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Beyond integrity systems: The role of board governance in shaping corporate tax avoidance in global oil and gas companies

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ABSTRACT

Corruption and tax avoidance remain persistent governance challenges in the global oil and gas industry. Although prior studies have examined corruption, board governance, and tax avoidance separately, limited evidence explains how firm-level anti-corruption practices and board governance jointly shape corporate tax behavior in this high-risk industry. This study examines the effect of anti-corruption practices on tax avoidance and the moderating role of board characteristics using data from 100 large-cap publicly listed oil and gas companies over the 2021–2024 period. Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS is employed, while tax avoidance is measured using the Cash Effective Tax Rate (CETR). The results show that stronger anti-corruption practices significantly reduce tax avoidance. Board characteristics also significantly strengthen this relationship and exhibit a stronger association with tax avoidance than anti-corruption practices alone, suggesting that effective boards translate integrity systems into strategic tax decisions. These findings provide an integrated governance perspective by demonstrating that corporate tax behavior depends not only on anti-corruption practices but also on board governance capacity in complex multinational industries.

Keywords: Corporate Governance; Board Characteristics; Tax Avoidance; Financial Transparency; Anti-Corruption Practices

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Introduction

The oil and gas sector is considered to be one of the most vulnerable sectors to corruption risk due to high value contracts, complex licensing processes, state-business relations, cross-border operations and the critical role of public revenue and energy security (Organization for Economic Co-operation and Development, 2016; Sovacool et al., 2020). Corruption refers generally to the misuse of entrusted authority for private gain (Transparency International, 2021), and this is especially significant in this sector, where it has the potential to affect procurement decisions, affect the enforcement of regulations, impact public revenue and compromise the integrity of corporate governance systems. While corruption has been studied at the macroeconomic, institutional and public sector levels, less research has focused on examining firm-level anti-corruption practices and their effect on the fiscal practices of the firm, specifically tax avoidance.

The relationsip between corruption, governance and tax avoidance is theoretically and empirically in dispute. There is a strand that regards corruption as a mechanism that undermines tax enforcement capacity and helps firms avoid paying taxes and evade taxes, through the power of bribery and exploitation of institutional loopholes (Ajaz & Ahmad, 2010; Alm et al., 2016; Beer et al., 2020). In this view, aggressive tax behaviour is a companion to corrupt activity in the sense that both are instances of non-compliance arising from poor monitoring and reporting, and managerial incentives to obtain private benefits. But another line of studies suggests that this might not hold true in a one-to-one correspondence or be consistent across industries or institutional settings. For companies in high-risk sectors like oil and gas, exposure to corruption can lead to decreased apparent tax aggressiveness, as they strive to avoid further regulatory focus, reputational repercussions, or investor concerns. It implies that anti-corruption and tax avoidance are related not only at the institutional level, but also at the level of firm decisions to respond to legitimacy pressures.

There are also significant differences across previous empirical research regarding the measures used and research contexts employed. A number of studies use the corruption perceptions index or governance quality indicators at the country level to account for the differences in tax revenues, tax compliance or corporate tax avoidance (Ajaz & Ahmad, 2010; Alm et al., 2016). A few others centre their analysis on proxies for tax avoidance at the firm level (such as effective tax rates, book-tax differences, or cash effective tax rates) but tend to neglect corruption or governance as a form of internal control mechanisms within the firm (Dyreng et al., 2008; Hanlon & Heitzman, 2010; Beer et al., 2020). Other corporate governance characteristics that have been found to affect tax aggressiveness include board independence, financial expertise, board diversity, and monitoring intensity (Minnick & Noga, 2010; Lanis & Richardson, 2012; Armstrong et al., 2015; Richardson et al., 2016). But the studies typically focus on the board as a direct determinant of tax policy, not as a governance mechanism that affects the impact of anti-corruption practices.

Other important, though still nascent, sources for the discussion of anti-corruption disclosure and corporate integrity are literature and studies on disclosure and corporate integrity. Previous research indicates that companies are increasingly reporting on their accountability and sustainability practices, including anti-corruption policies, whistleblowing policies, codes of ethics, compliance training, and internal audit mechanisms (Healy & Serafeim, 2016; Joseph et al., 2016; Barkemeyer et al., 2015; Blanc et al., 2019). Despite the abundance of such descriptive and disclosure-oriented writing, however, there has been little evidence as to whether they correlate to substantive financial or fiscal results. Therefore, the role of anti-corruption measures as symbolic legitimacy instruments remains unclear, as well as the role of anti-corrupt measures as effective internal governance instruments, which limit managerial opportunism and ease aggressive tax behavior.

This study aims to tackle these issues by investigating the effect of corporate anti-corruption measures on tax avoidance and the potential moderating effects of the board's attributes in the global oil and gas industry. Based on Agency Theory, it is suggested that the implementation of anti-corruption measures like whistle blowing, integrity training, code of conduct, internal control and strict accounting audit can minimize the information asymmetry and managerial opportunism. Combatting tax avoidance is likely to help discipline fiscal decision-making and incentivize better tax behavior, as the use of tax avoidance could be a means to managers to mask private benefits, boost short-term performance metrics, or take advantage of opaque reporting contexts. But these practices will not necessarily be effective on their own. Its effect on the Board can be enhanced or diminished, depending on the independence, expertise, diversity, and monitoring abilities of the Board.

The moderating effect of the characteristics of the board is significant because the board is the highest internal governance body that oversees, controls the risks and provides strategic accountability. Previous research has found that board characteristics impact tax policy (Minnick & Noga, 2010; Armstrong et al., 2015; Richardson et al., 2016), and board monitoring and outside directors can moderate the association between corporate responsibility practices and tax aggressiveness (Lanis & Richardson, 2012). Research has, however, paid limited attention to how board characteristics influence the effectiveness of firm-level anti-corruption practices in reducing tax avoidance, particularly in corruption-prone and economically strategic industries such as oil and gas. Consequently, it remains unclear whether formal integrity systems alone are sufficient to promote responsible tax behavior or whether their effectiveness depends on board governance capacity. Addressing this question represents an important empirical and theoretical gap because previous studies have largely examined corruption, corporate governance, and tax avoidance in isolation rather than as interrelated governance mechanisms.

This study takes a sector specific and internationally relevant approach to the integrity–tax nexus by analysing 100 largest global oil and gas companies based on market capitalisation. The oil and gas sector provides a particularly suitable environment due to its high corruption exposure, the complex fiscal arrangements, its high level of political visibility and its importance in terms of public funds. This study thus makes a contribution to the literature in three important ways. First, it shifts the analysis from country-level corruption indicators to firm-level anti-corruption practices, providing a more direct assessment of how internal integrity systems influence corporate tax behavior. Second, unlike prior studies that examine board characteristics primarily as direct determinants of tax avoidance, this study conceptualizes board characteristics as a governance mechanism that strengthens the effectiveness of anti-corruption practices. Third, it develops an integrated governance perspective by examining how anti-corruption practices and board governance jointly shape corporate tax behavior in a high-risk industry. In doing so, the study addresses an important unanswered question in the governance literature regarding whether integrity systems alone are sufficient or whether effective board oversight plays a more prominent role in promoting responsible corporate tax behavior. By integrating Agency Theory with corporate governance research, the study explains how ethical infrastructure and board oversight interact to reduce managerial opportunism and strengthen fiscal accountabilit

Literature Review

Agency Theory, Institutional Pressure, and Corporate Tax Avoidance

Along with the central role of agency theory, the theory of tax avoidance can be explained. The theory of tax avoidance can be explained through agency theory, which is a central role in the determination of tax. The principal–agent relationship has the advantage that the managers have more internal knowledge to report performance than the owners, and they can use tax planning to enhance reported performance, protect managerial incentives, and/or secure opportunities to extract rents (Jensen & Meckling, 1976; Desai & Dharmapala, 2006). This view sees tax avoidance as more than just a fiscal policy and a technical matter; it is a governance issue related to the quality of governance through monitoring, transparency, and managerial accountability. Previous research indicates that poor governance can enable managers to engage in aggressive tax avoidance, especially if there is limited monitoring of managers and tax savings are hard to measure by the shareholders (Hanlon & Heitzman, 2010; Kovermann & Velte, 2019; Duhoon & Singh, 2023).

The agency-based literature, however, does not give completely consistent findings. Others have suggested that tax avoidance, if properly managed, and with the lack of managerial conflicts of interest due to good corporate governance, can be beneficial to firm value (Desai & Dharmapala, 2006; Armstrong et al., 2015). Other studies, however, have shown that aggressive tax planning can have a negative impact on firm value due to its increased regulatory risk, reputational costs, litigation exposure and financial transparency (Lanis & Richardson, 2012). The mixed findings suggest that the governance's impact on tax avoidance may depend on the measures of internal control, board oversight, institutional pressure, and industry risk exposure.

The institutional theory complements agency theory to account for the regulatory, normative and cognitive influences on the behavior of corporations (Scott, 2014). Regulators, investors, international organisations and civil society are driving for transparency, anti-corruption commitment and fiscal responsibility as high pressures in high-risk industries like oil and gas. Firms may seek to formalize their approach to anti-corruption as a result of such pressure, implementing codes of ethics, whistleblowing procedures, compliance training, anti-bribery policies, and internal audit mechanisms (Cuervo-Cazurra, 2016; Healy & Serafeim, 2016; Joseph et al., 2016). However, it is important to note that institutional theory also suggests that there can be symbolic compliance, where firms communicate promises of anti-corruption measures to appear legitimate, but without altering substantive corporate actions (Barkemeyer et al., 2015; Blanc et al., 2019). The current literature does not yield a consensus on the relationship between anti-corruption practices and tax avoidance, underscoring the need for more comprehensive study.

Comparative Synthesis of Previous Studies on Corruption, Anti-Corruption Practices, Governance, and Tax Avoidance

The existing literature concerning corruption and tax behavior varies in terms of theories, measurement, and empirical settings. The first set of studies focuses primarily on corruption at the country or institutional level. For instance, Ajaz and Ahmad (2010) demonstrate that corruption and poor governance can lead to tax revenue loss, and Alm et al. (2016) conclude that corruption can boost tax evasion by firms by lowering enforcement and providing opportunities for bribery. Likewise, Beer et al. (2020) provide an overview of channels of corporate tax avoidance across the globe and demonstrate how institutional loopholes, weak enforcement and cross-border profit shifting provide opportunities for aggressive tax avoidance. These studies are significant in that they show a macro-institutional connection between corruption and tax evasion. Typically, however, they use country-level corruption proxies and do not directly consider firm-level anti-corruption practices as internal governance mechanisms.

The second aspect of research is in the field of corporate governance and tax evasion. Minnick and Noga (2010) conclude that corporate governance attributes affect tax management and Lanis and Richardson (2012) demonstrate that the composition of board of directors is related to corporate tax aggressiveness. Richardson et al. (2016) also show that the attributes of board oversight can influence aggressive tax behavior. Armstrong et al. (2015) offer more nuanced evidence that indicates that the relationship between governance and managerial incentives and tax avoidance is complex, particularly at high and low levels of tax avoidance. Typical tax avoidance measures employed in these studies include tax aggressiveness, book-tax differences, effective tax rates, and cash effective tax rates. They tend to view the characteristics of the boards as direct determinants of tax avoidance, however, and not necessarily as moderator toward anti-corruption practices.

Anti-corruption disclosure and corporate integrity practices are the subject of a third strand of research. Healy and Serafeim (2016) study the self-reported anti-corruption practices of firms and find that they are correlated with corporate transparency and accountability. Joseph et al. (2016) contrast the disclosure of anti-corruption practices in Malaysian and Indonesian firms and explain how corporate social responsibility reporting can serve as a means of communicating the commitment to anti-corruption. Barkemeyer et al. (2015) and Blanc et al. (2019) illustrate that corporate disclosure of anti-corruption measures tends to rise following corruption scandals, as if disclosure could serve as a means of accountability as well as a legitimacy repair strategy. However, these studies tend to be interested in disclosure quality, ethical commitment, or legitimacy response, and not whether there are measurable effects of anti-corruption practices on tax avoidance.

The sum of the above studies shows three important limitations. First, there is a lack of firm-level anti-corruption infrastructure in corruption studies, and that macro-level indicators have not adequately reflected it. Second, studies on governance and tax avoidance have focused on the direct effect of the characteristics of the boards, with little research on the moderating effect of these characteristics. Third, anti-corruption disclosure studies have not yet linked integrity mechanisms in a strong enough way with fiscal outcomes. The limitations provide an opportunity to understand the impact of anti-corruption practices on tax avoidance, and whether board characteristics enhance or diminish this relationship, especially in high-risk sectors like oil and gas.

Anti-Corruption Practices and Tax Avoidance

Anti-corruption practices, in the corporate context, are the policies, procedures and controls designed to prevent, identify and address corruption, bribery, fraud, unethical behaviour and other types of corporate wrongdoing. These are typically applied via good corporate governance, transparency in reporting, effective internal control systems, codes of ethics, training on employee integrity, whistleblowing systems, regular internal audits, due diligence mechanisms, compliance monitoring and active board and audit committee oversight (Cuervo-Cazurra, 2016; Kaptein, 2011; Healy & Serafeim, 2016; Transparency International, 2022). Underpinning the principles of anti-corruption practices are transparency, accountability, the rule of law, organizational integrity, and stakeholder involvement in oversight.

Anti-corruption practices can be viewed as internal governance mechanisms that mitigate information asymmetries and managerial opportunism through greater managerial accountability and oversight. The presence of codes of ethics, whistleblowing mechanisms, internal audits, compliance mechanisms and ethics training enhances the probability that unethical or aggressive tax behaviour will be identified, thereby making it harder for managers to engage in opaque tax practices that are inconsistent with the firm's ethical values. Thus, anti-corruption measures can not only be used as a sign of the firm's integrity, but also as real governance structures, which limit the discretion of managers in tax planning and deter aggressive tax avoidance.

Anti-corruption practices are the reaction of a firm to the regulation pressure, stakeholder expectations and social norms that demand transparency and accountability (Marquis & Qian, 2014; Scott, 2014). In highly regulated sectors, where companies are subjected to public scrutiny, they are expected to not only meet legal requirements, but to also show ethical corporate behavior. But past research indicates that certain companies might use anti-corruption disclosure mainly as a symbolic means of legitimation, rather than a genuine measure of internal governance (Barkemeyer et al., 2015; Blanc et al., 2019). Compliance culture, in financial reporting and tax decision-making, is therefore more likely to be established in firms with strong integrity frameworks, and the risk of regulatory sanctions, reputational harm and loss of legitimacy is lower.

Legitimacy Theory also indicates that a low level of tax avoidance is linked to anti-corruption practices because they promote the adoption of more transparent, accountable and socially responsible tax behaviour of firms. While tax avoidance is not in itself against the law, highly aggressive tax strategies can lead to loss of public confidence because they give the impression that companies are not paying their fair share. The relationship between corporate tax behavior and corporate social responsibility is clearly linked, indicating that the company often has to balance the tax minimization goal with the legitimacy goal (Bird and Davis-Nozemack 2018). Past research also suggests that governance and internal control measures are negatively correlated with tax aggressiveness and more stable long-term effective tax rates (Dyreng et al., 2008; Armstrong et al., 2012; Richardson et al., 2016). Similarly, sound corporate governance can diminish opportunities for aggressive accounting policies and tax avoidance, enhance transparency, and provide management oversight of financial statements (Huseynov & Klamm, 2012; Lanis & Richardson, 2012). Theoretically and empirically, it is expected that anti-corruption practices will have a negative impact on corporate tax avoidance.

H_1: Anti-corruption practices have a negative effect on corporate tax avoidance.

Corporate Board Characteristics and Tax Avoidance

The composition of the board is an important part of the corporate governance structure, since the board's role is to oversee management, give direction, manage risks, and ensure that corporate policies are in line with the interests of shareholders and other stakeholders. The monitoring capacity of the board and the effectiveness of the governance is often measured by board independence, financial expertise, diversity, experience, board size, and intensity of meetings (Lanis & Richardson, 2012; Richardson et al., 2016; Armstrong et al., 2015). As part of tax strategy, these attributes affect the board's capacity to ability tax risks and ensure tax planning is aligned with the ethical and risk tolerance of the firm.

Board characteristics are strategic governance resources beyond anti-corruption practices (Kurnia et al., 2024), which are largely formal governance and compliance mechanisms. According to the Resource Dependence Theory, boards offer expertise, professional networks, strategic advice, and external legitimacy that will improve the firm's capacity to make complex business decisions, like tax planning. Multinational corporations often face thin capitalization, transfer pricing, and other cross-border tax issues. Thus, boards with more knowledge and financial expertise and international experience are likely to enhance the firm's capacity to identify genuine tax-saving opportunities and to control fiscal risks.

Agency Theory also provides an explanation for the positive relationship between board characteristics and corporate tax avoidance. Good boards are more intensive in monitoring, which curtails managerial opportunism, and they also foster managerial strategies that increase the value of the firm, as long as they are not beyond the legal limits or are not too risky. In this sense, tax avoidance is merely a valid strategic tax planning measure to minimize the tax burden and maximize the cash flows available after taxes. Thus, it should not be assumed that stronger board governance necessarily leads to increased illegal tax evasion, but rather more ability of the firm to engage in elaborate and legal tax evasion (Minnick & Noga, 2010; Armstrong et al., 2012; Lanis et al., 2021).

The existing empirical studies have shown mixed results when it comes to the association between board characteristics and corporate tax avoidance. Lanis and Richardson (2012) find that the percentage of outside directors is positively associated with reduced tax aggressiveness, because outside directors improve the monitoring of the board, and Richardson et al. (2016) also find that board characteristics constrain aggressive tax behavior. By contrast, Armstrong et al. (2015) show that the impact of governance can vary based on the degree of tax avoidance, indicating that effective boards can deter overly aggressive tax avoidance practices while also enable effective tax planning that is beneficial to shareholders but within an acceptable level of risk. Similarly, Minnick and Noga (2010) find that the effects of board governance on tax management are dependent on the type of governance characteristics and the type of tax avoidance practices used.

H_2: Corporate board characteristics have a positive effect on corporate tax avoidance.

Moderating Role of Corporate Board Characteristics

The moderating effects of board characteristics are theoretically justified since boards play a moderating role in determining the effectiveness of internal governance mechanisms. Anti-corruption practices offer the formal control infrastructure, but their effectiveness will largely rely on the board's capacity to monitor implementation, allocate sufficient resources, and make sure that these practices are part of the strategic decision-making process. An independent and competent board is more likely to foster transparency in tax reporting, assess regulatory and reputational risks and to drive the adoption of anti-corruption procedures beyond symbolic compliance.

This moderating logic can be understood by the previous study on corporate governance. For example, Lanis et al. (2021) show that outside directors enhance the linkage between corporate social responsibility and less corporate tax aggressiveness, indicating that board characteristics can have a significant impact on the effectiveness of CSR. Likewise, corporate governance and sustainability reporting research shows that the independence, expertise, and diversity of boards are related to greater credibility and effectiveness of corporate accountability systems (Bear et al., 2010; Jizi, 2017; Rakia et al., 2024). These studies do not explicitly focus on anti-corruption practices, but offer theoretical and empirical arguments for the idea that board characteristics can be viewed as governance mechanisms that affect the links between corporate responsibility systems and fiscal behavior.

Especially in the context of oil and gas companies, the moderating role of board characteristics becomes relevant due to the presence of complex contract, high political exposure, multinational operations and high corruption risk. In such contexts, anti-corruption practices may not necessarily translate into a decrease in tax avoidance unless the board has the necessary independence, expertise and monitoring capacity to ensure that they are effective. Hence, the attributes of the corporate board are important to enhance the effectiveness of anti-corruption measures in tax avoidance (Jizi, 2017; Lassou & Hopper, 2016). The quality of this oversight role is crucial and relies on the mix, knowledge and independence of board members. A competent board is one of the factors that can help ensure that the managerial policies continue to reflect ethical values and compliance with legal regulations (Alkurdi et al., 2020). Other research also indicates a positive relationship between governance quality and tax compliance with corporate policies (Lanis et al., 2021) and that board oversight mitigates the effect of managerial incentives on corporate tax aggressiveness (Armstrong et al., 2012). Similarly, Minnick and Noga (2010) reveal that corporate governance quality has a significant impact on strategic financial policies and audit committees with accounting and financial expertise enhance the detection of irregularities in financial reporting (Elamer et al., 2020). As such, in strategic industries like oil and gas, where businesses are particularly vulnerable to corruption risks and the fiscal environment is challenging, it is expected that effective board structures would lead to better implementation of anti-corruption practices and fewer opportunities for aggressive tax behaviour (Nainggolan et al., 2021; Agyemang et al., 2021).

H_3: Corporate Board Characteristics strengthen (negatively moderate) the relationship between Anti-Corruption Practices and Corporate Tax Avoidance.

Research Gap and Novelty

The comparative synthesis above shows that the subject of corruption is a controversial and much disputed one in institutions or companies in the last years, so, this study fills several gaps in the literature. First, prior corruption and tax research has been mostly at a country level, and this study is at the firm level when it comes to anti-corruption practices. Second, previous studies on governance and tax avoidance have mainly focused on board characteristics as direct determinants of tax behavior, while this study treats board characteristics as moderating mechanisms. Furthermore, previous anti-corruption disclosure studies have mostly examined transparency, reporting quality, and legitimacy responses, but no previous studies have sufficiently connected anti-corruption practices to corporate tax avoidance. Finally, until now, the evidence from the global oil and gas industry is still limited, even though it is extremely exposed to corruption, is very complex in fiscal terms, and contributes to public revenue.

The novelty of this study lies on the integrated approach relating anti-corruption practices, board characteristics and tax avoidance in a high-risk global industry. The agency theory is used as the foundation of this research and it is found that the characteristics of boards amplify the effect of anti-corruption practices on tax avoidance, which means that if there is no board oversight, anti-corruption practices cannot be effective. It also builds upon institutional theory by providing a mechanism of how firms' internal governance structures could impact their fiscal behavior in response to a legitimacy or regulatory challenge. In addition, this study makes a contribution to the literature by departing from the individual examination of corruption, governance and tax avoidance, and by offering an integrated explanation to the relationship between corporate integrity systems and board-level governance and its impact on tax behaviour.

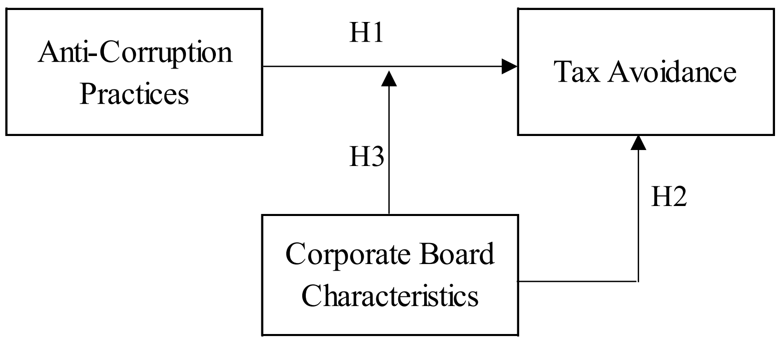
The proposed research framework is shown in Figure 1. The model considers the direct impact of anti-corruption practices on corporate tax avoidance and conceptualizes the corporate board characteristics as a direct governance mechanism as well as a moderating variable. The framework is an attempt to offer a more comprehensive explanation by combining anti-corruption measures with board-level governance.

Methods

This study used a quantitative explanatory research design to explore the relationship between anti-corruption practices, corporate tax avoidance, and board characteristics in global oil and gas companies. The oil and gas industry was chosen because it is well known that it is one of the industries that fac it is widely recognized as one of the sectors most exposed to corruption risk due to its high value contracts, complex licensing procedures, extensive cross-border operations and importance to public revenues and energy security. These attributes make the industry an appropriate context for investigating how internal governance mechanism's impact on corporate tax behavior. The study period was 2021 to 2024, as it reflected the latest corporate governance practices, especially given the rising focus on transparency and on Environmental, Social and Governance (ESG) related reporting.

Purposive sampling technique was used to ensure that all the companies selected in the study had predefined eligibility criteria. The sample comprised of the top 100 publicly listed oil and gas companies with market capitalization having annual reports and financial statements that were published consistently in the observation period of 2021-2024. Companies had to provide adequate information on anti-corruption practices, corporate governance and financial performance for all the variables of the study to be measured. The data from the four-year observation period was used to construct the governance and financial variables for the analysis, and 100 publicly listed oil and gas firms were included in the subsequent Partial Least Squares – Structural Equation Modeling (PLS-SEM) analysis.

Figure 1. Research Framework



Secondary data was obtained from various publicly available sources such as annual reports, sustainability reports, corporate governance reports, codes of conduct, anti-corruption policy disclosures, whistleblowing reports, internal control reports and official corporate websites. Cross-verification of governance disclosures was achieved by using multiple sources, which helped to minimise the risk of relying on a single reporting document. A structured coding protocol was created based on earlier disclosure studies on corporate governance and anti-corruption, and it was used for data collection. To achieve consistent coding of governance indicators across companies and reporting periods, all governance indicators were reviewed systematically.

Corporate tax avoidance was measured as the inverse of Cash Effective Tax Rate (TA = 1 − Cash ETR), with Cash ETR defined as cash taxes paid / pre-tax income. The higher values thus suggest more tax avoidance activity (Dyreng et al., 2008; Hanlon & Heitzman, 2010). To assess anti-corruption practices, six governance indicators, which are related to firms' integrity systems and compliance mechanisms, were used: anti-corruption policy, code of ethics and conduct, whistleblowing mechanism, anti-corruption training, third-party due diligence, and internal monitoring and reporting (Kaptein, 2011; Cuervo-Cazurra, 2016; Healy & Serafeim, 2016; Transparency International, 2022). A set of 8 governance indicators that reflect the monitoring capacity and governance effectiveness of the board (Lanis et al., 2021; Richardson et al., 2016; Armstrong et al., 2015) were used to measure board characteristics. Each governance indicator was coded with a binary disclosure method (1 = explicit disclosure of the practice, 0 = none). Anti-corruption practices and board characteristics were then aggregated to create composite scores for each construct, which were then modeled as latent governance variables.

The data was subjected to several screening processes before analysis to enhance the quality of data. To ensure consistency across model estimation, observations with missing information on any research variable were not included in the analysis (listwise deletion). To reduce the effect of outliers while not significantly affecting the distribution of the data, winsorization was applied at the 1st and 99th percentiles in the tax avoidance measure. These procedures were put in place to enhance the strength and validity of the empirical results.

PLS-SEM software SmartPLS was used to test the proposed hypotheses. PLS-SEM was chosen since the research model includes latent governance constructs with multiple indicators as well as direct and moderating relationships. PLS-SEM is more appropriate than covariance-based SEM or conventional regression methods for prediction-oriented research, it does not impose strict multivariate normality assumptions and it allows for complex structural models. Construct reliability and convergent validity were assessed by outer loadings, Cronbach's alpha, rho_A, composite reliability and average variance extracted (AVE). Then the structural model was evaluated using the coefficient of determination (R^2), path coefficients, effect sizes (f^2), predictive relevance (Q^2), and bootstrapping with 5,000 resamples to test the significance of the proposed hypotheses (Hair et al., 2022). Since this study was based on archival and observational data and not experimental manipulation, the findings should be understood as statistical association and not necessarily causal relationships.

Results and Discussion

Evaluation of Measurement Model (Outer Model)

The outer model analysis examined whether each indicator adequately represented its corresponding latent construct. The results in Table 1 show that the construct Anti-Corruption Practices is consistently measured by 6 governance indicators with outer loadings ranging from 0.763 to 0.818, and the construct Board Characteristics is measured by 8 indicators with outer loadings between 0.734 and 0.816. Tax Avoidance and the interaction term Board Characteristics × Anti-Corruption Practices were defined as single-indicator constructs, each of which resulted in an outer loading of 1.000, as is usual in PLS-SEM. These findings suggest that all measurement indicators are able to represent their respective latent constructs and to make a meaningful contribution to construct measurement. The high loadings for the indicators across all the models also indicate that the indicators share a significant amount of variance with their respective constructs, which is indicative of the robustness of the measurement model.

Convergent Validity and Reliability

To measure internal consistency and the quality of the measurement, reliability and convergent validity were examined using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. Cronbach's Alpha (α), Dijkstra–Henseler's rho_A (ρA), Composite Reliability (ρC) were used to assess internal consistency and Average Variance Extracted (AVE) was used to assess convergent validity. Both latent constructs meet recommended reliability and validity criteria as presented in Table 2. The Cronbach's Alpha (alpha), rho_A, Composite Reliability, and AVE for the Anti-Corruption Practices construct were 0.886, 0.892, 0.913, and 0.637, respectively, and the values for the Board Characteristics construct were 0.901, 0.902, 0.920, and 0.591, respectively. All of the

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reliability coefficients were above the recommended 0.70 level, and all of the AVE values were above the recommended 0.50 level, suggesting the good internal consistency and convergent validity. The results indicate that the measurement model is reliable and that the indicators are comprehensively indicated by their latent constructs, which will be used as the basis for the evaluation of the structural model and hypothesis testing.

Table 1. Outer Model Results

Indicators	Anti Corruption Practices (X)	Board Characteristics (Z)	Tax Avoidance (Y)	Characteristics Of Corporate Boards × Anti Corruption Practices (X*Z)
X1.1	0.802			
X1.2	0.763			
X1.3	0.799			
X1.4	0.796			
X1.5	0.811			
X1.6	0.818			
Z1.1		0.795		
Z1.2		0.768		
Z1.3		0.734		
Z1.4		0.739		
Z1.5		0.774		
Z1.6		0.763		
Z1.7		0.816		
Z1.8		0.757		
Y			1.000	
Interaction				1.000

Table 2. Construct Reliability and Validity Results

Constructs	Cronbach's α	Dijkstra–Henseler's rho (ρA)	Composite Reliability (ρc)	AVE
Anti-Corruption Practices	0.886	0.892	0.913	0.637
Board Characteristics	0.901	0.902	0.920	0.591

Table 3. Summary of R-square Results (Bootstrapping PLS-SEM)

Endogenous Variables	R-square	Adjusted R-square	Category
Tax Avoidance	0.590	0.585	Moderate–Strong

Table 4. Summary of Bootstrapping PLS-SEM Results

Direct Effect		Estimate (β)	*t*-value	*p*-value	Decision
H_1	Anti-Corruption Practices → Tax Avoidance	-0.474	3.485	0.001	Supported
H_2	Board Characteristics → Tax Avoidance	0.671	5.158	<0.001	Supported
Moderating Effect		**Estimate (β)**	***t*-value**	***p*-value**	**Decision**
H_3	Anti-Corruption Practices x Board Characteristics → Tax Avoidance	0.143	3.667	<0.001	Supported

R Square Test Results

To measure the explanatory power of the structural model, the coefficient of determination (R^2) was assessed. As presented in Table 3, the model explains 59.0% of the variance in Tax Avoidance ($R^2 = 0.590$), indicating a moderate to strong level of explanatory power according to the recommended guidelines for PLS-SEM. The adjusted R2 value is 0.585, which is very close to the R2 value, indicating that the model is stable and that the explanatory variables are not overfitting the model to predict tax avoidance. Together, these results offer a significant account of the variation in corporate tax avoidance as a function of Anti-Corruption Practices, Board Characteristics and their interaction. However, around 41.0% of the variance is left unexplained, suggesting that other variables, including firm size, profitability, leverage, multinationality, intangible asset intensity and country-level institutional quality, might be important in determining a firm's tax avoidance activity and have been omitted in this study.

The Relationship between Anti-Corruption Practices and Tax Avoidance

As seen in Table 4, the anti-corruption practices negatively and significantly impact on tax avoidance ($\beta = -0.474$, $t = 3.485$, $p = 0.001$); this means that companies with stronger anti-corruption practices tend to have lower tax avoidance. This is in line with Agency Theory that suggests that governance mechanisms decrease managerial discretion and increase monitoring, transparency and accountability, which in turn reduces the opportunities for opaque financial decisions (Jensen & Meckling, 1976; Kaptein, 2011). The finding is also in line with Legitimacy Theory, which suggests that firms operating in sectors that are under public scrutiny, like oil and gas, are more likely to conform their tax practices to the expectations of their stakeholders, so as to maintain the legitimacy of the organization (Scott, 2014; Barkemeyer et al., 2015). Likewise, previous empirical studies found that the higher the governance systems and ethical compliance, the lower the opportunistic corporate behaviour and aggressive tax practices such as Shahzad et al. (2024), Prawira (2017), Lanis and Richardson (2012), Bird and Davis-Nozemack (2018), Richardson et al. (2016), Huseynov and Klamm (2012), Transparency International (2021). Anti-corruption disclosure can therefore not only be an indicator of the effectiveness of integrity mechanisms, but also of governance quality, institutional pressure, investor monitoring or reporting transparency.

The Relationship between Corporate Board Characteristics and Tax Avoidance

As shown in Table 4, the results also reveal that the board characteristics are positively related to tax avoidance ($\beta = 0.671$, $t = 5.158$, $p < 0.001$), meaning that tax avoidance is likely to be higher in firms with stronger board structures. This association does not mean that boards are condoning illegal tax activities, but rather that they are adding valuable skills, networks, and other strategic resources that enhance organizational decision making in complex settings (Pfeffer & Salancik, 1978). Financial acumen, international experience, audit committee skill and board independence can help the firm to assess tax incentives, control cross-border tax risks and develop tax strategies that are legally defensible, especially in multinational oil and gas exploration and production companies with intricate fiscal structures. This is similar to observations by Minnick and Noga (2010), Lanis and Richardson (2012), Richardson et al. (2016), Armstrong et al. (2015), Elad et al. (2018), Huseynov and Klamm (2013), Aburajab et al. (2019) and Kovermann and Velte (2019b). Other factors that may help explain the relationship observed include firm size, profitability, multinational complexity, ownership structure, capital intensity, leverage, intangible assets and institutional quality differences, which often go together with better board governance.

Moderating Effect of Corporate Board Characteristics

In Table 4, the interaction term between anti-corruption practices and board characteristics is positive and significant ($\beta = 0.143$, $t = 3.667$, $p < 0.001$), suggesting that the effect of anti-corruption practices on tax avoidance depends on board characteristics. The direct effect of anti-corruption practices on tax avoidance is negative, but the interaction coefficient is positive, which indicates that the moderation is a competitive one, and thus, the stronger the board characteristics, the weaker the negative association between anti-corruption practices and tax avoidance. Agency Theory proposes that the effective boards enhance monitoring and compliance, while Resource Dependence Theory argues that the boards, at the same time, provide strategic knowledge to companies that enables them to combine governance structures with advanced tax planning while staying within the legal limits (Lanis et al., 2021; Bear et al., 2010; Jizi, 2017; García-Sánchez et al., 2021; Lassou & Hopper, 2016). Armstrong et al. (2012), Minnick and Noga (2010), Elamer et al. (2020), Nainggolan et al. (2021), Agyemang et al. (2021) and Alkurdi et al. (2020) discussed similar governance dynamics, especially regarding board effectiveness and strategic decision making. Governance mechanisms can be used for meeting regulatory requirements and strategic fiscal management, and their moderating effect is highly contingent on organizational and institutional context, such as companies that operate in multiple tax jurisdictions, production-sharing contracts, and royalty systems, and cross-border financing managements.

Critical Synthesis of the Findings and Theoretical Contributions

Board Characteristics shows the highest standardized coefficient among the structural relationships in this study, implying that the capacity of the board to govern, in addition to the anti-corruption practices themselves, accounts for more of the variation in corporate tax avoidance. This extends the literature on governance by suggesting that monitoring can be more than a mechanism to limit managerial opportunism; it can also improve a company's ability to engage in structured and legally defensible tax planning. The results do not contradict the Agency Theory, but they expand the use of the theory by considering the role of governance mechanisms as both disciplinary and strategic, especially in industries with complicated regulatory and fiscal conditions. While the limited existing research has focused mainly on the monitoring function of corporate governance to limit managerial opportunism (Lanis & Richardson, 2012; Richardson et al., 2016; Armstrong et al., 2015), the current results suggest that corporate governance quality can also enhance the sophistication of corporate tax planning. Large oil and gas companies are multinational and the multinational nature of the firm can shape the quality of the governance as well as the firm's capacity to deal with increasingly complex fiscal decisions.

The results also support the Institutional Theory by showing that there is not a linear effect of institutional pressures on corporate tax avoidance. Whilst good anti-corruption practices are linked to increased transparency, accountability and reputational safeguards, companies might still engage in lawful tax planning while meeting institutional demands. This is in line with the understanding that organisations react to the demands of regulators, norms and stakeholders, seeking to balance legitimacy with economic performance, rather than choosing one goal at the expense of the other (Scott, 2014; Barkemeyer et al., 2015). Thus, anti-corruption systems and tax planning should not necessarily be seen as governance options that are mutually exclusive, as they can overlap within a broader compliance regime. This is especially relevant in multinational sectors where companies may be subject to different regulatory frameworks and institutional environments.

The positive association of Board Characteristics with tax avoidance also suggests the importance of Resource Dependence Theory in understanding the corporate tax behaviour. Organizations with boards with financial expertise, international experience, accounting knowledge, and regulatory networks gain strategic resources to enhance their ability to assess tax incentives, cross-border fiscal risks, and responses to increasingly complex regulatory requirements. These strategic capabilities are particularly important in the global oil and gas sector where production sharing arrangements, transfer pricing and royalty systems and multinational financing structures are in use and need significant governance knowledge. Minnick and Noga (2010), Huseynov and Klamm (2013), Aburajab et al. (2019), Elad et al. (2018) and Kovermann and Velte (2019b) have made similar arguments, highlighting that good boards are not only essential for governance quality but also for more advanced tax decision making. But firm characteristics, ownership structures, profitability and institutional quality are likely to provide plausible explanations for part of the observed relationship.

The moderation results offer another level of theoretical elaboration in the sense that the governance mechanisms can be manifested through competing channels instead of one governance channel. Anti-corruption practices are shown to be negatively related to tax avoidance, with more powerful board characteristics reducing the negative effect of these practices, suggesting that more powerful boards can simultaneously help to strengthen compliance while providing more structured and legally defensible tax planning. This moderation pattern reinforces Agency Theory, Institutional Theory, and Resource Dependence Theory in the sense that governance mechanisms are not necessarily a constraint or a facilitator, but a combination of interacting organizational capabilities that can be moderated by governance context and board capacity. Similar views have been expressed by Lanis et al. (2021), Bear et al. (2010), Jizi (2017), García-Sánchez et al. (2021), Lassou and Hopper (2016), Alkurdi et al. (2020), Elamer et al. (2020), Nainggolan et al. (2021), and Agyemang et al. (2021) with respect to governance effectiveness and strategic corporate decision making. These relationships are not intended to suggest that they are contradictory governance outcomes, but rather that compliance-oriented governance and legally optimized tax planning can coexist within the same organizational governance structure.

Conclusion and Suggestion

This study explored the association between anti-corruption practices, corporate board characteristics and tax avoidance based on 100 publicly listed global oil and gas companies. The research was driven by the need to better understand the impact of various governance mechanisms in combination on corporate tax behavior, especially in industries with strong corruption exposure, complex fiscal regulations, and multinational operations. While there has been extensive research on corporate governance and tax avoidance, there is limited research on anti-corruption practices as a governance mechanism, and even less on the interaction between board characteristics and integrity systems and their impact on corporate tax decisions. The study thus fills these gaps and adds to the existing literature on the governance of corporate tax behaviour in one of the world's most strategically important sectors.

The results also show that anti-corruption practices are negatively correlated with corporate tax avoidance, while the characteristics of the board are positively correlated with structured tax planning. Moreover, the results show that the negative correlation between anti-corruption practices and tax avoidance is significantly moderated by corporate board characteristics, indicating that corporate board characteristics weaken the negative correlation between anti-corruption practices and tax avoidance. The results do not imply that better governance leads to less tax avoidance, but rather that various governance mechanisms can affect corporate tax behavior in different, and at times conflicting, ways. This view helps to account for the mixed findings in previous research that link governance to tax avoidance in various institutional and industrial environments.

This study is an extension of the theoretical application of Agency Theory, Institutional Theory, and Resource Dependence Theory in the corporate governance and taxation literature. The results indicate that governance mechanisms can be more than just disciplinary tools that help to limit managerial opportunism, and could also be used as a strategic organizational resource that facilitates legally defensible tax planning. Moreover, the findings suggest that institutional pressures for transparency and anti-corruption compliance do not necessarily lead to a ban on tax optimization, especially in multinational industries in a complicated regulatory environment. The moderation effect also confirms that the board-level governance capacity influences the conversion of the integrity systems into corporate tax behaviour, as it indicates that governance mechanisms can function through both complementary and competing pathways.

There are a number of limitations to keep in mind when interpreting the results of this study. Firstly, all the data used are archival and disclosure-based, allowing for the identification of statistical associations but not causality between anti-corruption practices, board characteristics, and tax avoidance. Second, the governance variables were assessed on the basis of information that firms disclose publicly, and which is likely not to reflect the actual implementation or effectiveness of anti-corruption measures or board governance in individual firms. Third, other factors that are likely to affect the decision on tax avoidance were not directly included in the model, such as firm size, profitability, leverage, multinational complexity, capital intensity, intangible asset intensity, ownership structure, and country-level institutional quality.

The results are also restricted to the 100 largest publicly listed global oil and gas firms, which are highly prone to corruption, have intricate fiscal structures, and operate internationally. The findings might not be transferable to other industries, ownership and institutional contexts, as these factors might affect governance mechanisms and tax behaviour. Future research may be expanded to other industries, other comparisons of extractive versus non-extractive industries, or to include a cross-country comparison of institutions to see if similar governance structures exist in different regulatory environments. Longitudinal or panel-data designs, along with mixed-method studies that incorporate interviews with board members, audit committee members, tax executives and regulators, may also be able to offer more insight on the effect of governance mechanisms on corporate tax decision-making over time.

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