication between auditors and supplier employees [8]. Advancements in the technology used by public accounting firms can further support processes for risk assessment and due diligence. For example, some solutions are designed to provide clients with early warnings of various risks, including potential modern slavery in the supply chain, and to quantify risks based on geography, industry and other factors (PwC, 2016, 2024).

In addition, the internal audit function can contribute to determining whether modern slavery controls, such as prequalification checks for suppliers, are being implemented on a consistent basis (Australian Government, 2023a). Accountants also possess the expertise necessary to accurately quantify the financial implications of compliance measures.

3. Corruption

Corruption is defined as "the abuse of entrusted power for private gain" (Transparency International, 2025b), with bribery, one of its most common forms, encompassing the giving, receiving, offering, or soliciting something of value to influence someone in a position of authority or trust. For decades, the 1977 US Foreign Corrupt Practices Act (FCPA) stood alone as the only anti-corruption law with broad extraterritorial reach (Karpacheva and Hock, 2024). Prior research suggests that the FCPA deters corrupt practices by foreign companies based outside the USA (Christensen *et al.*, 2022, 2024; Goldman and Zeume, 2023).

In recent years, a number of countries around the world have introduced extraterritorial anti-corruption laws in response to the global nature of corporate misconduct. As multinational companies engage in cross-border transactions and maintain complex supply chains, governments have turned to broader legal frameworks in an effort to address this regulatory challenge. The Organisation for Economic Co-operation and Development (OECD) Anti-Bribery Convention (ABC), in force since 1999, played a major role in enabling countries to strengthen anti-corruption enforcement against foreign companies in that it requires signatory countries to adopt broad territorial interpretations of their laws (Brewster, 2017; Hock, 2019). The consequent rise of multijurisdictional enforcement, where several countries simultaneously pursue investigations for the same or related acts of misconduct, has resulted in record settlements and penalties for companies engaged in foreign bribery. A landmark example is the Airbus case, in which the French company was fined $3.9bn for anti-corruption violations, with the penalties allocated among the US Department of Justice (DOJ), the UK Serious Fraud Office (SFO) and the Agence Française Anticorruption (US Department of Justice (DOJ), 2022).

Extraterritorial laws allow multiple countries to penalise a company for the same or related bribery case, increasing risk exposure and complicating regulatory compliance efforts for multinationals (Bu, 2022; Davis, 2019). As Section 3.4 discusses, accountants can support multinational companies in navigating these laws.

3.1 UK Bribery Act of 2010

3.1.1 Background and extraterritorial scope. The 2010 UK Bribery Act (UKBA) prohibits both giving and receiving bribes involving foreign public officials and individuals in the private sector. Consequences of violations include the potential for unlimited financial fines and debarment for both companies and individuals, as well as up to ten years in prison for individuals. The UKBA has been credited with driving significant improvements in corporate compliance culture (Lepeuple and Saugman, 2021). Notably, Section 7 of the UKBA introduced a corporate offence for failing to prevent acts of bribery by employees, agents or subsidiaries. This provision has extraterritorial scope, applying not only to UK companies operating both domestically and internationally but also to non-UK companies doing business in the UK, regardless of where the bribery occurs or whether it is directly connected to the UK. Companies charged under this section may present an affirmative defence by demonstrating they had adequate prevention procedures in place (see Section 3.1.2).

Evidence from prior research suggests that the UKBA had an effect on international business operations. For example, Sanseverino (2024) finds that US multinational companies subject to the UKBA curbed their business activities in countries with a high risk of corruption compared to similar US multinational companies not subject to the law. Zeume (2017) finds that, for UK companies relative to their non-UK competitors, the UKBA led to a decline in sales and merger and acquisition activity in high-corruption-risk countries, as well as the expansion of subsidiaries in those countries. Additionally, the study shows that UK companies operating in high-corruption-risk countries experienced a decline in firm value, while their non-UK competitors experienced an increase in value.

3.1.2 Adequate procedure requirements. Under the UKBA, companies can establish a full defence against Section 7 charges by proving that they had adequate procedures in place to prevent bribery. UK government guidance identifies six principles for such procedures. First, the *proportionate procedures* principle guides companies to implement procedures that are proportionate to their size, complexity and risk profile. Second, *top-level commitment* requires senior management to visibly and actively engage in fostering a zero-tolerance approach to bribery. Third, *risk assessment* entails regular, informed and documented evaluation of bribery risks. Fourth, *due diligence* focuses on applying risk-based screening to individuals who perform services for or on behalf of the company. Fifth, *communication*, including training, ensures that policies and procedures are understood by all employees and embedded throughout the company. Finally, *monitoring and review* entail ongoing assessment of the effectiveness of procedures and implementing necessary improvements.

3.2 French Sapin II Law

3.2.1 Background and extraterritorial scope. Sapin II (Law No. 2016–1691), which took effect in June 2017, was introduced in response to international pressure to modernise France's anti-corruption framework and align it with global standards like the FCPA and UKBA. Sapin II focuses on prevention, placing responsibility on companies to implement policies and procedures aimed at reducing bribery risks. Sapin II also established the Agence Française Anticorruption (AFA) to monitor and enforce compliance, while the National Financial Prosecutor's Office (PNF) serves as the main judicial authority in France for complex financial crimes. Non-compliance can result in fines of up to €1m for companies and €200,000 for individuals, with the possibility of imprisonment for individuals. The law further introduced the Convention Judiciaire d'Intérêt Public (CJIP), a deferred prosecution agreement that allows companies to avoid prosecution by paying fines and improving their compliance efforts. Settlement terms under a CJIP can include a payment of up to 30% of the company's average annual turnover over the last three fiscal years and the implementation of a compliance programme (Latham and Watkins, 2023).

The legal anti-corruption framework in France continues to evolve through updated guidance on Sapin II and the introduction of new legislative proposals. In October 2021, the draft "Sapin III" bill was proposed to build upon Sapin II by closing existing gaps in France's anti-corruption regime. The proposed changes include extending compliance obligations to a broader range of companies by lowering the thresholds for mandatory anti-corruption programmes, enhancing whistleblower protections through stronger safeguards against retaliation and increasing penalties such as higher fines and longer prison sentences. The proposal also seeks to empower the AFA with greater investigative and enforcement authority. Further, Sapin III is expected to broaden its scope to address human rights and environmental compliance, aligning with the growing global emphasis on corporate social responsibility.

Sapin II applies to companies headquartered in France with more than 500 employees and annual revenue exceeding €100m. It also extends to non-French multinational companies operating in France through a branch or subsidiary that meets these thresholds. If a French subsidiary of a foreign company meets the employee and revenue criteria, it is subject to Sapin II's provisions. The AFA has the authority to investigate and sanction such companies, even if the corrupt acts took place entirely outside of France.

3.2.2 Compliance programme mandates. Sapin II introduced eight pillars to strengthen corporate governance and reinforce anti-corruption measures within companies. Under these compliance requirements, companies must:

(1) formalise anti-corruption policies in a clear, accessible code of conduct and ensure that employees understand prohibited behaviours;

(2) implement an internal whistleblowing system to protect employees who report unethical or illegal activities;
(3) have a risk mapping process to identify, evaluate and prioritise corruption risks specific to the company's operations, as well as clear strategies to minimise these risks;
(4) adopt due diligence procedures to assess the integrity of third parties such as customers, suppliers and partners;
(5) implement accounting controls to ensure the integrity of financial records and prevent concealment of bribery;
(6) conduct training to educate managers and employees on recognising and addressing anti-corruption risks;
(7) internally monitor and audit compliance systems on a regular basis to assess effectiveness and make necessary adjustments; and
(8) establish a disciplinary system to sanction employees for breaches of anti-corruption policies.

3.3 The role of accountants

3.3.1 Reporting. Given the extraterritorial regulatory landscape, it is important for companies operating across multiple jurisdictions to publicly disclose their anti-corruption programmes and associated risks. Accounting professionals can play a key part in enhancing the relevance, reliability and comparability of these disclosures to ensure that stakeholders receive meaningful, decision-useful information. A 2023 study by the International Federation of Accountants (IFAC) and Transparency International UK found that, as of 2021, 95% of the world's largest companies disclosed some information on their anti-corruption policies, training initiatives, or outcomes [International Federation of Accountants (IFAC), 2023]. The study drew anti-corruption disclosure data from sustainability reports, sustainability disclosures in annual reports and integrated reports.

The study's findings highlight a lack of comparability in anti-corruption disclosures across companies. Moreover, only 37% of companies reported data on corruption incidents, 25% on complaints and just 4% on associated costs, with no US companies disclosing information on any of these measures. Additionally, only 29% of companies obtained assurance over their anti-corruption disclosures, and none were US-based. Most of the assurance work was performed by auditing firms in accordance with the *International Standard on Assurance Engagements 3000 (Revised)* issued by the International Audit and Assurance Standards Board (IAASB) (IFAC, 2023). Notably, the assurance rate for anti-corruption disclosures is significantly lower than for other ESG topics (IFAC, 2024a).

3.3.2 Audits. Auditors should understand the implications of extraterritorial anti-corruption laws affecting their clients. A case example is the Rolls-Royce corruption scandal, which triggered an investigation in 2017 by the UK Financial Reporting Council (FRC) into KPMG's audit of the company. The case involved systemic bribery and corruption spanning from 1989 to 2013, with Rolls-Royce using overseas intermediaries to pay bribes and secure contracts in countries including Thailand, Brazil, Kazakhstan, Azerbaijan, Angola, India and Iraq. The investigation concluded in 2017 with coordinated enforcement actions by the UK SFO, the US DOJ and Brazil's Ministério Público Federal, resulting in approximately $830m in total settlements.

KPMG admitted to serious failures in its audit of Rolls-Royce, particularly concerning payments made to intermediaries in India, and was fined £3.4m in addition to covering investigation costs. The lead audit partner was personally fined £112,500 (Jolly, 2022). The deputy executive counsel to the FRC stressed that auditors must remain alert to the risk of legal non-compliance and exercise professional skepticism, especially when auditing entities in high-risk sectors. Despite becoming aware of the questionable payments in 2010, KPMG failed to document them in its audit work. Moreover, the lead partner instructed a team member to remove references to the payments from meeting minutes (Jolly, 2022).

Corruption is one of the three categories of occupational fraud [Association of Certified Fraud Examiners (ACFE), 2024]. For US publicly traded companies, the primary standard governing auditors' responsibilities related to fraud detection is the Public Company Accounting Oversight Board (PCAOB) Auditing Standard (AS) 2401 *Consideration of Fraud in a Financial Statement Audit*. Auditors are required to plan and perform audits to obtain reasonable assurance that financial statements are free of material misstatement, whether because of error or fraud. This responsibility includes assessing fraud risks, designing and implementing audit procedures responsive to those risks and maintaining professional skepticism throughout the audit process. PCAOB AS 2401 is broadly aligned with Statement on Auditing Standards (SAS) No. 99 issued by the Association of International Certified Professional Accountants. While auditors are not expected to guarantee detection of all instances of fraud, they are expected to exercise sound professional judgment and skepticism, particularly in high-risk areas. Brazel *et al.* (2024) find that audit supervisors who believe their professional skepticism will be valued by their audit partner – even when no misstatement is ultimately uncovered – foster an environment where staff are more likely to report fraud red flags. This evidence underscores the role of firm culture in promoting ethical behaviour within audit teams.

A company's internal auditors and audit committee also play critical roles in detecting and preventing fraud, including corruption. Internal auditors are responsible for evaluating and strengthening the effectiveness of internal controls, identifying high-risk areas such as procurement and sales and ensuring monitoring with applicable laws, including those with extraterritorial scope. To support internal decision-making on anti-corruption measures, management relies on access to relevant, reliable and comparable information (IFAC, 2024a), which internal auditors are well-positioned to provide. Internal auditors also collaborate with external auditors and stakeholders, and in some cases, are specifically tasked with reviewing and assessing the company's anti-corruption compliance programmes.

The audit committee, composed of independent board members – some with accounting expertise – oversees the integrity of financial reporting and internal controls. Anti-corruption compliance is a key element of effective corporate governance. As outlined in the OECD/G20 Principles of Corporate Governance, the ultimate responsibility for ensuring effective corporate governance lies with the organisation's board of directors (IFAC, 2024a) [9].

3.3.3 Internal controls and compliance programmes. Accounting expertise in internal controls can assist multinational companies in establishing and maintaining the adequate procedures necessary for an affirmative defence against the UKBA's offence of failure to prevent bribery. Additionally, accountants have the skills needed to evaluate the adequacy and effectiveness of risk assessment processes, due diligence procedures and internal controls designed to prevent and detect bribery. Anti-corruption accounting controls implemented under Sapin II should adhere to the same fundamental principles as general-purpose accounting controls, including the lawfulness, reliability and accuracy of financial accounts and reports [Agence Française Anticorruption (AFA), 2021; Deloitte, 2023]. This includes applying methods common to general-purpose accounting controls, such as comparison to physical reality (e.g. inventory counts) and third-party confirmation.

More specifically, anti-corruption controls should be designed to identify transactions or operations lacking a substantive business purpose, such as payments made to feed slush funds. Under Sapin II, these controls can be implemented internally (e.g. by internal audit) or externally (e.g. by public accounting firms). They should complement or enhance existing accounting controls in areas identified as high-risk through the company's corruption risk mapping. These areas may include expenses related to travel, entertainment, gifts, hospitality, extraordinary and high-stakes transactions, off-balance sheet commitments and transactions involving intermediaries and consultants (AFA, 2021, p. 37). For example, Apple's anti-corruption policy requires that all invoices, expense reports and other business records accurately reflect transactions with as much detail as possible and be factual, complete and unaltered [10]. Implementing automated control systems can further mitigate corruption risks (Deloitte, 2023), which can help support compliance with extraterritorial anti-corruption laws.

Training programmes represent another area where accounting professionals can add value to anti-bribery compliance, including by clarifying the broader reach of extraterritorial laws compared to domestic regulations. For example, unlike the FCPA, the UKBA does not include an exception for facilitating payments made to secure or expedite routine governmental actions, such as issuing permits or licences. Accountants can help employees understand areas like financial documentation, reporting obligations, transaction verification, as well as identify high-risk payments and unusual patterns. Common red flags in international operations, for example, include questionable business entertainment expenses and charitable contributions. More broadly, to support compliance with extraterritorial laws, employees across an organisation should be trained to recognise warning signs, such as payments to offshore banks or numbered accounts [11]. Chief financial officers and other senior accounting leaders also contribute to setting the tone at the top and promoting an ethical corporate culture (IFAC, 2024a).

3.3.4 Internal investigations. When a company becomes aware of a suspected bribery incident that may violate extraterritorial laws, forensic and other accounting skills are essential to conducting an effective investigation. Companies may engage external accounting firms to support and enhance internal investigation efforts. Many firms offer forensic accounting services that assist clients with a wide range of issues, including investigating potential cases of corruption and advising on compliance programmes. Accounting firms increasingly leverage artificial intelligence and data analytics to improve the efficiency and accuracy of these services [12].

In parallel, the company's internal auditors and accountants can work with legal counsel to analyse suspicious transactions. Their familiarity with the company's financial systems and internal controls positions them to detect anomalies in payment patterns and identify breaches of authorisation protocols. Internal accountants can also assist in implementing corrective measures to mitigate risks and prevent future violations while the investigation is ongoing.

4. Conclusion

Extraterritorial laws impose legal obligations on multinational companies, including mandates related to disclosure, internal controls and due diligence. As globalisation continues to shape business practices, compliance with these laws has become increasingly important. Many recent regulatory developments aim to hold companies accountable for ESG-related misconduct across their global operations. For example, European Union (EU) Directive 2024/1760 on corporate sustainability due diligence applies to non-EU companies with a net EU turnover of at least €450m in the financial year preceding the last, provided they meet this threshold for two consecutive years (European Commission, 2024; European Parliament, 2024). Adopted in June 2024, the directive must be transposed by member states into national law by July 2026, with phased application beginning in July 2027 and full implementation by July 2029.

These laws create new opportunities for the accounting profession to contribute to more ethical international business practices and to strengthen the effectiveness of global regulatory efforts. By understanding the implications of evolving extraterritorial laws, accounting professionals can facilitate transparency and accountability, thereby supporting measures to address human rights abuses, corruption and other cross-border challenges.

While this article highlights the role of accountants in bolstering compliance with extraterritorial laws, it is equally important to acknowledge the practical constraints they face. Conflicting regulations across countries, client pressures, limited institutional resources and a lack of legal clarity can hinder the profession's ability to carry out this objective. These constraints are compounded by difficulties companies face in ensuring the quality of their ESG data. A recent report finds that 88% of surveyed executives identify data quality as among the top three ESG reporting challenges for their company (Deloitte, 2024). Additionally, in the absence of robust enforcement mechanisms and a strong organisational commitment, reporting initiatives risk proving superficial or symbolic. Ensuring that accountants can fulfil their evolving role requires a recognition of these challenges and the engagement of stakeholders in coordinated legal, institutional and corporate reforms.

Notes

1. Modern slavery refers to situations where individuals are forced, coerced, or deceived into work or services under conditions that severely restrict their freedom. It includes practices such as human trafficking, forced labor, child labor, and debt bondage, where victims are unable to leave due to threats, manipulation, or exploitation. Further details can be found at www.walkfree.org/what-is-modern-slavery/ (last accessed January 21, 2025).

2. It is important for professionals to stay informed of ongoing developments as laws in these areas are rapidly evolving with amendments and new legislation. Our article covers only a subset of extraterritorial laws concerning human rights violations and corruption.

3. While this article discusses the current legal framework, we note that the UK House of Lords appointed a Modern Slavery Act committee in January 2024 to consider potential amendments to the UK MSA. The committee delivered a report with recommendations in October 2024, which the UK Government responded to in December 2024 (UK House of Lords 2024; UK Government 2024). As of January 2025, we are not aware of any concrete plans for amendments.

4. An example report made to comply with the UK Modern Slavery Act can be found on Apple's website: www.apple.com/legal/more-resources/docs/uk-Apple-Combat-Human-Trafficking-and-Slavery-in-Supply-Chain-2023.pdf. A Human Rights Policy, Workers' Rights Assessment, and Civil Rights Assessment are also made available: https://investor.apple.com/leadership-and-governance/default.aspx. In addition, Apple discloses supply chain and other information here: https://investor.apple.com/our_values/default.aspx. Another example is McDonald's statement: www.mcdonalds.com/gb/en-gb/terms-and-conditions/modern-slavery-act.html. These pages were last accessed on February 3, 2025.

5. An English language version of an example report made pursuant to the French Corporate Duty of Vigilance Law can be found on Amazon's Sustainability website: https://sustainability.aboutamazon.com/duty-of-vigilance-en.pdf (last accessed February 3, 2025).

6. See www.antislaverycommissioner.gov.au/what-commissioner-does/anti-slavery-commissioners-functions for a complete list of functions (last accessed January 27, 2025).
7. An example statement made pursuant to the Australian Modern Slavery Act (along with the UK MSA, the California Transparency in Supply Chains Act 2010, and Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act 2023) can be found on Amazon's website (last accessed on February 3, 2025): https://sustainability.aboutamazon.com/modern-slavery-statement.pdf
8. See, for example, Apple's 2023 UK MSA report (last accessed February 3, 2025): /www.apple.com/legal/more-resources/docs/uk-Apple-Combat-Human-Trafficking-and-Slavery-in-Supply-Chain-2023.pdf
9. The principles state that one of the key functions that boards of directors are responsible for is, "Ensuring the integrity of the corporation's accounting and reporting systems for disclosure, including the independent external audit, and that appropriate control systems are in place, in compliance with the law and relevant standards", including that companies are "well advised to establish and ensure the effectiveness of internal controls, ethics, and compliance programmes or measures to comply with applicable laws, regulations and standards, including statutes criminalising the bribery of foreign public officials, as required under the OECD Anti-Bribery Convention, and other forms of bribery and corruption" (OECD 2025, p. 35).
10. See p. 3 of Apple's policy (last accessed February 3, 2025): https://s2.q4cdn.com/470004039/files/doc_downloads/gov_docs/2022/Anti-Corruption-Policy-External-Policy-2022.pdf
11. For guidance on assessing corruption risks, including an overview of corruption red flags, see, e.g. United Nations Global Compact (2013).
12. For example, see EY's Forensic & Integrity Services (www.ey.com/en_us/services/forensic-integrity-services and www.ey.com/en_us/services/assurance/forensic-integrity-service-offerings) (last accessed February 5, 2025).

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