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Abstract

This master thesis investigates the authenticity of the Corporate Social Responsibility (CSR) practices of the three largest sportswear companies of the world, NIKE, adidas, and PUMA. The authenticity of companies' CSR practices is often doubted, especially regarding the fashion industry.

Pertinent ESG issues of the companies were identified and for these issues relevant information disclosed in the companies' CSR reports was assessed with the use of independent data.

The analysis shows a concordance between independent evaluations on NIKE's, adidas', and PUMA's environmental practices and corporate-disclosed information on their environmental activities. Furthermore, the assessment indicates a disparity between independent data on NIKE's, adidas', and PUMA's social activities and social practices-related information in the companies' CSR reports. Regarding governance ESG practices, not enough reliable information was available.

The results indicate that NIKE, adidas, and PUMA have been authentic regarding their environmental practices and inauthentic in regards to their social practices. No clear outcomes could be observed for the companies' governance issues.

The research is limited by the small number of companies evaluated and the availability of public, independent CSR information on the firms.

Keywords: sportswear industry, CSR authenticity, stakeholder governance, ESG ratings

Abstract

Diese Masterarbeit untersucht die Authentizität der Unternehmenspraktiken der drei größten Sportbekleidungsunternehmen der Welt, NIKE, adidas und PUMA, im Rahmen von Corporate Social Responsibility (CSR). Die Authentizität der CSR-Praktiken von Unternehmen wird häufig angezweifelt, insbesondere in der Modeindustrie.

Es wurden bedeutsame ESG-Themen der Unternehmen identifiziert und für diese Themen relevante Informationen, die in den CSR-Berichten der Unternehmen offengelegt werden, mit Hilfe von unabhängigen Daten bewertet.

Die Analyse zeigt eine Übereinstimmung zwischen den unabhängigen Bewertungen der Umweltpraktiken von NIKE, adidas und PUMA und den von den Unternehmen selbst offengelegten Informationen über ihren Umweltaktivitäten. Darüber hinaus zeigt die Bewertung eine Diskrepanz zwischen den unabhängigen Daten zu den sozialen Aktivitäten von NIKE, adidas und PUMA und den Informationen zu deren sozialen Praktiken in ihren CSR-Berichten. Zu den ESG-Praktiken der Unternehmensführung waren nicht genügend zuverlässige Informationen verfügbar.

Die Ergebnisse zeigen, dass NIKE, adidas und PUMA in Bezug auf ihre Umweltpraktiken authentisch und in Bezug auf ihre sozialen Praktiken nicht authentisch waren. Es konnten keine eindeutigen Ergebnisse in Bezug auf die Unternehmensführung der Firmen festgestellt werden. Die Untersuchung ist durch die geringe Anzahl der untersuchten Unternehmen und die Verfügbarkeit öffentlicher, unabhängiger CSR-Informationen über die Firmen begrenzt.

Stichwörter: Sportbekleidungssektor, CSR-Authentizität, Stakeholder-Governance, ESG-Bewertungen

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1. Introduction

Corporate Social Responsibility is essential in today's markets for a striving business. For that reason, companies, especially those that are large and highly present in the public eye, tend to increasingly engage in CSR practices and emphasize the communication of these practices to the public. However, consumer skepticism regarding the intentions of corporations has been on the rise, partly due to insincere promotion campaigns using tactics as green-, blue- or pink-washing (Laufer, 2003; Alhouti et al., 2016; Afzali & Kim, 2021). As a consequence, more and more researchers were interested in discovering how the authenticity of an organization regarding its CSR practices can be determined.

A look in the literature on the concept of authenticity, or, more precisely, CSR authenticity, shows that most researchers attempted to measure authenticity in terms of perceived authenticity of a certain company or brand either with the help of consumer opinions (Afzali & Kim, 2021; Alhouti et al., 2016; Jeon & An, 2019; Joo et al., 2019, Kim & Lee, 2020), practitioner evaluations (e.g., Beckman et al., 2009), or both (Diers-Lawson et al., 2020). Indeed, although quite a few researchers reviewed or established some kind of CSR measurement model or framework (Martínez García de Leaniz & Rodríguez del Bosque, 2013; Öberseder et al., 2014; Bahurmoz, 2020), methods on evaluating CSR authenticity without consulting consumer/practitioner opinions is lacking.

Especially for the fashion industry CSR is highly important, as this industry has been notorious for causing environmental harm, due to fast changing customer demand and therefore frequent offshore outsourcing resulting in untransparent, complex supply chains. In the case that specific sectors of fashion were analyzed, research conducted on CSR in the apparel industry often focused on luxury apparel brands or so-called fast fashion brands (Mickelsson et al., 2022; Wei & Jung, 2021; Youn & Cho, 2021; Pankiw et al., 2020). However, sportswear is a subcategory that has only been studied very scarcely, even though the sport apparel and athleisure market is continuously growing (Future Market Insights, 2022; Jefferies, 2021), after Covid-19 heavily affected the fitness industry (Rada & Szabó, 2022). Furthermore, it is one of the sectors particularly prone to public skepticism, as they must manage global supply chains, possibly exposed to questionable social and environmental practices in an industrially complex setting, paired with opposing stakeholder expectations (Baumann-Pauly et al., 2016). Some exceptions of studies that focus on sportswear can be found from Holtström et al. (2019) who developed a business model for sustainable sportswear; Lim et al. (2016) who isolated factors that affect buying behavior concerning luxury sportswear (Lim et al., 2016); Nam et al. (2017) who

discussed purchase intention of green sportswear; and Baumann-Pauly et al. (2016) who focus on institutional complexity in the sportswear sector. Nonetheless, even though sportswear brands are on the forefront of CSR communication, research on CSR authenticity in this sector is still missing.

Having identified this research gap, the goal of this thesis is to propose a different approach to evaluate CSR authenticity, by using a case study approach on the three biggest sportswear brands of the world: NIKE, adidas, and PUMA. These companies initially faced criticism regarding their CSR practices (e.g., Clean Clothes Campaign, 2016; China Labor Watch, 2008) and present themselves nowadays with a much “cleaner” image, with extensive CSR reports. The research question presents itself as follows: Is the information disclosed in NIKE’s, adidas’ and PUMA’s CSR reports consistent with non-corporate information and can therefore be interpreted as authentic?

It will be attempted to answer this research question by first setting the theoretical framework by consulting relevant literature regarding CSR and authenticity. Then, the literature on CSR authenticity, as well as stakeholder governance will be presented, before coming to the methodology. In this part, it will be clarified why the research takes part in the apparel industry, and how the research will be specifically conducted. After having described the research design of the study, ESG ratings and ESG key issues, as well as their relevance to the research, will be elaborated; furthermore, the ESG key issues defined for the selected companies will be presented. Next, before coming to the case studies, the sources that have been consulted to assess Nike, adidas, and PUMA will be introduced. In the case studies, the CSR communication based on the previously defined material ESG issues will be depicted, to then present the independent information that has been found regarding these ESG issues. In the last part, the published CSR information of the companies will be analyzed based on the independent findings presented before, to then answer the research question in a final assessment. Lastly, the thesis ends with the limitations of the study and a conclusion.

2. Literature Review

In the following chapters the theoretical concepts necessary for the understanding of the methodological part on Nike, adidas, and PUMA are discussed. First, the concept of CSR is defined and its roots and evolution illuminated, before introducing the CSR pyramid as well as the triple-bottom-line. Then, in the next subchapter, CSR communication in form of a CSR communication model will be explored. Next, the focus is put specifically on the concept of

authenticity with emphasis on consistency, conformity and connection. Furthermore, the meaning and its implications of authenticity in the field of CSR with focus on impact, motive, reparation and fit, will be analyzed. Finally, the concept of stakeholder governance in the light of stakeholder theory is discussed.

2.1 Corporate Social Responsibility

2.1.1 Definition of CSR

The concept of corporate social responsibility (CSR) is gaining more and more importance over time, and, therefore, has been described by numerous scholars. As there is no universal consensus about the exact definition of CSR (Tench et al., 2014), three different definitions will be presented in the following. CSR, as described by Wickert and Risi (2019), serves as an umbrella term for the way in which a company integrates social, environmental and ethical practices into its core business strategy and operations. A similar definition can be found from Ray and Bag (2022), who state that CSR is a type of management concept with the intention to address and integrate social and environmental issues into their business operations and interactions with their stakeholders. They continue that CSR is used by companies to achieve a “triple-bottom-line”, so to balance economic, environmental and social needs, by simultaneously living up to the expectations of their stakeholders (Ray & Bag, 2022). An even broader definition of CSR is suggested by Carroll and Buchholtz (2018), who state that “the social responsibility of business encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time” (p. 35). This goes against common perceptions who mostly regard CSR as only encompassing ethical and philanthropic expectations; according to Carroll and Buchholtz (2018), a more complete picture can be drawn with the inclusion of economic and legal dimensions. Further explanations of the four responsibilities of CSR will be discussed in chapter 2.1.3 The pyramid of CSR. Regarding these definitions, it can be concluded that CSR includes practices which fulfill the societal responsibilities of a firm, as well as managing the triple-bottom-line. The responsibilities can englobe various dimensions, but need to be related to some kind of social issue. This deviates from the often-stated initial perception of the purpose of a firm, which consisted in profit maximization (Freeman & Ginena, 2015). How CSR evolved with time will be briefly discussed in the next chapter.

2.1.2 Evolution of CSR

Although, the shareholder-centric view seemed to be the predominant conception of business, according to Carroll (2008), corporations' concern for society can be traced back centuries ago and was especially present in the period of the industrial revolution and the late 19th century. Interest in the social performance of companies can be found as early as the 20th century in scientific literature, mainly from the 1950s (Carroll, 2008); many scholars credit the economist Howard Bowen for the term corporate social responsibility, first introduced in his book *Social Responsibilities of the Businessman*, published in 1953 (Acquier et al., 2011).

Even though it is true that the importance attributed to CSR practices in corporations' business strategies has increased continuously over the last decades and has been the subject of a considerable amount of research, as well as the fact that it has been promoted both through public and financial institutions, like for example the Organization for Economic Co-operation and development (OECD) (Sharma, 2021), the issue of CSR and non-compliance with CSR still did not receive much attention in the public eye. Indeed, it needed a tragic event like the Rana Plaza factory building collapse in 2013, causing thousands of deaths and injured, to eventually direct the public attention to the issue of CSR, and to bring it to consumers' attention (Koenig & Poncet, 2019). This incident led to the initiative Accord on Fire and Building Safety in Bangladesh, which is a legal agreement between fashion brands and trade unions, with the goal to protect garment workers in Bangladesh and help prevent disasters like the Rana Plaza from happening again (Wickert & Risi, 2019). Consequently, the idea of how socially, environmentally and ethically responsible behavior of a company is supposed to present itself, shifted from being merely an act of charity into a value creation process itself, making it a crucial part of the business strategy and core operations (Wickert & Risi, 2019). In other words, when firms first engaged in CSR practices, they started focusing on issues with a clearly identifiable link to core business operations, which meant that changes could be executed relatively easily, were directly measurable and would financially benefit the company (Wickert & Risi, 2019). Often times these CSR practices were even regulated by law, as it is the case with health regulations (Wickert & Risi, 2019). However, nowadays, it is expected from companies, that CSR is integrated in all parts of the often very extensive value chain, leading to large-scale changes, which can require reconsidering the business model in itself (Wickert & Risi, 2019). Consequently, the question that presents itself is how CSR is integrated into a company. In the next chapter, a look will be taken on Carroll and Buchholtz's definition of CSR in a pyramid-like form, which attempts to explain how the different four dimensions of CSR are built on one another.

2.1.3 The pyramid of CSR

The pyramid of CSR represents a CSR model of its four components and their relation as defined by Carroll and Buchholtz (2018). This model is sustainable as it represents long-term responsibilities that affect future generations of stakeholders, as well as dynamic, as it may be sequenced differently depending on the country and the economic system. Further, the model has the particularity of providing a holistic view of businesses' responsibilities, due to its unique composition of four different categories, already mentioned in the chapter 2.1.1 Definition of CSR: economic, legal, ethical and philanthropic responsibilities. These are expectations society holds toward businesses and are therefore seen as responsibilities by companies. These responsibilities are not static, but may change over time, depending on the prevalent expectations of the stakeholders. Moreover, Carroll and Buchholtz (2018) stress that, in order to grasp the interconnectedness and overlapping nature of the different categories, the pyramid needs to be regarded as a whole. Consequently, the different responsibilities should be fulfilled in a simultaneous and not in a sequential fashion as the pyramid structure may suggest. The reason a pyramid scheme was chosen was to demonstrate the sequencing of the four dimensions in capitalistic economic systems; the lower part, so economic and legal responsibilities are required; the higher part, which are ethical and philanthropic responsibilities, are expected and/or desired. It must be taken into account, that the pyramid is based on capitalistic, western or westernized economic systems, specifically the USA. In culturally different countries, as well as in developing countries and in non-capitalistic systems, the sequencing may present itself differently. Carroll and Buchholtz's definition goes against prior notions of CSR being strictly separated from the economic dimension of business; it also does not limit CSR to philanthropic activities as it is often portrayed.

The first component of the pyramid represents the economic responsibilities a company has. The corporation has the economic responsibility of profitability to its stakeholders by producing goods and offering services that benefits society. This is the reason why, interestingly, Carroll and Buchholtz (2018) define economic responsibilities as social responsibilities since these goods and services should be offered at prices that adhere to the notion of fairness in that specific society and allow the company to survive and even thrive. The stakeholders that are most affected by this type of responsibilities are the stakeholders directly involved with the corporation: the owners, shareholders and employees of a firm.

The second building block are legal responsibilities, so which laws and regulations the corporation is expected to comply with. These laws and regulations could be described as

representations of basic notions of fairness of the respective society. The stakeholders most affected by legal responsibilities are, again, owners and shareholders; however, the stakeholders who may pose a threat in term of litigations are the employees and consumers. The responsibilities assure that businesses obey the laws, such as consumer or environmental laws, which, however, can also be perceived as too strict and monitoring in addition to being sometimes outdated, in the case a law does not reflect the actual societal reality anymore. Furthermore, the authors point out that legislations can impossibly cover the entirety of business standards expected by society, as well as it cannot possibly englobe all the different issues a company may face. Indeed, new business challenges are emerging in a continuous fashion and can be related to a multitude of different issues. Another important point is that lawmakers, who may have an ulterior motive, determine which legislations come into effect. As a consequence, there is a possibility that self-serving motives as political motivations, amongst others, may play a role in the election of laws. For all of those above reasons, legal responsibilities, as economic responsibilities are not enough to secure CSR practices of businesses.

Coming to the third category, stakeholders tend to expect firms to comply with certain moral standards and engage in certain practices that are not required by law; in the same way society expects companies to refrain from engaging in certain practices, considered unethical. These expected practices, activities, and also standards, are embraced under the term ethical responsibilities. Ethical responsibilities englobe the different values, expectations, standards and norms that stakeholders deem fair and which fit their moral values and rights. Even though all stakeholders are affected by this type of responsibilities, the ones that are it the most are the consumers, employees and the environment. Ethical responsibilities have the peculiarity that they are dependent on societal changes of ethical or moral perceptions and values. These perceptions are based on universal ethical principles, like for example justice and rights. In other words, a change in society's values often times entails the introduction of new laws; however, even before the actual adoption of them, a higher standard of performance than legally required is often expected from the companies. This is a continuing cycle, as societal values, and, with that, ethical responsibilities are constantly evolving, and, as a consequence, are always open to debate. It must be added that, although ethics figure as a separate category in the model, ethic responsibilities penetrate each and every category of Carroll and Buchholtz's pyramid of CSR. In the economic dimension for example, ethical responsibilities play a role, as thriving for financial gains for the production of goods and services is seen as the ethically right thing to do in a capitalistic society. In this sense, economic responsibility is the best possible ethical form of economic system there is. With regard to legal responsibility, Carroll & Buchholtz (2018)

argue that almost every law is based on some type of ethical reasoning, prior to becoming a law. The authors give the example of environmental laws created in the 1970's, as a response to an ethical issue, that is the deterioration of the environment a decade before. However, it has to be added that this depiction of the relationship between the legal system and ethics is disputable. In fact, the relation between ethics and laws already has been discussed by philosophers and researchers centuries ago (Blodgett, 2011). Indeed, regarding the business setting, a widespread view is to perceive ethics and laws as being completely unrelated; however, researchers found evidence of interrelatedness of the both concepts (Blodgett, 2011). Thus, it can be stated that although a relation between the legal system and ethics is possible, it is disputable if the legal systems is based on ethical values.

Concerning the philanthropic responsibilities, historically they may have been perceived by some as ethical responsibilities, depending on the perception of every stakeholder or stakeholder group. Even though, this ethical view shifted to a more CSR image-based perspective of philanthropic responsibilities today, it is still valid to assume that ethic responsibilities overlap in philanthropic responsibilities.

The last part of the pyramid consists of philanthropic responsibilities, which are neither required by law or even explicitly demanded by public. However, it is still implicitly expected by society that firms deliberately engage in activities that are only fueled by the company's desire to proactively "give back" to the community it is effectively a part of, proving to be a good corporate citizen. The non-compliance to these responsibilities will not result in the fact that society regards the company as unethical; however, even if they are not expected in a moral or ethical sense as ethical responsibilities are, it still constitutes desired behavior. The stakeholders that are most affected are the community members; nonetheless employees may also be affected as the philanthropic activities of a company may have an influence on employees' morale and satisfaction as research suggests. As Carroll and Buchholtz further explained, philanthropic responsibilities constitute a form of implied social contract between companies and society in which corporations contribute to the community, which may include activities like community development and employee volunteerism. Through these types of activities and practices, a firm may prove itself to be a good corporate citizen and attain economic sustainability.

After elucidating the different possible dimensions of CSR, the next subchapter will attempt to present a method to measure CSR performance, which is the triple bottom line is a widely used approach to do so.

2.1.1 The triple bottom line (TBL)

As CSR is getting more and more important for businesses, companies today often refer to the triple bottom line (TBL) as an accounting framework for measuring and reporting performance of three essential, value-creating pillars of a company: the financial, social and environmental performances, also known as the three Ps (profit, people and planet) (Elkington, 1997; Rambaud & Richard, 2015; Hiller Connell & Kozar, 2017). This concept was first introduced by John Elkington in 1997 with the goal to facilitate corporations' progression toward sustainable development (Rambaud & Richard, 2015). Elkington himself explains that the expression triple bottom line englobes everything a company needs to do, to avoid, at its best, any harm which may be caused from the corporation's activities (Elkington, 1997). Additionally, the company's activities should generate social and environmental, as well as financial value (Elkington, 1997). Considering this, the financial bottom line is the traditional bottom line in accordance with early beliefs about the purpose of business, so to make financial profits (Hiller Connell & Kozar, 2017). The measurements of the respective bottom lines are conducted through quantitative and qualitative methods and its results are expressed in numbers (Sherman, 2012). Nevertheless, for some scholars, the term "triple bottom line" may seem a bit misleading as every one of the three pillars has multiple bottom lines, since it is not possible to evaluate a company's performance and its impact on environment and society, based on just three single performance results (Sherman, 2012). This holistic view of the company results in greater stakeholder value in comparison to the value generated in the traditional shareholder-focused companies (Hiller Connell & Kozar, 2017). Nonetheless, as stakeholders expect businesses to be as environmentally, socially and ethically responsible as possible, it is not enough to only measure corporate performance, but it also has to be presented adequately to the outside world. For that reason, a lot of companies made a point of exhibiting their CSR practices publicly, especially through CSR and/or sustainability reports. For this reason, the next chapter will cover CSR communication, so the way in which CSR activities of a firm are communicated to the outside world.

2.2 CSR communication

2.2.1 Communication model

There are numerous communication models that exist, with one of the most famous being the Shannon and Weaver's model of communication, also called the bull's-eye model (Danesi, 2009). This linear model, developed for telephone communication, depicts the communication

process between the information source and the destination of the information, going through the transmitter, the channel and the receiver (Garcia-Torea, 2019).

Garcia-Torea et al. (2019) adapted the bull's-eye model to CSR reporting:

- 1) The corporation represents the information source deciding to send out a message containing CSR information. Which message the company selects depends highly on its underlying motive; they may want to disclose their new, more sophisticated CSR program and gain recognition for it, but they may also as well engage in practices like green-, pink- and bluewashing.
- 2) The selected message is then transmitted through some type of CSR reporting model, like the Global Reporting Initiative (GRI) guidelines or another set of rules.
- 3) Through this transmission the message is converted into a signal, e.g., a CSR or sustainability report.
- 4) This signal is then transmitted through a channel, e.g., a PDF document or a website.
- 5) Through this channel, the signal ends up with the receiver, the stakeholders. As the stakeholders also represent the destination of the CSR communication, they interpret and decode the received information; how the message will be decoded depends on the respective stakeholder group. Therefore, it is extremely important that the firm knows and understands the priorities of each stakeholder group.

In short, it can be concluded that CSR communication is a process between the company and its stakeholders and consists in the company disclosing information about its CSR activities (Garcia-Torea et al., 2019). Traditionally, CSR information was primarily disclosed through CSR reports, public relations and the company's website; nowadays social media platforms are another important tool for CSR communication (Glozer & Hibbert, 2018). The need for CSR reporting rises with the fact, that stakeholders become more and more aware and educated about their rights and the obligations companies have, so it is of uttermost importance for businesses to be transparent about their CSR practices and to communicate them accordingly (Tench et al., 2014). Hence, it can be stated that with rising demand, corporations feel the need to engage more strongly in CSR communication (Garcia-Torea et al., 2019). Nevertheless, corporations struggle to engage in CSR communications that are perceived as authentic; reasons may be that some of them do not disclose the total amount of information, describe their CSR activities in an overly lengthy matter or do not seem to have a neutral stance (Garcia-Torea et al., 2019). Furthermore, they may also be perceived as to be lacking credibility and/or relevance (Garcia-Torea et al., 2019).

For this reason, Kim and Ferguson (2018) identified eight key components of successful CSR communication:

- 1) **Informativeness:** The company should provide precise information about CSR activities to its stakeholders, e.g., what exactly they are supporting, the reasons behind this support, for how long the cause has been supported and how deep of an impact the firm can have with its CSR practices.
- 2) **Third-party endorsement:** The corporation should seek third-party endorsements, as their CSR efforts are more likely to be believed if a credible, independent third party is involved. The credibility has an effect on the trustworthiness of the company and, therefore, lowers public skepticism and leads to a greater public acceptance of the CSR message.
- 3) **Personal relevance:** CSR messages should be relevant to the stakeholders, in other words, messages should have some kind of relation to the stakeholders' personal life experiences or be relatable to their personal interests.
- 4) **Self-efficacy:** CSR messages should reinforce stakeholders' beliefs about their own capabilities to produce a desired outcome. Hence, they should be encouraged to actively engage and participate in the messages transmitted CSR endeavors.
- 5) **Avoidance of self-promotional message tone:** A self-congratulatory or promotional message tone should be avoided, as it leads to public skepticism about the motives of the firm. Public skepticism can be circumvented by not exaggerating CSR practices or intentionally omitting CSR relevant information.
- 6) **Consistency:** CSR goals should be consistent and communicated accordingly, so as not to rise public skepticism.
- 7) **Frequency:** The company needs to ponder the effects of how frequently they release their CSR messages. Low frequency will not have a significant impact, but high frequency will likely result in public skepticism, as it is linked to self-promotion and high promotion costs.
- 8) **Transparency:** The firm should be transparent about their CSR practices, in other words, be willing to disclose both positive and negative CSR information. This will increase trustworthiness, and, consequently, reduce public skepticism.

Most of the key factors for successful CSR communication are directly or indirectly linked to the perceived authenticity of the company by their stakeholders. Therefore, in the next chapter, CSR authenticity will be thoroughly discussed.

2.3 Authenticity

2.3.1 Notions and perceptions of authenticity

Authenticity is an extremely vast and popular concept, not only in contemporary society, but also in academic research. Studies about authenticity can be found in a myriad of scientific disciplines, ranging from philosophy, sociology to management studies (Mazutis & Slawinski, 2015; Lehman et al., 2019; Afzali & Kim, 2021), finding that the concept of authenticity has notable implications for stakeholders as managers or employees, consumers, organizations, social movements and social relationships in the workplace (Lehman et al., 2019).

As Lehman et al. (2019) explain, at first glance it might seem that, in the academic field, it is generally agreed upon that authenticity is linked to notions like being truthful, genuine and trustworthy; therefore, qualifying an entity as authentic, implies that it is “approved” through some kind of evaluation by a person or institution. Hence, entities, which may be objects, but also individuals or collectives, are deemed authentic if they truly are what they appear to be or claim to be. Nonetheless, this verification of authenticity is not based on facts, but on the interpretation of the evaluator regarding the authenticity of the entity. Since this evaluation does not represent a universal truth, it may be rejected by other members of the community.

At second glance, there is much less consensus about what authenticity really means, which impedes a commonly agreed on use of the term. A different meaning may be attributed depending on the context and what it refers to; thus, to qualify an entity as authentic the referent must be known. The disparity of opinions about the concept of authenticity stems from contrasting theoretical foundations with its own accentuation on distinct referents and beliefs about authenticity and what it implies. This leads to the problematic circumstance that studies about authenticity struggle or fail to take into account the different conceptions there are, by focusing on one single definition or overgeneralizing and oversimplifying the entire concept.

Lehman et al. (2019) try to bring some clarity by differentiating between three similar, but still different perceptions of authenticity arising from the literature: consistency, conformity and connection.

2.3.1.1 Consistency

According to Lehman et al., (2019), “an entity is authentic to the extent that it is consistent in terms of its external expressions on the one hand, and its internal values and beliefs on the other hand” (p. 5).

Studies regarding this perception focused, amongst others, on notions such as self-concept (Kernis & Goldman, 2006; Sheldon et al., 1997; Cable et al., 2013) and self-presentation (Gardner et al., 2009; Humphrey, 2012; Lemay & Dudley, 2011), as well as organizational and brand identity (Carroll & Wheaton, 2009; Voronov et al., 2013; Carlos & Lewis, 2017). Considering organizational and brand identity, researchers were interested in the authenticity of organizations, focusing on organizational values and stakeholders' opinions. Same as with individuals, an organization is perceived as authentic if its actions are consistent with its values. This is due to a sort of personification of the company which results in the fact that it needs to face the same societal expectations than it would, if it were an individual. Amongst others, stakeholders may judge an organization based on their brand's concept, advertising, CSR programs and their communication, its supply chain and production processes, as well as its general organizational structure. Considering all of these factors, it may be assumed that it can be difficult for a company to gain stakeholder approval considering authenticity and keep it over time; hence, corporations need to adapt to constantly changing environments, but stay consistent in its actions and organizational values.

2.3.1.2 Conformity

Alternatively, concerning the second notion of authenticity, Lehman et al. (2019) state that "an entity is authentic to the extent that it conforms to the social category to which it has been assigned or that it has claimed for itself" (p. 12).

Research on social categories is mostly based on cognitive psychology, in which categories are seen as a method to cognitively process information, and sociology, which focuses on institutional categories. Lehman et al. (2019) further explain that it is necessary to think about institutional categories as a form of classification based on social codes to which an organization must adhere to be granted the attribute of being authentic. Research themes regarding this perspective revolve mostly about the question in which cases an organization is or is not part of a social category, how boundaries of social categories are defined, category membership and the consequences the adherence to a specific social category can have. From all the stakeholders, especially consumers are very important in forming social categories. Consumers compare entities to an already existing category, and, by evaluating their fit to the category, judge their authenticity. By using categories as an evaluation method of authenticity, consumers actively shape the evolution of categories. Even though, membership of a social category has a positive

effect on the perception of authenticity, being a member of multiple categories may reduce the perceived authenticity of that entity.

When it comes to stakeholders in regulating positions, social categories are used to control the criteria which have to be met by companies to be considered as authentic. In short, stakeholder do not only play a role in determining the authenticity of an entity, but also in setting up the relevant criteria to do exactly that. If a company is deemed authentic it is rewarded by the stakeholders with a greater willingness to buy a product or service, pay a higher price for it, and to rate the organization higher. Nonetheless, not only stakeholders, but also the organizations themselves play an important role regarding the concept of conformity: Companies need to invest resources to convince stakeholders of their authenticity, redefine and position themselves in the boundaries of the predefined categories. As social categories are constantly evolving and changing, entities may put effort into redefining the boundaries of a category, for instance, by engaging with members of that category. An entity could adopt specificities of a certain category or even produce a new one, seeking for the redefinition of categorical boundaries and therefore authenticity. In other scenarios, the reinterpretation of categorical boundaries may be employed to deny access to possible new entrants or to manage the rising tension provoked by multi-categorical membership. Thus, it can be stated that category reinterpretation is also used to ward threats and minimize risks.

2.3.1.3 Connection

Lastly, according to the notion of connection, “an entity is authentic to the extent that it is connected to a person, place, or time as claimed” (Lehman et al., 2019, p. 16).

The foundation of this notion is based on psychological essentialism and semiotics, which are often used together. In psychological essentialism it is assumed that human beings perceive some categories to have a fundamental essence at their core; this essence serves as a sort of bond between the members and accounts for their typical behaviors and attributes (Neufeld, 2022). It needs to be added that the nature of this hidden essence is unclear and extremely difficult to dispose of or to change, even though it can be passed from one entity to another (Neufeld, 2022; Lehman et al., 2019). Considering this, there is the possibility of contagion. Contagion may be happening when an entity with a specific essence changes category; in this case the category may be different, but the essence is still the same (van Gerven et al., 2019; Lehman et al., 2019).

The second research stream in this field is linked to is semiotics. In semiotics, symbols, as, for example signs, words and gestures, are analyzed concerning their connection to concepts, meaning or ideas. For the philosopher and logician Charles Sanders Peirce (1839-1914) the connection can be of indexical, and amongst others, also of iconic nature; an indexical sign indicates something it is linked to, whereas an iconic sign seemingly resembles something or imitates it (Chandler, 2022; Lehman et al., 2019).

Moreover, Lehman et al. (2019) mention the following types of connections: provenance, which indicates the origin of an entity and therefore offers valuable information on its supposed authenticity; transference, so that certain (authentic) qualities of an entity are transferred to another (Chandler, 2022); and symbolism, which deals with perceived authenticity through symbolic connections.

2.3.2 CSR authenticity

No matter if considering consistency, conformity, connection or all of them at once, authenticity always implies some type of judgement or evaluation on how “real” something or someone is (Beckman et al., 2009). Transferring the concept of authenticity into the business context, the values that the company is promoting should match its actual practices and be embedded into its business model (Diers-Lawson et al., 2020, Afzali & Kim, 2021). Certainly, authenticity is also specifically found in the CSR field, known as CSR authenticity, which refers to the organizations’ CSR practices reflecting its corporate beliefs (Snyder, 1979, in Afzali & Kim, 2021). Most researchers focusing on CSR authenticity were interested in finding out which factors exactly influence stakeholders, as, for example, consumers, in their perception about the authenticity of a firm’s CSR actions. In the following a few core studies on different facets of CSR authenticity will be presented.

One important study on CSR authenticity comes from Mazutis & Slawinski (2015), who developed a framework elucidating two core dimensions of authenticity an organization must have in order to be perceived as authentic by stakeholders: distinctiveness and social connectedness (Mazutis & Slawinski, 2015). Regarding the first notion, distinctiveness, an entity should develop a unique, thereby differentiated sense of self in order to be perceived as authentic. Being authentic therefore translates to staying loyal to this formed identity, or, in other words, being “true to oneself” (Mazutis & Slawinski, 2015). Stakeholders have an important role considering this just mentioned concept of distinctiveness, as consumers, regulators or producers of the company in question, as they are, first of all, often involved in the process of

authenticity making itself (Mazutis & Slawinski, 2015). Furthermore, as authenticity is not inherent by an entity, but is attributed, either by the entity itself, or, by an outsider (e.g., stakeholders) of the company, stakeholders also play a role in the validation of the authenticity claims made by the organization. Therefore, stakeholders play a role not only in discovering the authenticity of a firm, but also validating the authenticity (Mazutis & Slawinski, 2015). However, it should not be forgotten, that this distinctiveness always happens in a social context; in other words, an entity must be true to itself, but also be socially connected. Hence, the CSR practices of an organization need to be in relation to the social context in which the company finds itself. A socially connected firm, therefore implies that, first of all, they are transparent about their CSR practices to their stakeholders. Ideally, stakeholders should have access to unbiased information about the company's past, current and future CSR initiatives (Mazutis & Slawinski, 2015). Second of all, to be perceived as authentic, an organization should be responsive to changing social, environmental as well as economic dimensions (Mazutis & Slawinski, 2015). Consequently, this requires the same sort of responsiveness when it comes to stakeholders (Mazutis & Slawinski, 2015).

Besides Mazutis & Slawinski (2015), numerous other researchers were interested in isolating factors that have a positive influence on the perceived authenticity of a company. One of those were Beckman et al. (2009), who interviewed 42 practitioners of CSR and then defined seven different factors that positively influences in perceived authenticity:

- 1) a company should have a deep and sincere interest, as well as a passion for the CSR practices it undertakes, disregarding monetary/image-enhancing reasons;
- 2) a holistic view of the impact of the business activities should be adopted, meaning that all stakeholders should be considered;
- 3) the specific needs of the country the company is based in should be taken into consideration;
- 4) CSR activities should be transparent;
- 5) CSR activities should be consistent throughout the business operations and the company;
- 6) CSR approach should be deeply inwoven in the companies' principles; and
- 7) there should be visible action in the community.

Indeed, practitioner perspectives on CSR may very well differ, but also overlap with consumer perspectives. Diers-Lawson et al. (2020) used a focus group-based approach with practitioners and consumers to spark a discussion about CSR and CSR authenticity, giving the example of

four well-known British companies. The first factor the authors identified as having an effect on perceived CSR authenticity was consumer efficacy. Consumer efficacy which touches on the belief of consumers that their actions possess the power to influence in the CSR practices of an organization. Therefore, CSR authenticity is regarded higher by consumers when consumer efficacy is high. According to Diers-Lawson et al. (2020), the second point they found that influences in the perception of CSR authenticity is, what they called localized CSR impact. Indeed, in order to be considered authentic, companies should acknowledge the importance of establishing a local connection between its CSR practices and the consumers, as they feel more involved if CSR activities have direct effects on them or people they know. The third factor which influences in perceived CSR authenticity, both by consumers and practitioners, is organizational reputation; if CSR initiatives are deemed as authentic by stakeholders, this will have a positive influence on the firm's overall reputation. Conversely, a "bad" reputation will have a negative impact of the perceived authenticity of the firm's CSR practices. Furthermore, both practitioners and consumers quickly attribute CSR actions of companies to profit-related reasons. However, a few so called "disconnections" were observed on the part of the practitioners relating to consumers, especially working-class consumers, and CSR. First of all, the participating practitioners tend to assume that consumers are mainly concerned about low-skilled worker rights and not workers in general. Second of all, practitioners speculated that consumers, especially those of lower socio-economic status, are ignorant about CSR and mostly do not have interest in it. And, lastly, practitioners seemingly put too much importance on CSR communication through websites and other more traditional media outlets, underestimating the significance social media and content creation in general has for consumers.

Likewise, CSR authenticity was presented to Alhouthi's et al. (2016) study participants as a "genuine and true expression of the company's beliefs and behavior toward society that extend beyond legal requirements" (Alhouthi et al., 2016). The researcher could deduce four distinct CSR authenticity/inauthenticity drivers in their study: impact, perceived motive, reparation, and fit.

2.3.2.1 Impact

Beginning with the driver impact, it refers to the depth of the impact the CSR initiative has or not. In other words, the difference a company makes or not makes in a matter, relative to its size and profits, is what is considered under the factor impact. Moreover, they found that in the case a firm engages in a CSR activity which benefits a certain cause the consumer is fond of,

the consumer perceives this activity as more authentic. Interestingly, the probability that a cause is liked is heightened when the customer has the choice which cause is supported by the corporation. Further factors that have a positive effect on the perceived authenticity of the company's performed CSR initiatives are: long-term impact, engagement in multiple initiatives, the amount of money invested in CSR, and the pioneer role of the company for a specific CSR cause. Impact, however, can also be related to a negative outcome of authenticity if the company's CSR engagement is not perceived as meaningful; CSR endeavors may be perceived as ineffective, if the company fails to tackle certain causes deemed as important, or if the engagement is not high enough in proportion to the size and profit of the firm.

2.3.2.2 Motive

The second driver for perceived CSR authenticity by the consumers, according to Alhouti et al., is perceived motive. In the researchers' study, 28% of the participants assumed a company to be more authentic in its CSR initiatives when the underlying motives seem to be public-serving and 43% deemed a company to be inauthentic if the motives are perceived as self-serving. A firm that indulges in self-serving behavior is a firm which underlying motives are of financial nature, often categorized by spending a considerable amount of money on CSR promotion. On the other hand, if a company invests in CSR promotion in a conservative fashion or even seems to lose money because of their CSR initiatives, they may be perceived as authentic. Corporations may be perceived as inauthentic if the truthfulness of their interest in a certain cause is questioned; they may be accused of having underlying image-serving motives, using CSR initiatives to make profits (tax advantages or increased sales), or only engaging in CSR activities because of societal pressure.

2.3.2.3 Reparation

The authors define reparation as the manner in which a firm tries to redeem itself and make restitution for a previous misconduct in a CSR matter. In the study, respondents tended to think of an organization as being inauthentic if they engaged in reparation (20% compared to 5% who saw reparation as a sign of being authentic). Reparation may be seen as authentic in cases where the company not only addresses the previous misconduct in an exemplary manner, but also takes measures to prevent the incident from occurring again. Conversely, if a firm is perceived to employ CSR initiatives solely as a form of compensation for a previous CSR scandal or other negative event, consumers may regard the firm as inauthentic, especially when the compensation is considered as not being enough in comparison to the harm initially caused.

Furthermore, the reason why the incident occurred also has an effect on whether a company is considered authentic or not. For instance, if a company failed to take the right precaution for preventing the incident, or the occurrence is due to neglect of some form, there will be negative repercussions for the perceived authenticity of the CSR engagement of that firm. Similarly, when the CSR conduct is publicly not addressed as such, and not being treated with the adequate amount of seriousness, or if there is no sign or not an appropriate amount of remorse on the part of the responsible company, its authenticity concerning CSR is questioned.

2.3.2.4 Fit

The last authenticity/inauthenticity driver is fit. A firm has a good CSR fit if their CSR actions align with their business model, namely the brand, the products/services they are selling and their target audience. In other words, there is a good fit, if there is, according to the information available to the stakeholders, a concordant relationship between the company's identity (or at least a part of it), and the cause they are promoting and investing in. Likewise, if the business model and the CSR practices of a company do not align, so there is no concordance between them, they may be considered inauthentic. Other reasons for perceived inauthenticity may be the public accusation of being hypocritical; this may be the case when the sheer business model it follows harms its own CSR causes (e.g., oil companies or mining companies), or the concept of the brand does not have a natural connection with a philanthropic mindset (e.g., selling high-end products, which may be perceived as self-serving behavior) (Alhouti et al., 2016).

As a matter of fact, perceived CSR authenticity and the factors that have an influence on it are of ongoing interest for academics. Expanding on Alhouti et al., (2016), Tarabashkina et al. (2020) concentrate in their study on another factor which influences in perceived CSR authenticity: CSR spending allocations and its resulting (in)equity perceptions. The researchers conducted three experiments; in the first one, they found that smaller CSR allocations, considered as disproportionate compared to the potential reputational benefits the company may reap from its CSR communication, lead to higher inequity perceptions. These perceptions of inequity then have a strong negative effect on the perception of CSR authenticity. Subsequently, the second experiment sheds light on the role of the firm size regarding CSR allocation and inequity perceptions. When a large and small firm both allocated a rather small percentage to CSR, perceptions of inequity were higher for the larger firm, as the small allocation seemed disproportioned to the actual company size. Contrarily, if both firms attributed a larger percentage to CSR, both of them were regarded more favorably (higher equity perceptions) and therefore, more

authentic. In other words, a CSR allocation must be proportionate to the annual profits of the company in order for the CSR engagement of that same company to be perceived as authentic. Finally, the third experiment was set up to test if there was a difference between customers and non-customers of a company, considering inequity perceptions. Tarabashkina et al. (2020) initially assumed that customers of an organization would be more critical than non-customers of an organization regarding the percentage allocated to CSR spending. Even though, the third experiment supported the findings of experiment one and two, there was no difference in equity perceptions found between both customer types. Both customer types reacted similarly and perceived inequity based on the actual percentage allocated and its proportion to the firm size. However, in spite of the fact that the contributing factors to the positive reception of CSR authenticity by the public are known, consumer skepticism is high, due to the assumption of companies engagement in green-, blue- or pinkwashing (Laufer, 2003; Alhouti et al., 2016; Afzali & Kim, 2021). This rise in skepticism is specifically aimed at corporations deemed untrustworthy or operating in an industry seen as untrustworthy; a high involvement in CSR practices by these companies would be deemed as hypocritical and be received negatively by the public (Mohr et al., 2001; Joo et al., 2019; Afzali & Kim, 2021). Therefore, corporations often run the risk that their CSR performance is perceived as a way to promote their reputation or to deviate from the environmental or societal harms they are guilty of (Afzali & Kim, 2021; Delmas & Burbano, 2011, in Joo et al., 2019). Hence, it is important that the CSR activities a company engages in are not just superficial, image-promoting endeavors, but a significant part of their core identity; as a result, the public will react positively and reputation increases (Jeon & An, 2019; Diers-Lawson et al., 2020). An essential part of such an approach is to view the business model of a company under a stakeholder-inclusive light and to take into account the priorities and values of all the stakeholders. What this entails, will be discussed in the next chapter.

2.4 Stakeholder governance

2.4.1 Concept and implications

The term stakeholder governance can be seen as a derivative of two different words: stakeholder and corporate governance. Corporate governance is defined as the way in which a company is directed and controlled (Cadbury, 2000) and its objective traditionally has been to maximize shareholder value, so to maximize profits for shareholders (Freeman & Ginena, 2015).

However, over the last years, another approach to corporate governance has increasingly gained in importance: stakeholder governance or stakeholder management / the stakeholder model. These concepts are, for a large part, based on ideas from stakeholder theory, a term coined by Robert Edward Freeman in 1984 (Elms et al., 2018).

Stakeholder theory draws on the premise that all of the stakeholders, not only shareholders, are important if a company wishes to succeed in today's world (Freeman, 2010). The traditional shareholder centered view of business-making started to shift as companies' relationships with external groups, such as suppliers, customers and employees, started to change. In addition, the power of foreign competition, the government, the media, as well as of environmental and social advocates, rose.

The term stakeholder itself, according to Freeman (2010), was originally introduced by the Stanford Research Institute in an internal memorandum in 1963. As defined by Freeman in his book *Strategic Management: A Stakeholder Approach*, originally published in 1984, a stakeholder in a company is determined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 2010, p. 46); this implies that also stakeholders set outside of the firm, as suppliers or customers, are included (Philipps et al., 2019). Examples of stakeholders are, according to Freeman, employees, customers, owners, suppliers, competitors, governments, local community organizations, consumer advocates, media, special interest groups, and environmentalists.

Freeman highlighted two different issues regarding stakeholder theory: First of all, it is necessary to develop a strategy for each of these groups. To do this, it is essential to understand the groups' key issues involved, as well as their degree of willingness to work hand in hand with the company.

Second, Freeman insisted that stakeholder groups are not to be treated in isolation but in conjunction with one another. This means that a strategy specifically designed and employed for one stakeholder group, automatically has implications on the other groups. This again implies, that not only the specific needs and issues of a stakeholder group need to be understood, but also the synergy between the groups (Freeman, 2010). Thus, over the years, the company-stakeholder-relationship gained more and more importance, and at the same time, the theory moved towards a less corporate-centric view (Andriof & Waddock, 2002). As a result, stakeholders are not merely viewed as groups to be managed by the company, but are met with a more relational, networking-type of approach (Andriof & Waddock, 2002).

Nonetheless, despite the advancement of the stakeholder theory, Amis et al. (2020) state that the current interpretation of stakeholder governance needs to be reconsidered and suggest that,

as different stakeholders have different interests, stakeholder governance should be viewed under the light of recurrent bargaining processes between stakeholders and its resulting conflicts and negotiations. Negotiations about conflicting economic and non-economic interests could be simultaneous, for a short, or a long period of time before resulting in the resolution of a conflict (Amis et al., 2020). Furthermore, the authors suggest that, in a stakeholder governance approach, priorities among the different stakeholders should be formed (Amis et al., 2020). Hence, the interests of some stakeholder groups will be prioritized over others, based on the decision of the managers or other influential reasons, e.g., how powerful a stakeholder group is (Amis et al., 2020).

Stakeholder governance may have different implications in different business fields and must be applied accordingly. In the following subchapter, stakeholder theory will be discussed in the context of marketing and supply chain management.

2.4.2 Stakeholder governance applications

2.4.2.1 Marketing

Traditionally, in marketing, only one single stakeholder was generally considered: the customer (Maignan et al., 2005; Bhattacharya, 2010). Laczniak & Murphy (2012) describe the then common approach to stakeholders in the sphere of marketing as “instrumental and company centric” (p. 286); according to the authors, stakeholders are merely handled in a way that they do not pose a threat to the economic goals of the company or are even used as a tool to maximize shareholder value. However, with continuously changing societal realities, it is more and more acknowledged that not only customers, but a myriad of different stakeholder groups must be taken into account (Maignan et al., 2005; Bhattacharya, 2010). This poses a problem for companies following a traditional business model with the sole focus on augmenting shareholder profits, as oftentimes, stakeholders’ needs and claims are in direct opposition to this maximization of profits (Laczniak & Murphy, 2012).

According to Laczniak & Murphy (2012) marketing that focuses on all the stakeholders, first of all, should be “normative ethical”; this means that the firm follows a set of moral principles, even if its implications may not be financially favorable for the company. Second of all, as previously already mentioned, a company should have a “macro” view of its business objectives and model, which goes beyond the mere satisfaction of customer needs and shareholder maximization. Third, there’s a need for a co-creative dimension in marketing; companies

should deviate from a firm-centric view to an inclusive system, where the constant dialogue with stakeholders is welcomed.

Hillebrand et al. (2015), agree with the fact that the focus of a company should be on every stakeholder and not only on customers or distributors, but they also add that stakeholder marketing needs to acknowledge that stakeholders are not independent from one another, but rather interrelated (Hillebrand et al., 2015). Contrarily to the traditional view, which addressed stakeholder interests one by one, stakeholder marketing takes into account this complex network of interrelated stakeholder groups that have some type of direct or indirect interaction with each other (Hillebrand et al., 2015). Considering this, the consequences of every marketing action for every stakeholder group must be considered, paying attention to the multilateral influences between the groups. In agreement with Laczniak & Murphy (2012), Hillebrand et al. (2015) state that value is created in co-creation with the stakeholders, and does not represent a unilateral offer from the company to the stakeholders. The marketing landscape changed; in fact, Hillebrand et al. (2015) identified three complexities of stakeholder networks which have to be faced in marketing:

- 1) the shift from dyadic to a complex value exchange process,
- 2) explicit rather than implicit tension between stakeholders,
- 3) dispersed rather than centralized control over marketing activities.

To solve these issues, the authors discuss three different capabilities: systems thinking, paradoxical thinking and democratic thinking.

To achieve these capacities, the researchers defined three steps that should be followed: 1) The company needs to assess its own stakeholder marketing capabilities. Strong stakeholder marketing capabilities are especially important if a company operates in highly complex stakeholder networks. The company must find out to which degree its stakeholder exchange relationship has an influence on other stakeholder groups, to which degree it needs another stakeholder group's support for the exchange and to which degree different stakeholder groups express opposing interests (explicit tension). If those are high, an assessment is crucial. Lastly, the company needs to evaluate if it has high dispersion of control, which represents the degree to which stakeholders are able to have control in the process of decision making in marketing. 2) In the second step, a firm should prioritize the required capabilities, by comparing the current state of the three before mentioned capabilities; where is the gap between actual and required capabilities the largest, which one is the most urgent to work on? 3) Finally, in the last step, these capabilities are then built by different practices of the company, of which Hillebrand et

al. (2015) offer a non-exhaustive list in their paper. Amongst these are, for example, regular cross-functional team meetings, the use of stakeholder checklists, rewards for employees that enhance perceived fairness, etc.

Nonetheless, stakeholder theory is not also valuable in marketing, but may also be applied in supply chain management, as shown by Co & Barro (2009) in the next subchapter.

2.4.2.2 Supply chain management

Apart from stakeholder marketing, stakeholder theory also has its implications in supply chain management. Stakeholders in a supply chain may be producers, suppliers, vendors, retailers, authorized distributors, logistic providers, financial institutions or customers (Co & Barro, 2009). To deal appropriately with the stakeholders in a supply chain a stakeholder management strategy must be developed; Co & Barro (2009) focus in their study on two different strategies, aggressive or collaborative. If the stakeholder management strategy chosen in supply chain management is aggressive or collaborative, is affected by a combination of self-perception, other-perception and group-perception.

The first factor that plays a role in self-perception is the perceived relative power of an organization. How a company sees its position comparing to the stakeholder's position, depends on the perceived power of that stakeholder. In other terms, the self-perceived relative power of a firm, is the power the firm holds in the supply chain compared to the stakeholder. The second factor is relative urgency, which describes the urgency of a company to enter in collaboration with a stakeholder to fulfill or delay a project and the stakeholder's urgency to do so. Finally, the third factor, relative legitimacy, designates desirable and appropriate actions of the company in a specific context. If the self-perceived relative urgency and legitimacy are high, a firm may employ a more aggressive strategy towards the stakeholder in question, so a strategy that aims at influencing, forcefully, in the stakeholder's behavior (Co & Barro, 2009).

Another type of perception Co & Barro (2009) describe, is called other-perception. Other-perception, or, "the perceived salience of the stakeholder" (p. 597) designates the perceived importance of that stakeholder for the successful realization of the project. If this perceived importance is high, will likely not opt for aggressive strategies towards the stakeholder, as it is dependent on it, hence the organization will choose a cooperative strategy by, for instance, treating stakeholder issues more leniently.

The last type of perception Co & Barro (2009) highlight in their study is group-perception. This perception represents the general impression a company has of the relationship of its

stakeholder partnership. It includes perceived group climate, which describes the quality of the relationship and group efficacy which refers to the group's capacity to produce the intended outcome of the collaboration. If the group climate is supportive and group efficacy is high, cooperation will be the preferred type of strategy.

In conclusion, if there is a high level of trust among the stakeholders, so that stakeholders feel it is legitimate to collaborate with the organization, the collaboration is seen as effective and there is a high urgency to collaborate, an organization will likely choose a cooperative stakeholder management strategy, according to Co & Barro (2009).

After having now discussed CSR and stakeholder governance, the next subchapter will shed light on the differences and overlapping of both frameworks.

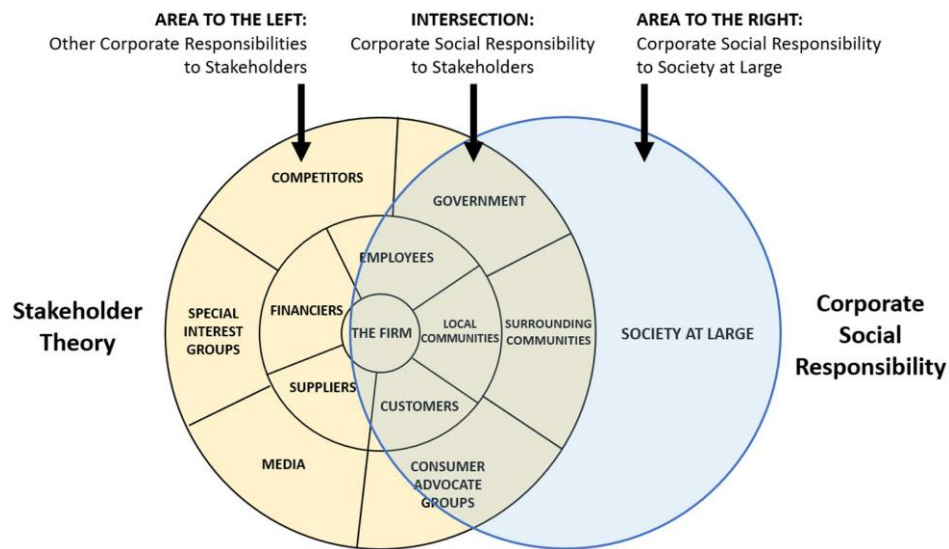
2.4.3 Stakeholder governance and CSR

Freeman and Dmytriyev (2017) argue that CSR and stakeholder theory can be viewed as distinct concepts, but with noticeable similarities. The main similarity would be that both concepts put great emphasis on having societal interests incorporated into the business operations of a company (Freeman & Dmytriyev, 2017). However, they have a difference of perspective; whereas CSR looks at the corporation from a societal perspective at large, stakeholder governance takes the standpoint of the company itself and from its close stakeholders. Thus, CSR focuses on one specific aspect, which is the company's responsibility to society; stakeholder governance puts emphasis on business responsibilities in general (Freeman & Dmytriyev, 2017).

As can be deduced from Figure 1, as found in Dmytriyev et al. (2021a), stakeholder theory and CSR fully overlap when it comes to local and surrounding communities and partially government, employees, etc. These areas only overlap partially due to the social responsibilities the company has towards these specific stakeholders. These social responsibilities are included in CSR but represent only a part of all the corporate responsibilities the company has towards these same stakeholders (financial, etc.) from a stakeholder theory perspective. Furthermore, stakeholder theory focuses on social responsibilities close or surrounding the company, whereas CSR stretches social responsibilities out much further to society at large. This means that both concepts can be applied in the overlapping areas, depending on where the decision maker is positioned on these three dimensions.

Figure 1

Overlaps of Stakeholder theory and CSR



Note: From “The Relationship between Stakeholder Theory and Corporate Social Responsibility: Differences, Similarities, and Implications for Social Issues in Management,” by S.D. Dmytriiev, R.E. Freeman, and J. Hörisch, 2021b, *Journal of Management Studies*, 58(6), 1458. (<https://doi.org/10.1111/joms.12684>) Copyright 2021 by Society for the Advancement of Management Studies and John Wiley & Sons Ltd. Reprinted with permission.

Moving now away from CSR and Stakeholder Governance, the next chapter will discuss the chosen approach for the research.

3. Methodology

In this part, the reason why the research is conducted in the apparel industry, as well as the methodology of the study will be explained.

3.1 Research in the apparel industry

The apparel industry has been specifically prone to the effects of globalization and has been under rising scrutiny for its production processes (White et al., 2017). In order to understand the dynamic of NIKE, adidas and PUMA, it is necessary to first take a look at the apparel supply chain and the different sourcing and shoring options. A supply chain basically represents a set of activities which encompasses everything in the value creation process, from the raw materials to its selling to customers (Wang, 2018). Ideally, all of the different processes should blend seamlessly together to achieve maximum productivity (Wang, 2018). Fiebrig (2018) describes the different steps of an apparel supply chain as follows: 1) sourcing of raw

material, meaning planting, harvesting or collecting materials like wool, cotton and silk or producing synthetic fabrics, such as polyester; 2) material is processed into different types of fabrics and additional components for the further processing of these fabrics are produced; 3) fabrics are turned into garments through different types of finishing processes 4) putting into circulation of the finished product, e.g., a store, online store, etc.

These supply chains generally have two main approaches to sourcing products; in-house sourcing and outsourcing (Kim et al., 2013, in Wang, 2018). In-house sourced products are made internally, whereas outsourced products are made by an external supplier or partner specialized in the manufacturing of these products. (Kim et al., 2013, in Wang, 2018). Now, offshore outsourcing, a practice adopted by most apparel companies, means that outsourcing is practiced outside of the country the company is based in (Arrigo, 2020).

The reason why fashion companies choose to outsource far more often than to produce in-house, is because labor costs in low-income countries are significantly lower than in high-income countries (Wang, 2018; Arrigo, 2020). According to Lu and Davis (2020), garment workers in Sri Lanka gained approximately 55\$ monthly in 2019, workers from Bangladesh 63\$. This is in comparison to, for example, the UK where garment workers gained 1,734\$ per month or France with 1,554\$ monthly (Lu & Davis, 2020). Thus, outsourcing is an effective way to save costs for companies and to be able to keep up with competitors, as those saved costs can then be invested wherever needed (Arrigo, 2020). Certainly, these changing dynamics come hand in hand with mass production and structural changes of the supply chain, altering the business landscape and making competition fiercer (Wang, 2018). The growing competition forced apparel companies to externalize even more of their activities, which resulted in extremely widespread and complex global supply chains, as companies outsource from multiple suppliers and manufacturers around the world (Wang, 2018, Arrigo, 2020). Therefore, supply chain management (SCM) is especially important in the fast-paced fashion industry, with consumers expecting on one hand the rapid adoption of new trends (“Fast fashion”), but, on the other hand, require environmentally and socially friendly practices (Wang, 2018). Fast fashion is characterized by short product life cycles, paired with low predictability, high volatility of market demand, as well as high-impulse purchases by customers (Ferne & Sparks, 1998, in Wang, 2018). Besides the reduction of costs, flexibility in design, quality, delivery and speed to market must be high to keep customers satisfied (Wang, 2018). SCM is crucial for the success of these companies, as it is responsible for tracing and tracking information flow, as well as goods and services flow from the first step of a supply chain to the last step (Wang, 2018).

One very common type of supply chain, widely present in the fast fashion sector, is the lean supply chain. Lean is a concept originated from Toyota with the goal to smoothen out production by abolishing every activity that does not add value to the customer (Wang, 2018). Just-in-time (JIT) manufacturing is a part of lean production and places the consumer in the center of activity, while minimizing inventory (Wang, 2018).

However, as apparel supply chains need to be responsive to volatile demand, another, more recent type of supply chain has become prevalent in the fast fashion industry. As consumer demand that fluctuates regularly is a key factor of fast fashion, it is necessary for the fashion company to adopt an agile SCM strategy (Wang, 2018). An agile supply chain is flexible in the manufacture processes and is able to respond quickly to regular fluctuations (Wang, 2018). When employing an agile strategy, customer responsiveness is high and uncertainties are anticipated (Christopher et al., 2001, in Wang, 2018; Jackson & Johansson, 2003, in Wang, 2018). This is of uttermost importance in the fast fashion industry, as the product life cycle is short, due to quickly changing trends to which the company needs to adapt. There are some techniques that can be used to make a supply chain agile. One method is postponing the manufacturing process, so as to create only a base product and to not add the finishing and specialization processes right away (Chaudhry & Hodge, 2012, in Wang, 2018). By doing this, customer responsiveness can be enhanced, as garments can be adapted later on with the aid of specific data regarding trends and consumer demands (Wang, 2018).

Having now discussed some of the relevant concepts for the following case studies on NIKE, adidas, and PUMA, the methodological part will start with the research gap, question and hypotheses.

3.2 Research design

In this chapter the most fitting research design to answer the research question will be presented as well as the reasons for choosing it.

The focus on this study will be on three different companies: NIKE, adidas and PUMA. First, ESG key issues from four different rating companies, regarding the textiles and apparel industry, as well as, to a lesser degree, low risk industries and risks relevant for all industries, are gathered and summarized into three different tables: one for environmental issues, one for social issues, and one for governance issues. In a second step, a descriptive case study will be conducted. A case study is regarded as a qualitative method; the reason why a qualitative method was chosen to answer the research question mainly is because of the limited number

of companies analyzed. A quantitative method would not present itself as useful when dealing with only three companies. Other reasons, in which a qualitative method is preferred as a research method, are explained by Hair et al. (2020): 1) when there is not much known about a research problem, 2) when the research problem only has been partially explained, 3) when material is involved that is not accessible through experiments or surveys, e.g., cultural or psychological material, and 4) the research is conducted primarily to establish new hypotheses and ideas.

For this thesis, it can be stated that the qualitative research on NIKE, adidas and PUMA aim to offer some insight that has not been there before and that the research problem only has been partially explained (by reports and other data, as ESG ratings), hence, a qualitative method is supported. In line with Hair et al. (2020), this method is not followed up by any quantitative research, as quantification is not applicable in this case.

The qualitative method that is chosen is a case study, ore more precisely, three different case studies. According to Yin (2018), a case study is preferable as a research method, when the researcher only has little or no control over a currently relevant problem.

The aim of the case studies is to create a CSR communication table for each of the three companies; this CSR communication table is based on the same ESG key issues, already described in the previous models. Coming to the nature of the data, secondary data will be employed instead of primary data, as it is not the goal to collect consumers' or practitioners' perceptions about CSR initiatives of NIKE, adidas and PUMA. Therefore, primary data gathered, for example, through surveys or interviews, would not be of use. The data itself may be of qualitative (written statements in CSR and annual reports, independent reports, and ESG rankings) and of quantitative (quantitative ESG data, quantitative data about sustainability activities in CSR reports and websites) nature. It is considered important not to use only CSR communication data published from the organizations themselves, as this information may be biased and has shown to raise higher skepticism compared to data retrieved from non-corporate sources (Skard & Thorbjørnsen, 2014).

The CSR communication table illuminates the CSR activities the companies claim to engage in, as found in their CSR and annual reports, as well as proxy statements. To make a statement about the CSR authenticity of the respective firm, the CSR communication will be discussed with the help of non-corporate CSR information: sustainability and transparency indexes, independent reports, news articles, as well as, to a lesser extent, ESG evaluations of the four rating firms. For clarity, scores and specific assessments (excluding newspaper articles, case studies, etc.) will be presented in a table which will be explained subsequently. The

independent information used will be a maximum of three years old (2020). It must be added that independent rankings or indexes who clearly state in their methodology that they require (partially) evidence to back up the companies' claims, are highly preferred. Finally, if the independent judgements on NIKE's, adidas' and PUMA's CSR practices are generally in line with their CSR-related communication, this will be interpreted as a first indication of their CSR authenticity.

The next subchapter will discuss ESG ratings, as well as introduce the four rating companies and their methodology for their ESG rating, necessary for the case studies.

3.3.1 ESG ratings

The analysis is based on ESG risk ratings, an abbreviation that stands for Environmental, Social and Governance. ESG ratings are mostly conducted by investment, finance, or credit rating firms and measure the economic risks a company may be facing, based on its environmental, social, and governance performance (unmanaged ESG risks) (Morningstar Sustainalytics, 2021). Through evaluating the ESG performance of a company, a score is calculated; if the score is low, there is less unmanaged risk, a higher score indicates that there high unmanaged ESG risk (Morningstar Sustainalytics, 2021). However, not all ESG risks have the same weight; a material ESG issue has a significant impact on the business, and, therefore, on the financial value of a company (Flynn et al., 2022; Morninstar Sustainalytics, 2021). Consequently, this affects its risk- and return profile, and therefore, investment decision-making (Morningstar Sustainalytics, 2021). The methodology for calculating and categorizing ESG scores may differ between the organizations and is, in the following, only addressed superficially for the selected investment firms, as it surpasses the scope of this thesis.

For the case studies the publicly available ESG ratings of four different investment companies are used, whose selection is based on the Investor and Expert Survey regarding ESG Ratings Quality and ESG Ratings Usefulness, published in the Rate the Raters 2020 report (Wong & Petroy, 2020). This report has been published by the SustainAbility Institute, which is a platform created by Environmental Resources Management (ERM), a sustainability consultancy. It is the third report since the original Rate the Raters series ended in 2013 that has been published on the SustainAbility website. Rate the Raters 2020 contains a survey of 25 investors as well as 17 in-depth interviews with investors on their opinions of current ESG rating and how these ratings are used for ESG evaluation (Wong & Petroy, 2020). Investors were interviewed in order to find out the reasons and the different ways they use ESG Data (Wong & Petroy,

2020). Furthermore, the interviewers wanted to know which research firms the investors use and which trends they see regarding ESG (Wong & Petroy, 2020). All of the interviewees, which consisted, amongst others, of analysts, senior portfolio managers or heads of sustainable investment research, were employed by an investment firm, either in the USA or Europe (Wong & Petroy, 2020). The report also includes the 2019 Expert survey results on 318 “(...) sustainability professionals in corporate, NGO, government, academic and other sectors” (Wong & Petroy, 2020, p. 2) on their perceptions concerning ESG ratings quality and usefulness (Wong & Petroy, 2019). Considering the ESG ratings quality and usefulness results of investors and experts published in the report of 2020 and the availability of data, ESG ratings of the following firms have been consulted:

- MSCI (Morgan Stanley Capital International), a finance and investment research company,
- S&P Global, a credit rating and analytics agency,
- Morningstar Sustainalytics, a ESG rating and analytics firm, acquired by the investment firm Morningstar in 2020,
- and finally, ISS ESG from ISS (Institutional Shareholder Services), a group of companies offering investment and corporate solutions.

The first firm, MSCI, offers a comprehensible and detailed representation of its ESG methodology and the final score and is the only of the four investment firms with individual data on environmental, social, and governance performance. MSCI puts its focus on the three main pillars of ESG, environmental, social, and governance (MSCI, n.d.-f). These pillars are then divided through different categories, to which are then attached 35 ESG key issues (MSCI, n.d.-e). For example, the ESG key issue “Carbon emissions” can be found under the category “Climate Change”, as part of the “Environment Pillar” (MSCI, n.d.-f). MSCI evaluates the management of material ESG risks of a company in comparison to its peers; following this evaluation the organization in question may be attributed an AAA or AA (leader), an A, BBB, BB (average), or a B, CCC (laggard), relative to its peers in the industry (MSCI, n.d.-b). The data collected for the evaluation is publicly available (MSCI, n.d.-b).

The second agency chosen, S&P Global, provides the S&P Global ESG Scores. The main differences between the S&P Global ESG Scores and ESG ratings from other agencies, is that S&P Global not only relies on publicly available data when doing its evaluation, but also has its own assessment, called the S&P Global Corporate Sustainability Assessment (CSA) (S&P Global, n.d.-a). Firms may participate in this annual assessment, which consists of 61 industry-

specific questionnaires, to evaluate their ESG performance (S&P Global, n.d.-a). They may then be selected for S&P Global's annual Sustainability Yearbook, in which highest ranked companies are featured. S&P Global states on its website, that its ESG scores are based on "(...) up to 30 focus areas across sub-industries" and 130 questions about sustainability topics (S&P Global, n.d.-e). S&P Global assess 68 ESG topics by dividing them into the three ESG components, which are, social, environmental, and governance & economic. It then rates companies on an environmental, social, and governance & economic score, to then come to the final ESG score. Finally, it also looks into the score history and focuses on key issues for the textile industry, e.g., "Circular Fashion", "Supply Chain Management", etc.

The third company whose ESG ratings are used for the evaluation of the CSR authenticity of NIKE, adidas and PUMA, is Morningstar Sustainalytics. In the ESG assessment of Sustainalytics, unmanaged ESG risks are "measured on an open-ended scale starting at zero (no risk)" (Morningstar Sustainalytics, 2021, p.4); the maximum score which can be attained is below 50 for 95% of the companies assessed (Morningstar Sustainalytics, 2021). When evaluating the risk, the organization in question is compared across the industry it operates in (Morningstar Sustainalytics, 2021). Sustainalytics' rating consists of three so called "building blocks": corporate governance, material ESG issues and idiosyncratic ESG issues (Morningstar Sustainalytics, 2021). The first building block, corporate governance, is assessed for every firm, irrespective of the subindustry it operates in, as it is viewed as a foundational element with possible material risk (Morningstar Sustainalytics, 2021). Material ESG issues represent the second building block, as the manner in which they affect the financial value of a firm in its subindustry is predictable (Morningstar Sustainalytics, 2021). Finally, idiosyncratic issues, the third building block, affect the economic value of a company in an unpredictable manner, as they are unrelated to the specific subindustry the company is operating in; there are, however, event related (Morningstar Sustainalytics, 2021). Nonetheless, these idiosyncratic issues can turn into material issues in some cases (Morningstar Sustainalytics, 2021). After assessment, the companies are then, based on their scores, grouped into one of the following five risk categories: negligible, low, medium, high, or severe risk (Morningstar Sustainalytics, 2021).

The last company used in this thesis for ESG ratings is ISS ESG, the branch of the company group ISS that is focused on offering more responsible investment solutions. Firms are evaluated based on a standard set of universal, as well as industry specific ESG topics (ISS ESG, n.d.-b). Per rated topic, ISS ESG applies around 100 ESG indicators, giving more weight to material ESG issues relevant for the given subindustry (ISS ESG, n.d.-b). ISS ESG's assessment consists of a twelve-point grading system, ranging from A+/4.00 (excellent performance)

to D-/1.00 (poor performance) (ISS ESG, n.d.-b). An individual score is calculated by evaluating ESG indicators based on expected performance; the results are then aggregated to come to an overall score (ISS ESG, n.d.-b). Furthermore, the company's performance in comparison with industry peers is indicated, ranging from 1 (high relative performance) to 10 (low relative performance) (ISS ESG, n.d.-b). Rated companies that are considered to be leaders in their respective industry, receive "prime" status, ranging from C (industries associated with low risk) to B- (industries associated with high risk) (ISS ESG, n.d.-b). The extent of the industry specific ESG risks defines which ESG performance is required of the company, how the weight is distributed between the ESG factors, as well as the threshold to be considered "Prime" in a specific sector (ISS ESG, n.d.-b). Hence, companies in high-risk sectors must attain a better score to obtain Prime status than companies in low-risk sectors (ISS ESG, n.d.-b). For cross-sector comparisons a standardized threshold measuring company performance on a scale of 0 to 100 with 50 representing the Prime threshold for the respective industry is offered (ISS ESG, n.d.-b). Also, ISS ESG developed its so-called "Governance QualityScore" to assess company's governance, focusing on board structure, compensation, shareholder rights, and audit and risk oversight (ISS ESG, n.d.-a).

A score is then attributed ranging from 1 (low risk) to 10 (high risk), (ISS ESG, n.d.-a). The relevant data is collected by ISS, amongst others, from public information published from the company in question, media, NGOS, government and inter-governmental agencies (ISS ESG, n.d.-b).

In the following subchapter, the material key issues, according to MSCI, S&P Global, Sustainalytics and ISS ESG, for textile and apparel companies will be presented, to gain an overview which issues are considered as important and therefore weighted more in the ratings companies' analysis.

3.3.2 ESG Key Issues (Material ESG)

In the following, the material key issues for the textiles and apparel sector have been gathered from MSCI, S&P Global, Morningstar Sustainalytics and ISS ESG; each of these firms include NIKE, adidas and PUMA exclusively in the textiles and apparel sector. Moreover, material risks for low ESG risk industries (in which textiles & apparel are included) and relevant risks regardless of the industry, from Morningstar Sustainalytics, are taken into account. The material issues are divided into environmental, social and governance. A few issues have been re-named for simplicity reasons. Recurrent issues (issues that are pointed out by more than one

firm) are highlighted, issues that are similar to each other, are regrouped into one category for simplicity reasons, others have been completely omitted due to lack of relevance for the case studies. The key factors are explained and it is indicated which investment company contributed with which key issue.

3.3.2.1 Environmental Key Issues

The environmental key issues chosen for the analysis of NIKE, adidas, and PUMA are:

- 1) Resources & Raw Materials (MSCI, n.d.-a; Morningstar Sustainalytics, n.d.-a & -b; ISS ESG, 2022): responsible extraction, conservation and use of resources
- 2) Carbon Footprint (MSCI, n.d.-a; Morningstar Sustainalytics, n.d.-c; S&P Global, 2022): reducing the product carbon footprint and decarbonization in own operations and supply chain
- 3) Waste Management & Circularity (Morningstar Sustainalytics, n.d.-c; ISS ESG, 2022): avoiding waste, also through reusing, repairing, recycling, etc.
- 4) Chemicals & Toxins (MSCI, n.d.-a; ISS ESG, 2022): To avoid confusion, MSCI's ESG issue "Chemical Safety" is included in this ESG issue, even though MSCI classified it as a social issue.

3.3.2.2 Social Key Issues

The selected social key issues for the assessment of NIKE, adidas, and PUMA are:

- 1) Labor & Supply Chain Management (MSCI, n.d.-a; S&P Global, 2022; ISS ESG, 2022): ethical management of labor (in the company) and supply chain (outside of the company); supply chain transparency and traceability
- 2) Human Rights (S&P Global, 2022; Morningstar Sustainalytics, n.d.-a)
- 3) Human Capital (S&P Global, 2022; Morningstar Sustainalytics, n.d.-a & -c): Development of human capital through training and talent attraction, management and motivation of employees
- 4) Occupational Health & Safety (S&P Global, 2022; Morningstar Sustainalytics, n.d.-c): health and safety of the workers

It should be noted that supply chain management has been regarded as a governance issue by S&P Global (2022) and not as a social issue. However, due to the focus on specifically ethical

supply chain management, as it is found in the later presented independent reports and indexes, it is categorized as a social issue in this thesis.

3.3.2.3 Governance Key Issues

The selected governance key issues for the analysis of NIKE, adidas, and PUMA are:

- 1) Corporate Governance (MSCI, n.d.-a; ISS ESG, 2022b): effectiveness of the board as well as its structure (e.g., inclusiveness and diversiveness), compensation structure
- 2) Business Ethics (MSCI, n.d.-a; Morningstar Sustainalytics, n.d.-c)
- 3) Risk & Crisis Management (S&P Global, 2022)

3.2.3 CSR benchmarking

In this subchapter, the sources of non-corporate data, that have been used for the analysis of NIKE, adidas and PUMA will be introduced.

The subchapter will be started by stating that the three companies are members in multiple, often times environmental organizations or are supporting specific programs.

For instance, NIKE, adidas, and PUMA signed the Fashion Industry Charter for Climate Action of the UN Climate Action program, also known as the Paris Agreement (United Nations, n.d.). Furthermore, they are members of the Fashion Pact, an initiative of the textile and apparel sector, to act against global warming, restore biodiversity, and protect the oceans (The Fashion Pact, n.d.). Also worth mentioning is their membership in the Leather Working Group (LWG), a non-profit organization for responsible leather production and sourcing; not only are the three companies members, NIKE and adidas are also co-founders of the group (Leather Working Group, n.d.).

To describe the findings regarding the implementation of the ESG key issues by the companies, different kind of indexes and independent reports were used for benchmarking the claimed environmental efforts of NIKE, adidas, and PUMA. Only the categories or sections of the index that could be attributed to one or more previously defined ESG key issue were taken into account and discussed in the analysis. Depending on the key issue discussed, ESG ratings of the selected rating firms were consulted if relevant. Indexes and reports which required evidence of company claims were preferred, as well as the ones drawing on (partially) different sources than only public corporate information.

The following indexes and reports will be taken into consideration: The Sustainability Index (BoF, 2021), the 2022 Ethical Fashion Report (Baptist World Aid Australia & Tearfund New

Zealand, 2022), the Material Change Insights 2021 (Textile Exchange, 2022), the Fashion Transparency Index (Fashion Revolution, 2022), the Corporate Information Transparency (CITI) (IPE, n.d.-c), the Corporate Climate Action Transparency Index (CATI) (IPE, n.d.-d), and the CDP (Carbon Disclosure Project) (CDP, n.d.-d).

The Sustainability Index, is an index developed by Business of Fashion (BoF), a magazine and website which aims to connect and inform the fashion industry (BoF, n.d.). The index relies on (partially) evidence-based corporate disclosure and measures the five largest companies in the luxury fashion, high street, and sportswear industry in six categories, against 16 social and environmental goals, with a maximal score of 100 (BoF, 2021). The six categories are:

1. Transparency (fully transparent supply chain by 2022 and full disclosure of environmental and socially-related data, as well as data on suppliers). This section was relevant when analyzing the supply chain management of NIKE, adidas, and PUMA.
2. Emissions (reduction of CO₂ emissions by 45 % by 2030). This category was consulted for the ESG issue “Carbon Footprint”.
3. Water & Chemicals (reduction of water use & elimination of harmful pollution, chemicals, and microfibers by 2030). This category was deemed relevant for the discussion of the companies’ chemical management. However, as this category specifically assesses the water pollution through chemical use, the accuracy of this regarding chemical-related issues may be limited.
4. Materials (100% of preferred materials by 2022; 100% of fibers from regenerative and socially responsible sources by 2030; 100% use of recycled polyester by 2030). The section “Materials” was consulted regarding the key issue “Resources & Raw Materials”.
5. Worker’s Rights (human rights protection and working conditions). “Worker’s Rights” represented a relevant category for the discussion of human rights.
6. Waste (minimization of waste and circular economy). This section has been consulted for the discussion of the issue “Waste Management & Circularity”.

The next report consulted was the 2022 Ethical Fashion Report, published by Baptist World Aid, which covers five sections: Policies & Governance, Tracing & Risk, Supplier Relationships & Human Rights, Worker Empowerment and Environmental Sustainability (Baptist World Aid Australia & Tearfund New Zealand, 2022). For the year 2022, a total of 120 companies participated in the Ethical Fashion Report online survey, evidence supporting the

answers was required. In the following, a brief explanation of the different sections of the report will be offered.

The section “Policies & Governance” aims to analyze whether the companies in question possess stable codes of conduct, including the most important elements of supply chain labor conditions and safety. Furthermore, it covers if clear executive and governance accountability for ethical performance is in place. This category was consulted for the general assessment of the companies’ governance issues.

The second section of the report is called “Tracing & Risk”. Here, the focus is on the amplitude of the tracing the company in question has conducted and also which steps it is undertaking to trace the rest of its supply chain. In addition, it assesses the company’s transparency, and the effort put in identifying and addressing human rights and environmental risks in its supply chain. The score of this category was taken into account for the supply chain management of the companies in question.

The next section, also relevant for the analysis of the supply chain management of the companies, was “Supplier Relationships & Human Rights Monitoring”. In this category, it is analyzed which percentage of the production facilities of the companies have been audited. Moreover, it reviews if worker interviews and worker surveys (unannounced, offsite and anonymous) were conducted, and if there have been audits regarding high-risk activities like the use of labor brokers and recruitment fees. Amongst others, it will also be examined if the companies assessed collaborate with their suppliers and offer supplier training.

Relevant for the social key issue “Human Rights”, is the next section, “Worker Empowerment”. The main focus of this category is on the payment of a living wage and worker voice. The companies are assessed on their efforts of ensuring that workers in their supply chain get paid a living wage and have access to training. Furthermore, it is reviewed if worker unions and other types of worker support are endorsed, and if grievance systems are implemented and accessible.

The next section “Environmental Sustainability”, is consulted for a general environmental assessment of the companies. In this category, the spotlight is on sustainable fiber use and commitments to climate action. The environmental impact of the fibers in use is assessed, as well as the companies’ choices of materials. In addition, the water and chemical usage is analyzed. Moreover, it covers climate action, and the measures taken to minimize environmental impacts which may arise during or at the end of the product life cycle.

A report specifically consulted for the key issue “Resources & Raw Materials”, was the Textile Exchange’ Material Change Insights 2021. Textile Exchange is a non-profit company invested

in climate protection and sustainability. Its report, *Material Change Insights 2021*, evaluated 292 companies on their progress regarding sustainable raw material sourcing, using data from its own Textile Exchange Corporate Fibers and Materials Benchmark (CFMB) (Textile Exchange, n.d.). The index measures companies' progress of the use of preferred materials (preferred cotton, recycled polyester, amongst others), embedded in a "materials strategy" in alignment with the UN's Sustainable Development Goals and the circular use of those materials, through a survey (Textile Exchange, 2022). A company is therefore considered an "overall leader", if it has reached "level 4 (leading)", through making significant progress in the use of preferred materials in alignment with the SDGs and engagement in circularity (Textile Exchange, 2022). If the company reached level 4 in aligning the use of preferred materials with the SDGs, it is considered a "SDG leader". A firm may also be a part of the "circularity leaders", when level 4 in circularity is reached. Furthermore, a firm may be viewed as one of the few "big movers", when it has made one of the most significant improvements from 2020-2021. Lastly, companies are described as "new entries" when they the completed the Material Change Insights (MCI) survey for the first time.

The next index that was considered useful for the analysis of the three companies' environmental practices, is the Fashion Transparency Index, published by Fashion Revolution, a fashion activism movement (Fashion Revolution, n.d.). However, it has to be added that this index focuses entirely on the transparency, in other words, the public disclosure of a company regarding its CSR practices and not its actual engagement in them (Fashion Revolution, 2022). This said, it gives a further outlook on the companies' CSR communication transparency. The Fashion Transparency Index explores five different dimensions of 250 large and well-known brands and gives them a score on a scale from 0 to a 100% on: "Policies & Commitments"; "Governance"; "Supply Chain Traceability" or "Traceability"; "Know, Show & Fix"; and "Spotlight Issues".

The first section, "Policies & Commitments" was not consulted.

The second section, "Governance" was used for a general assessment of the management of governance issues. It aims to find out which authority in the company is accountable for social and environmental performance and impacts. It is, for example, reviewed if direct contact details for the CSR department of a company are published and which board member is responsible for CSR issues.

The next category, "Supply Chain Traceability" was consulted for the social key issue "Labor & Supply Chain Management". The focus of this section is on the public disclosure of supplier lists and supplier information.

The third section, “Know, Show & Fix”, as well as the last section “Spotlight Issues” have not been consulted.

Proceeding now to the Corporate Information Transparency Index (CITI) and the Corporate Climate Action Transparency Index (CATI), published by the Institute of Public & Environmental Affairs (IPE), a non-profit environmental research organization based in Beijing (IPE, n.d.-a). CATI is embedded in the CITI index and accounts for 20% of its overall score (IPE, n.d.-b). CITI evaluates brands on the environmental management of their supply chains in China, based on government supervision data and public corporate information (IPE, n.d.-b). Furthermore, scores are continuously updated (IPE, n.d.-b). Criteria on which the companies are evaluated in CITI are: “Responsiveness & Transparency”; “Compliance & Corrective Actions”; “Extend Green Supply Chain Practices”; “Energy Conservation and Emissions Reduction”; and “Promote Public Green Choice” (IPE, n.d.-b).

Regarding CITI, the category “Extend Green Supply Chain Practices” will be consulted for the general assessment of the companies’ environmental ESG issues, as it englobes the management of effluents, waste, and chemicals amongst others.

The index CATI evaluates corporate performance on climate action performance, in other words, companies’ efforts to reduce CO₂ emissions from their supply chain (IPE, n.d.-c). Nonetheless, it needs to be added that this index only takes public corporate information into account. This index measures “Pledged Policies in the category “Governance”; “Mechanism Construction” in the same category; “Scope 1 & 2 Emissions”, as well as “Scope 3 Emissions” in the category “Measurement & Disclosure”; “Scope 1 & 2 Targets” in addition to “Scope 3 Targets” in “Carbon Target Settings”; “Scope 1 & 2 Emission Reduction Progress”, and “Scope 3 Emission Reduction Progress” in “Performance against Carbon Targets”; “Decarbonization in Company Operation”; “Decarbonization in Value Chain”; “Affiliated Company Engagement”; and “Upstream Supplier Engagement”, in the category “Climate Action” (IPE, n.d.-c). All of the categories except for “Governance”, were consulted in the assessment of the companies’ carbon footprint.

The next benchmarking tool used was KnowTheChain, a partnership between three human rights organizations (Humanity United, Business & Human Rights Resource Centre and Verité) and Sustainalytics, with the goal to address forced labor and its risks within global supply chains (KnowTheChain, n.d.). The methodology is based on the UN Guiding Principles on Business and Human Rights, with the focus being on “Commitment and Governance”, “Traceability and Risk Assessment”, “Purchasing Practices”, “Recruitment”, “Worker Voice”, “Monitoring”, and “Remedy” (KnowTheChain, 2022). For this thesis, the subcategory “Traceability

& Supply Chain Transparency” of the category “Traceability & Risk Assessment” was consulted for the issue “Labor & Supply Chain Management”. Moreover, the category “Worker Voice”, which englobes freedom of association, worker engagement, and grievance mechanism was consulted for key issue “Human Rights” (KnowTheChain, 2022). In addition, the subcategory “Migrant Worker Rights”, respectively “Rights of Workers in Vulnerable Conditions” of the category “Recruitment” has been taken into account. However, a negative aspect of this index relies in the fact that it is mainly based on corporate disclosure.

The next index presented will be the Carbon Disclosure Project (CDP), whose category “Climate Change” was relevant for the ESG key issue “Carbon Footprint”. CDP is a non-profit charity that offers environmental impact disclosure systems for companies (CDP, n.d.-a). Participating companies fill out one or more questionnaires about how companies are fighting climate change, acting against deforestation (forests), and protect water (water security) (CDP, n.d.-e). The scoring methodology CDP uses is fully aligned with the Taskforce for Climate-Related Financial Disclosures (TCFD) and provides a score for each category (climate change, forests, and water security) (CDP, n.d.-e). The companies are then graded from D- to A (CDP, n.d.-e). However, CDP is conscious about the risk of greenwashing when companies give their answers, so it is constantly evolving its methodology and adding new metrics to mitigate this problem (CDP, n.d.-f).

The next independent source used for benchmarking is As You Sow. As You Sow, founded in 1992, is a non-profit organization that describes itself as “shareholder advocates” who directly engage with companies to drive positive change regarding CSR issues (As You Sow, n.d.). A report of As You Sow is used regarding NIKE’s key issue “Corporate Governance”.

Furthermore, the data offered by Open Secrets, a non-profit research group which tracks money in US politics is taken into minor account for NIKE’s key issue “Business Ethics” (OpenSecrets, n.d.-b).

Finally, articles from different newspapers and specific reports regarding Uyghur forced labor will be used to assess the key issue “Labor & Supply Chain Management”, as well as “Human Rights” of the companies.

3.3 Case study: NIKE, Inc.

NIKE, Inc. is a multinational corporation, founded in 1967 in Oregon, USA, which focuses on the design, development, marketing and selling of athletic footwear, sportswear, as well as accessories, sports equipment and services (NIKE, Inc., 2022). For simplicity reasons, NIKE,

Inc. will subsequently be referred to as NIKE, designating the corporation and not the individual brand. The company, whose world headquarters are located in Beaverton, Oregon, is the largest seller of sports apparel and footwear in the world with a total revenue of \$46,710 million in the fiscal year 2022 (ended in May 21, 2022), which includes its brands Nike, Jordan, and Converse (NIKE, Inc., 2022). It sells its products through NIKE Direct operations, consisting of the retail stores owned by NIKE and their websites where they also offer interactive customer services and experiences (NIKE Brand Digital) (NIKE, Inc., 2022). Furthermore, it sells its products to retail accounts and independent distributors, licensees and sales representatives (NIKE, Inc., 2022). NIKE operates worldwide and lets almost of its products be manufactured by independent contractors (NIKE, Inc., 2022). Equipment products are manufactured both in the United States and abroad, whereas nearly all apparel and footwear products are manufactured outside of the USA (NIKE, Inc., 2022). Most of sales are registered in the USA, followed by EMEA (NIKE, Inc., 2022).

3.4.1 NIKE’s CSR communication

In this chapter, NIKE’s CSR communication table will be established. The information for the model will be mainly retrieved from Nike’s CSR report, and, to a lesser extent, from its 2022 proxy statement (NIKE, Inc., 2022). The CSR report used will be the newest available, NIKE’s Impact Report of 2021 (NIKE, Inc., 2021). In this report NIKE informs the reader that it has established its first form of CSR report back in 2002; since then, NIKE’s Impact Report is an integral part of their CSR communication. As of right now, NIKE’s CSR priorities are described in the FY25 targets, which are 29 goals that should be achieved by 2025 (NIKE, Inc., 2021). These targets are divided into the categories People, Planet and Play, which are transferred to Nike’s CSR communication model.

Table 1

NIKE’s CSR Communication

Environmental	Social	Governance
Resources & Raw Materials	Labor & Supply Chain Management	Corporate Governance
Carbon Footprint	Human Rights	Business Ethics

Waste & Circularity	Human Capital	Risk & Crisis management
Chemicals & Toxins	Occupational Health & Safety	

3.4.2 Findings

In the following four subchapters, the different findings regarding NIKE’s environmental, social, and governance key issues, as defined in the CSR communication table, will be presented. For every set of material issues, a table was elaborated with the respective scores and assessments. Complementary information regarding the scores/assessments is provided after the table, as well as additional information not discussed in the table. The interpretation of these findings in relation to NIKE’s CSR information can be found under the chapter “4. Discussion”.

3.4.2.1 Environmental

Table 2

NIKE’s Environmental Scores/Evaluations

Resources & Raw Materials	Carbon Footprint	Waste & Circularity	Chemicals & Toxins	General
“Raw Material Sourcing” (MSCI, n.d.-c): ESG leader	“Product Carbon Footprint” (MSCI, n.d.-c): ESG leader	“Waste” (BoF, 2021): 37/100	“Chemical Safety” (MSCI, n.d.-d): average	Environmental Score (S&P Global, n.d.-b): 39/100
“Level 4 (Leading)” in MCI: Overall leader (Textile Exchange, 2022)	“Emissions” (BoF, 2021): 61/100	“Circular Fashion” (S&P Global, n.d.-b): 29/100	“Water & Chemicals” (BoF, 2021): 50/100	“Environmental Sustainability” (Baptist World Aid Australia & Tearfund New Zealand, 2022): 16/20

“Materials” (BoF, 2021): 27/100	CATI score (IPE, n.d.-e): 72.60/100			CITI Category Scores “Extend Green Supply Chain Practices” (IPE, n.d.-e): 18.20/30
	“Climate Change” (CDP, n.d.-d): B			

The first environmental ESG key issue presented is “Resources & Raw Materials”.

First, it can be noticed that NIKE has been defined as a leader regarding MSCI’s material key issue “Raw Material Sourcing” (MSCI, n.d.-c). Moreover, NIKE reached level 4 “Leading” in the 2021 Material Change Insights report by Textile Exchange (2022) and was therefore considered an “Overall leader” regarding materials. However, taking a look into the results of the category “Materials”, which can be found in the Sustainability Index (BoF, 2021), it can be observed that NIKE scored with 27 points significantly lower in this category than in the other categories belonging to the environmental pillar of the Sustainability Index.

“Carbon Footprint” is the second material ESG issue of this subchapter.

MSCI’s (n.d.-c) evaluated NIKE as a leader regarding its key issue “Product Carbon Footprint” and the same positive assessment could be found within the results of the Sustainability Index, as with 61 points, NIKE ranked in the top 4 in the category “Emissions” (BoF, 2021). In regards to CATI (IPE, n.d.-e), NIKE had a total score of 72.60 out of 100 and ranked second out of 155 brands of the textile industry (IPE, n.d.-e).

The following results for CATI could be observed: in the category “Measurement & Disclosure”, NIKE scored 8 out of 10 for scope 1 & 2 emissions and 6 out of 7 for scope 3 emissions. In “Carbon Targets Setting”, regarding scope 1 & 2 targets, NIKE scored 6 out of 7, and had the same results for scope 3 targets in the same category. In the category “Performance against Carbon Targets”, the company scored 8 out of 8 in scope 1 & 2 and 9 out of 9 in scope 3 emissions, concerning the progress of their reduction. Regarding the decarbonization in company operations, NIKE only received 5.50 points out of 12, but 4 out of 6 concerning value

chain decarbonization in the category “Climate Action”. Lastly, affiliated company engagement was at only 1 out of 8, and upstream supplier engagement at 7 out of 16 (IPE, n.d.-e).

Considering these results, it could be observed that NIKE, in general, presents stable results regarding its effort in measuring and disclosing CO² emissions, as well as setting and publicly disclosing its carbon targets. In the “Performance against Carbon Targets” category, NIKE showcased a perfect score, indicating that it meticulously disclosed the progress against its targets to reduce scope 1 & 2 emissions and to finally achieve scope 1 & 2 carbon neutrality, amongst others. Nonetheless, the results for the category “Climate Action” were less than optimal, showing that NIKE was not only lacking in its own decarbonization efforts and the disclosure of it, but also in the engagement of affiliated companies and the engagement of upstream suppliers.

Furthermore, CDP attributed NIKE a B in the category “Climate Change” (CDP, n.d.-d).

The next key issue discussed is “Waste & Circularity”. In the section “Waste” of the Sustainability Index, NIKE scored the highest of all the measured companies with 37 points, although it must be taken into consideration that this category was the worst performing of all (BoF, 2021). In this context, NIKE was the best performing company, but its attained points were still low. Nonetheless, it was, together with adidas and PUMA, the only company that provided data beyond its own operational scope.

Moreover, S&P Global’s (n.d.-b) attributed 29 points to NIKE in the category “Circular Fashion”, while the industry mean was 17, placing the company high above average.

Finally, the last environmental key issue discussed in NIKE’s CSR report is “Chemicals & Toxins”. MSCI (n.d.-d) considered NIKE as average in the category “Chemical safety”. Moreover, in the category “Water & Chemicals” of the Sustainability Index, NIKE ranked in the top 3 with a score of 50 points (BoF, 2021).

Interesting in that context is, that NIKE only recently has been critiqued by the Center for Environmental Health (CEH) for allegedly using Bisphenol A (BPA) in (some) of its sports bras (Difrisco, 2022). The concentration of the tested sports bras showcased BPA levels up to 22 times higher than the allowed minimum amount in California, USA (Difrisco, 2022). This may represent an indication, that NIKE has not banned all harmful chemicals in the manufacture of its products.

Finally, some general information about NIKE’s environmental CSR efforts according to independent sources are presented.

S&P Global (n.d.-b) allocated NIKE an above average environmental score of 39 points scored, whereas the industry mean was only at 27 points. Moreover, in the section “Environmental

Sustainability” of the 2022 Ethical Fashion Report (Baptist World Aid Australia & Tearfund New Zealand, 2022), NIKE scored 16 out of 20 possible points and therefore placed itself in the upper half of the performing companies. Lastly, NIKE scored 18.20 out of 30 in CITI’s category “Extend Green Supply Chain Practices” (IPE, n.d.-e).

3.4.2.2 Social

Table 3

NIKE’s Social Scores/Evaluations

Labor & Supply Chain Management	Human Rights	Human Capital	Occupational Health & Safety	General
“Labor Management” (MSCI, n.d.-c): ESG Laggard	“Human Rights” (S&P Global, n.d.-b): 36/100	/	“Occupational Health & Safety” (S&P Global, n.d.-b): 12/100	Social score (S&P Global, n.d.-b): 19/100
“Labor Practice Indicators” (S&P Global, n.d.-b): 21/100	“Worker Voice” (KnowTheChain, 2021b): 38/100			
“Supply Chain Management” (S&P Global, n.d.-b): 14/100	“Workers’ Rights” (BoF, 2021): 37/100			
“Supply Chain Labor Standards” (MSCI, n.d.-c): ESG Laggard	“Worker Empowerment” (Baptist World Aid Australia & Tearfund New Zealand, 2022): 5/25			

“Transparency” (BoF, 2021): 71/100	“Migrant Worker Rights” (KnowThe- Chain, 2021b): 62.5/100			
“Tracing & Risk” (Baptist World Aid Aus- tralia & Tearfund New Zealand, 2022): 9/15				
“Traceability” (Fashion Revolu- tion, 2022): 56%				
“Traceability and Supply Chain Transparency” (KnowTheChain, 2021b): 75/100				

The first material ESG issue of this section is “Labor & Supply Chain Management”. MSCI (n.d.-c) regards NIKE as an “ESG Laggard” in the category “Labor Management”. Similarly, the company only received a rating of 21 points in S&P Global’s category “Labor Practice Indicators”, compared to the industry mean being 35 points, positioning the company below average (S&P Global, n.d.-b). Regarding the category “Supply Chain Management”, NIKE received a below average score of 14 points, compared to an industry mean of 24 points (S&P Global, n.d.-b). Moreover, MSCI evaluates NIKE as being an “ESG laggard” in “Supply Chain Labor Standards” (MSCI, n.d.-c).

However, it has to be added that NIKE scored generally high regarding transparency and traceability assessments.

The company achieved a high score in the section “Transparency” of the Sustainability Index (71 out of 100) (BoF, 2021), indicating that it attempts to make its supply chain transparent

and disclose relevant data. Meanwhile, the 2022 Ethical Fashion Report granted NIKE 9 out of 15 points in the category “Tracing & Risk”, positioning NIKE in the upper half of the assessed companies (Baptist World Aid Australia & Tearfund New Zealand, 2022). Similarly, NIKE was located in the upper half of the companies assessed in the section “Traceability” of the Fashion Transparency Index, in which it attained 56% (Fashion Revolution, 2022). Accordingly, in KnowTheChain’s subcategory “Traceability and Supply Chain Transparency” of the category “Traceability & Risk Assessment”, NIKE scored 75 out of 100 points (KnowTheChain, 2021b).

The second social key issue discussed is “Human Rights”.

S&P Global (n.d.-b) considered NIKE as above average in regards to this key issue, distributing 36 points, with an industry mean of 26. As Morningstar Sustainalytics stated, for companies from the textiles and apparel sector, the management of human rights issues in the supply chain constitutes a highly relevant ESG issue (Morningstar Sustainalytics, n.d.-b). Another relevant category could be found in the Sustainability Index (BoF, 2021) with the section “Workers’ Rights”. In this category, Nike positioned itself on the second place; although this seems in the company’s favor at first glance, it scored the position with only 37 out of 100 possible points, thus showcasing a rather low score (BoF, 2021). Furthermore, it could be observed that NIKE scored especially low in KnowTheChain’s category “Worker Voice” with 38 out of 100 possible points (KnowTheChain, 2021b). Similar results can be observed in the category “Worker Empowerment of the 2022 Ethical Fashion Report, in which NIKE achieved an extremely low score of 5 out of 25 points; however, in KnowTheChain’s subcategory “Migrant Worker Rights” of the category “Recruitment”, NIKE received a high score of 62.5 out of 100 points. Reflective of the scores, the company has been confronted by multiple accusations of forced labor in its supply chain in its recent past, which represents a combination of the key issues “Labor & Supply Chain Management” and “Human Rights”. Even though these issues have been thoroughly discussed in NIKE’s CSR report, harsh critic has been expressed by news sources and reports on a multitude of companies, including NIKE, on these specific issues.

According to a report from the Australian Strategy Policy Institute (ASPI) and an article from the Washington Post, both dating from 2020, one of Nike’s suppliers in China employed Uigur workers which were suspected to work under forced labor conditions (Xiuzhong Xu et al., 2020; Fifield, 2020). Three case studies were conducted for the ASPI report, indicating forced labor of Uyghur workers in factories that supplied major brands, amongst them, NIKE (Xiuzhong Xu et al., 2020). The first case study shed light on a factory in eastern China, which was a manufacturer of NIKE shoes (Xiuzhong Xu et al., 2020). According to the report, the

factories were equipped with watchtowers and barbed-wire fences, amongst other measures, not allowing the Uyghur workers to return home for holidays, unlike the other workers of the factory (Xiuzhong Xu et al., 2020). In response to this accusation, NIKE issued a statement that it is striving to uphold to international labor standards (Fifield, 2020).

According to a Guardian article from 2020, another scandal in relation with one of NIKE's suppliers in India unfolded itself, as apparel suppliers refused to pay the new and higher minimum Indian wage to more than 40,000 workers (Kelly, 2021). While refusing to pay the minimum wage which came into law on April 2020, the factories were still supplying well-known brands, such as NIKE (Kelly, 2021). Again, NIKE issued a statement that it requires suppliers to comply with local regulations and the NIKE code of conduct (Kelly, 2021).

A similar incident occurred in the year 2021, in Cambodia, when garment workers also found themselves deprived of their wages (Clean Clothes Campaign, 2021a).

Moreover, another allegation of forced labor in NIKE's supply chain was reported by Transparentem according to an article of the Guardian (Transparentem, n.d.; Greenhouse, 2019). According to the newspaper, Transparentem's report revealed that suppliers of five apparel factories in Malaysia were suspected to use deceptive behavior to attract migrant workers, which had then to pay excessive, illegal recruitment fees, while four of the five suppliers even retained the workers' passports (Greenhouse, 2019). NIKE was one of the supplier's clients (Greenhouse, 2019). According to KnowTheChain (2021b), Transparentem further reported that to assure that the recruitment fees were paid back to the workers, NIKE worked together with one of the two affected suppliers, as it turned out that the other one was unauthorized and sub-licensed. However, the organization criticized that there was no disclosure on NIKE's part on the engagement with the affected workers and whether they were satisfied with the repaid fees (KnowTheChain, 2021b). KnowTheChain (2021b) also argued that it is unclear how NIKE, despite of its statement, planned to address the risk of forced labor in that specific case. In addition to these reports and news sources, Morningstar Sustainalytics elaborated a "Controversy Ranking", in which supply chain incidents regarding employees and human rights, as well as supply chain incidents regarding labor relations, were named as controversy contributing factors for NIKE (Morningstar Sustainalytics, n.d.-b).

For the ESG key issue "Human Capital", no relevant independent assessment could be found. The last ESG issue that has been discussed in NIKE's CSR report, is "Occupational Health & Safety".

S&P Global (n.d.-b) assessed NIKE on this key issue, rating it 12 points, with an industry mean of 18 points, placing NIKE below average.

Lastly, taking into account a more general assessment of NIKE’s management of social key issues, S&P Global (n.d.-b), distributed a four point below the industry mean score of 19 to NIKE.

3.4.2.3 Governance

In this subchapter, data on NIKE’s governance-related key issues will be presented.

Table 4

NIKE’s Governance Scores/Evaluations

Corporate Govern- ance	Business Ethics	Risk & Crisis Man- agement	General
“Corporate Govern- ance” (MSCI, n.d.- d): ESG Laggard	“Corporate Behav- ior” (MSCI, n.d.- d): average	“Risk & Crisis Man- agement” (S&P Global, n.d.-b): 20/100	Governance & Eco- nomic Score (S&P Global, n.d.-b): 32/100
			Governance Qual- ityScore (ISS ESG, n.d.-c): 10
			“Governance” (Fash- ion Revolution, 2022): 64%
			“Policies & Govern- ance” (Baptist World Aid Australia & Tearfund New Zea- land, 2022): 6/6

The first key issue discussed in this subchapter is “Corporate Governance”.

Regarding this key issue, NIKE has been classified as an “ESG laggard” in MSCI’s category “Corporate Governance”, implying that the company is far below average concerning its board structure and quality, as well as its compensation practices (MSCI, n.d.-d). A critic on NIKE’s remuneration strategy, which may also fall into the next key issue “Business Ethics”, is directed at the company’s compensation of its CEO John J. Donahoe II. According to As You Sow

(2022), Donahoe II was massively overpaid by the time of the organization's analysis, more precisely, by \$38,929,237 for what As You Sow considered a fair pay.

The second governance key issue of this section for which independent data will be presented, is "Business Ethics".

MSCI (n.d.-d) qualified NIKE as being average in the category "Corporate Behavior", therefore placing the company in line with its industry peers.

A practice that may be discussed regarding this ESG issue is lobbying, as although it may be regarded as inevitable and also can have positive effects, it still poses the risk of misuse in expense of the public interest (OECD, n.d.). According to OpenSecrets (n.d.-a), NIKE engaged in lobbying mostly in favor of political parties, campaigns, or persons, that identify as democratic.

Returning to the issue of Uyghur forced labor, a bill was passed with the goal to control imports from Xinjiang (Nix, 2020). The bill, called Uyghur Forced Labor Prevention Act, acted as a response to the allegations of Uyghur forced labor in companies' supply chains (Nix, 2020). Under this bill, US Customs and Border Protection will evaluate every good manufactured or produced from this region on forced labor (Nix, 2020). According to the New York Times, Bloomberg, and other news sources, different federations and associations, including the American Apparel & Footwear Association NIKE is a part of, have been lobbying to weaken the bill (Nix, 2020; Swanson, 2021). The alleged reasons for lobbying against the bill are that the bill did not sufficiently explain how companies could prove their products being forced labor free; this in consequence would then have a negative impact on legitimate supply chains, and, consequently, on the workers (Nix, 2020). However, no matter the reasons, this specific case of lobbying against the Uyghur Forced Labor Prevention Act, may question NIKE's business ethics.

The last governance key issue of this subchapter is "Risk & Crisis Management". S&P Global (n.d.-b) rated NIKE a score of 20 points, 6 points behind the industry mean, which placed the company below average.

Now, more general assessments of NIKE's management of governance issues will be presented.

NIKE received a "Governance & Economics Score" of 32 points, placing it in line with its industry peers, with an industry mean of 31 points (S&P Global, n.d.-b). Interestingly, ISS ESG allocated NIKE a high-risk score of 10 regarding its Governance QualityScore, which represents the maximum that can be attained (ISS ESG, n.d.-c).

Regarding the category “Governance” of the Fashion Transparency Index (Fashion Revolution, 2022), NIKE received a score of 64%. However, regarding the section “Policies & Governance” of the 2022 Ethical Fashion Report, NIKE scored a full 6 out of 6 points (Baptist World Aid Australia & Tearfund New Zealand, 2022).

3.4.2.4 General

In this subchapter data on NIKE’s general ESG performance is presented to provide a more complete overview on it.

After years of NIKE having been attributed an A, MSCI downgraded the company in November 2022 from an A to a BBB (MSCI, n.d.-d).

Similarly, NIKE has been downgraded from S&P Global (n.d.-b) from 56 points in 2020 to 30 points in 2021 and 29 points in 2022.

Morningstar Sustainalytics (n.d.-b) attributed NIKE a low-risk score of 17, ranking it 87 out of 192 companies. NIKE’s exposure to ESG risks has been interpreted as low, its management of its key ESG issues as average (Morningstar Sustainalytics, n.d.-b).

ISS ESG (n.d.-c) allocated NIKE a score of B-, and, according to its ESG distribution rating, NIKE is positioned in the upper half of the spectrum.

3.4 Case study: adidas AG

adidas AG is a stock corporation, founded 1949 in Germany, with initial beginnings as early as 1924 (adidas AG, n.d.-b). The company, whose headquarters are in Herzogenaurach, Germany (adidas AG, n.d.-a), is selling active wear, sports shoes, and accessories, is shortened to adidas throughout the thesis. adidas is the second largest activewear seller behind Nike with a 2021 revenue of \$21.2 billion (adidas AG, 2021); adidas operates in a fiscal year from January to December, so the 2022 results are not available at this point in time. However, it has a nine-month result of \$17.306 billion, in comparison to \$16.096 billion in 2021 (adidas AG, 2022b). adidas and Reebok are the company’s main brands, with Reebok being now slowly divested in and not being a part of adidas anymore in 2022 (adidas AG, n.d.-b; Fashion Revolution, 2022). adidas sells its product through three different channels, wholesale (62%), own retail (20%), 19% (e-commerce) (adidas AG, 2021). The most sales are generated in EMEA countries, followed by USA, Greater China, Asia-Pacific, and finally, Latin America (adidas AG, 2021). In

2021, 96% of adidas' footwear was produced in Asia, mainly Indonesia with 36% of the footwear volume (adidas AG, 2021).

3.4.3 adidas' CSR communication

The information for adidas' CSR communication model will be retrieved completely from adidas' annual report, dating from the year 2021. adidas started publishing an annual sustainability report in 2000; since 2017, its annual and CSR report are combined in a single report (adidas AG, 2021). adidas' CSR strategy is based on its so called "Own the Game" strategy, its strategy in place until 2025 (adidas AG, 2021). The main focus of the strategy is to increase brand credibility, enhance consumer experience and push sustainability forward (adidas AG, 2021). adidas' strategy is composed of three parts: First, "Own the Game" is composed of the company's purpose, which is, according to adidas, to expand human possibilities through innovation, unite people in sport, and engage in a sustainable future (adidas AG, 2021). Second of all, the company has the mission to possess, in the long term, the largest or second largest market share in each of their strategic categories. Third, the propagation of their attitude, which is "impossible is nothing" (adidas AG, 2021).

Table 5

adidas' CSR Communication

Environmental	Social	Governance
Resources & Raw Materials	Labor & Supply Chain Management	Corporate Governance
Carbon Footprint	Human Rights	Business Ethics
Waste & Circularity	Human Capital	Risk & Crisis Management
Chemicals & Toxins	Occupational Health & Safety	

3.4.4 Findings

In the following four subchapters, findings regarding adidas' ESG key issues, as defined in its CSR communication will be presented. For that matter, a table has been elaborated with

independent scores and specific assessments on adidas' ESG key issues. Following the table, explications of the data it contains will be provided, as well additional information not discussed in the table.

The interpretation of these findings in relation to adidas' CSR information can be found under the chapter "4. Discussion".

3.4.4.1 Environmental

In this subchapter, the environmental key issues of adidas will be presented.

Table 6

adidas' Environmental Scores/Evaluations

Resources & Raw Materials	Carbon Footprint	Waste & Circularity	Chemicals & Toxins	General
"Raw Material Sourcing" (MSCI, n.d.-d): ESG leader	"Product Carbon Footprint" (MSCI, n.d.-d): ESG leader	"Waste" (BoF, 2021): 27/100	"Chemical Safety" (MSCI, n.d.-d): average	"Environmental Sustainability" (Baptist World Aid Australia & Tearfund New Zealand, 2022): 17/20
"Level 4 (Leading)" in MCI: Overall leader (Textile Exchange, 2022)	"Emissions" (BoF, 2021): 52/100	"Circular Fashion" (S&P Global, n.d.-c): 43/100	"Water & Chemicals" (BoF, 2021): 46/100	Environmental Score (S&P Global, n.d.-c): 60/100
"Materials" (BoF, 2021): 38/100	CATI score (IPE, n.d.-f): 71.80/100	"Waste and Pollution" (S&P Global, 2021b): Leading		CITI Category Scores "Extend Green Supply Chain Practices" (IPE, n.d.-f): 17/30

	“Climate Change” (CDP, n.d.-b): A-			
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The first environmental issue communicated in adidas’ CSR report, is “Resources & Raw Materials”.

MSCI (n.d.-d) classified adidas as an ESG leader in “Raw Material Sourcing”, indicating that this is a particular strength of the company. Similarly, adidas has been classified as achieved “Level 4 (Leading”) in the Material Change Insights 2021, classifying it as an “overall leader” (Textile Exchange, 2022). Moreover, adidas obtained third place in the section “Materials” of the Sustainability Index (BoF, 2021), although this place has been attained by a relatively low score of 38 out of 100 points.

The next environmental key issue presented is “Carbon Footprint”.

Regarding this issue, adidas is categorized by MSCI as an ESG leader in the category “Carbon Footprint” (MSCI, n.d.-d). Furthermore, the company ranked the eighth place in the category “Emissions” of the Sustainability Index (BoF, 2021), by giving adidas 52 points in said category. Moving on to CATI (IPE, n.d.-f), adidas received a total score of 71.80 out of 100 and ranked fourth out of 155 brands in the textile industry.

The following results could be observed: in the “Measurement & Disclosure” category adidas scored 7 out of 10 for scope 1 & 2 emissions and 7 out of 7 for scope 3 emissions. In “Carbon Targets Setting”, for scope 1 & 2 targets, adidas scored 6 out of 7, the same results could be found for scope 3 targets in the same category. In “Performance against Carbon Targets”, the company scored 5 out of 8 in scope 1 & 2 and 6 out of 9 in scope 3 emissions, concerning the progress of their reduction; regarding decarbonization in company operations, adidas received 6 points out of 12, and 4.50 out of 6 regarding value chain decarbonization in the category “Climate Action”. Lastly, affiliated company engagement is at only 0.50 out of 8, and upstream supplier engagement at 9 out of 16 (IPE, n.d.-f). Considering these results, it can be observed that adidas placed itself in general above average, but discloses a weakness in decarbonizing its own operations and in engaging with companies and upstream suppliers invested in measuring and disclosing their emissions.

Further data on adidas’ environmental performance regarding CO² emissions is available from CDP. CDP granted adidas an A- for the category “Climate Change” (CDP, n.d.-b), indicating that it is in a leading position regarding the fight against climate change, in which emissions play a major role.

Lastly, S&P Global assessed adidas' management of emissions positively. The investment company judged adidas' carbon targets as realistic and was convinced that adidas will achieve its target of carbon neutrality by 2050. Consequently, adidas was considered "strong" in its handling of CO² emissions (S&P Global, 2021b).

The next key issue presented in this subchapter is "Waste & Circularity".

In the section "Waste" of the Sustainability Index (BoF, 2021), 27 points were granted to adidas, ranking it on the fourth place. However, as already mentioned before, "Waste" is the category with the worst results, which may put adidas' score in perspective. In contrast, S&P Global (2021b) classified adidas as leading in the category "Waste and pollution". Furthermore, the category "Circular Fashion" of S&P Global's environmental score was consulted, regarding the circularity of adidas, in which the company received a high above average score of 43 points, with the industry mean being 17 (S&P Global, n.d.-c).

Finally, the last environmental key issue presented for adidas is "Chemicals & Toxins".

MSCI (n.d.-d) considered adidas as average in "Chemical Safety", indicating that the company is in line with its industry peers. In the section "Water & Chemicals" of the Sustainability Index, adidas scored the fifth place with 46 points, placing in the higher middle field (BoF, 2021).

Now, more general information on the environmental practices of adidas will be presented. At the time of S&P Global's detailed assessment on adidas in 2021, adidas received an environmental score of 81 out of 100 points (S&P, 2021b); nonetheless, this score changed to only 60 points in 2022 indicating a massive drop (S&P Global, n.d.-c).

This is in so far intriguing as that the 2022 Ethical Fashion Report gave adidas a high score of 17 points out of 20 for "Environmental Sustainability" (Baptist World Aid Australia & Tearfund New Zealand, 2022) and could be a sign that, although adidas dropped significantly in its environmental score, still belongs to the leaders in its industry regarding environmental practices.

Lastly, adidas received a score of 17 out of 30 possible points in CITI's category "Extend Green Supply Chain Practices" (IPE, n.d.-f).

3.4.5.2 Social

This subchapter will focus on information found on the social key issues of adidas.

Table 7*adidas' Social Scores/Evaluations*

Labor & Supply Chain Management	Human Rights	Human Capital	Occupational Health & Safety	General
“Labor Management” (MSCI, n.d.-d): average	“Human Rights” (S&P Global, n.d.-c): 89/100	/	“Occupational Health & Safety” (S&P Global, n.d.-c): 47/100	Social score (S&P Global, n.d.-c): 53/100
“Labor Practice Indicators” (S&P Global, n.d.-c): 72/100	“Worker Voice” (KnowTheChain, 2021a): 79/100			
“Supply Chain Management” (S&P Global, n.d.-c): 84/100	“Workers’ Rights” (BoF, 2021): 31/100			
“Supply Chain Labor Standards” (MSCI, n.d.-d): average	“Rights of Workers in Vulnerable Conditions” (KnowTheChain, 2021a): 100/100			
“Transparency” (BoF, 2021): 44/100	“Worker Empowerment” (Baptist World Aid Australia & Tearfund New Zealand, 2022): 7/25			

“Tracing & Risk” (Baptist World Aid Australia & Tearfund New Zealand, 2022): 12/15				
“Traceability” (Fashion Revolution, 2022): 55%				
“Traceability and Supply Chain Transparency” (KnowTheChain, 2021a): 87.5/100				

The first key issue that will be presented is “Labor & Supply Chain Management”.

MSCI (n.d.-d) regarded adidas as average in the category “Labor Management, thus, did not differentiate the company from its industry peers. In contrast, S&P Global (n.d.-c) distributed 72 points to adidas in the category “Labor Practice Indicator”, a high above average score, compared to the industry mean of only 35 points. Furthermore, adidas also received a high score in the category “Supply Chain Management”, with 84 points compared to the industry mean of 24 points (S&P Global, n.d.-c), although MSCI, only viewed adidas as “average”. Nonetheless, already in 2021, S&P Global was convinced that adidas had strong control over its supply chain, and that it ensured fair wages, safe working conditions and ethical labor practices (S&P Global, 2021b). Also, according to S&P Global (2021b), adidas regularly accessed supplier facilities, and, in case of non-compliance, introduced measures and trainings as corrective actions.

Regarding the transparency and traceability of the company’s supply chain, evaluations are mixed.

adidas only received 44 points in the section “Transparency” of the Sustainability Index, placing it on the 11th place, far below its competitors NIKE and PUMA (BoF, 2021). At the same time, the 2022 Ethical Fashion Report granted adidas a favorable rating in “Tracing & Risk”

with 12 out of 15 points (Baptist World Aid Australia & Tearfund New Zealand, 2022). Regarding the Fashion Transparency Index, adidas received a score of 55% in its section “Traceability”, placing it in the upper middle field with still considerable possibility for improvement (Fashion Revolution, 2022). Lastly, in the subcategory “Traceability and Supply Chain Transparency” of the category “Traceability & Risk Assessment”, adidas scored 87.5 out of 100 points (KnowTheChain, 2021a). Hence, depending on the sources consulted, adidas’ transparency and supply chain traceability was ranked below or above average.

The second social key issue of this subchapter is “Human Rights”.

In S&P Global’s category (n.d.-c) “Human Rights”, adidas received a particularly high score of 89 points, compared to the industry mean of 23 points. Similarly, adidas scored 79 out of 100 points in the category “Worker Voice”, supported by the fact that KnowtheChain claims that the company made further improvement regarding responsible recruitment in its supply chains and on data disclosure on workers of its first- and second-tier suppliers (KnowTheChain, 2021a). Regarding the Sustainability Index, adidas scored in the upper higher half, behind NIKE and PUMA on the 6th place with 31 points in the section “Worker’s rights” (BoF, 2021). Interestingly, it received a perfect score of 100 in regards to the category “Rights of Workers in Vulnerable Conditions” (KnowTheChain, 2021a), when, at the same time, the company only reached a low score of 7 out of 25 points in the category “Worker Empowerment” of the 2022 Ethical Fashion Report (Baptist World Aid Australia & Tearfund New Zealand, 2022).

In the following, noteworthy examples of human rights violations in adidas’s supply chain will be discussed.

For instance, adidas is one of the companies mentioned in the report of the Australian Strategy Policy Institute (ASPI) (Xiuzhong Xu et al., 2020), already mentioned when discussing the data on NIKE. In ASPI’s second case study, a factory in the Xinjiang region which employed Uyghur workers, stated that it is one of adidas suppliers (Xiuzhong Xu et al., 2020). ASPI informed about its strong suspicion that these workers have been transferred directly from one of Xinjiang’s “reeducation camps” to the factories (Xiuzhong Xu et al., 2020).

Consequently, KnowTheChain (2021a) lamented that adidas did not disclose sufficient steps to address the risk of forced labor concerning Uyghur workers across its supply chain, as it did not specifically exclude sourcing yarn from the affected region and did not end indirect supply links to factories operating in this region.

However, not only in China, but also in Myanmar, adidas was involved in possible human rights violations in its supply chain. The Business & Human Rights Resource Centre (n.d.) reported that many garment workers have been active in resistance movements, rejecting the

military as legitimate ruler of the country, since the Myanmar military coup in 2021. Due to the circumstance, that the military employed force against opponents, the Business & Human Rights Resource Centre and partner organizations monitored the increase in labor and human rights abuses of garment workers across Myanmar. The workers affected are employed at 70 factories which supplied at least 33 global fashion brands, including adidas (Business Rights Resource Centre (n.d.)).

Moreover, according to Business & Human Rights Resource Centre (2022), adidas was also involved in other, similar cases.

For instance, workers of one factory in Yangon, Myanmar, a supplier of football shoes for adidas, started a strike in October, demanding a rise of their daily wage from \$2.27 to \$3.78 (Business & Human Rights Resource Centre, 2022). To dissolve the strike, the military got involved and 26 workers were fired (Business & Human Rights Resource Centre, 2022). In response, adidas provided a statement, saying that it strongly objects to the dismissals of these workers and that they are committed to support the workers' freedom of association (Business & Human Rights Resource Centre, 2022). Therefore, they urged the responsible factory to immediately reinstate the workers (Business & Human Rights Resource Centre, 2022).

The next social key issue discussed will be "Human Capital".

S&P Global (2021b) considered adidas as having not only a strong workforce, but also a strong diversity of workforce; the investment firm acknowledged that the company formulated the goal to achieve gender wage parity for all direct suppliers by 2025 and saw the company aligned with the industry in terms of gender diversity.

The last key issue for which relevant data will be discussed, is "Occupational Health & Safety". In this category, adidas received 47 points of S&P Global, in comparison to an industry mean of 18 (S&P Global, n.d.-c). Already in 2021, S&P Global found that adidas used common industry practices and formulated targets to enforce health and safety standards by 2025, in all locations with more than 50 employees (S&P Global, 2021b).

Regarding a more general assessment, S&P Global (n.d.-c) granted adidas a above industry social score of 53 to adidas, compared with the industry mean of 23.

3.4.5.3 Governance

In this subchapter, information on adidas' governance key issues will be presented.

Table 8*adidas' Governance Scores/Evaluations*

Corporate Govern- ance	Business Ethics	Risk & Crisis Man- agement	General
“Corporate Govern- ance” (MSCI, n.d.- c): ESG leader	“Corporate Behav- ior” (MSCI, n.d.- c): ESG leader	“Risk & Crisis Man- agement” (S&P Global, n.d.-c): 70/100	Governance & Eco- nomic Score (S&P Global, n.d.-c): 68/100
			Governance Qual- ityScore (ISS ESG, n.d.-c): 2
			“Governance” (Fash- ion Revolution, 2022): 100%
			“Policies & Govern- ance” (Baptist World Aid Australia & Tearfund New Zea- land, 2022): 6/6

The first governance key issue is “Corporate Governance”.

MSCI (n.d.-c) considered adidas as a leader in corporate governance, implying that its ownership, board and remuneration practices had a positive impact on its shareholders.

S&P Global qualified the structure and oversight of adidas’ board as strong, as they found the company’s governance structure to be in line with the German Corporate Governance Code, aligned with international standards (S&P Global, 2021b). The professional background of the board members is diverse, gender diversity is at 38%, in line with global industry peers, and the half of the directors are non-German (S&P Global, 2021b). The engagement level of the board members is high, with directors attending 97% of the board meetings (S&P Global, 2021b). S&P Global qualifies the expertise of the board as strong, with a good oversight, resulting in a solid performance across social and environmental factors (S&P Global, n.d.-c).

As for the compensation practices of the company, 20% of incentives linked to achievements of predefined targets are used for sustainability targets, over a period of five years (S&P Global, 2021b).

The next governance key issue that will be discussed is “Business Ethics”.

adidas’ corporate behavior, which is described as the oversight and management of business ethics-related issues, was deemed as very strong by MSCI (n.d.-d), making adidas an “ESG leader” on this specific issue.

Transparency and reporting were considered strong by S&P Global (2021b), as adidas, according to the investment company, disclosed comprehensive and detailed non-financial information, considered as being in line with leading industry peers.

Auditing of the company was regular, and it disclosed complete supplier lists (S&P Global, 2021b). Code and values were also considered strong by S&P Global (2021b), as its ethics policies were comprehensive, and labor rights and modern slavery policy is in place.

The company also used a grievance reporting mechanism specifically for human rights related issues, also covering suppliers (S&P Global, 2021b).

However, S&P Global noted in its Controversy Rating, that there were cases of bribery and corruption (S&P Global, n.d.-c).

Furthermore, adidas recently faced accusations regarding its business ethics. Lately, adidas terminated its year-long partnership with artist Ye, formerly known as Kanye West. The partnership was ended after weeks of antisemitic remarks by Ye and will cost the company up to €250 million on its net income in 2022 (adidas AG, 2022a). However, it recently came to light that employees reported years ago problematic behavior of the celebrity, but adidas, at that time, did not act on the claims (Sullivan & Roundtree, 2022).

The last governance key issue that will be discussed in this section is “Risk & Crisis Management”.

S&P Global (2021b) deemed adidas’ financial and operational risks to be “neutral”, indicating that they are neither below nor above average. This represents a difference in the overall positive assessment of adidas, which usually received the mention “strong”.

However, consulting S&P Global’s assessment of 2022, adidas received a high score, of 70 points, while the industry mean was 26 (S&P Global, n.d.-c).

Lastly, general aspects on adidas’ management of governance issues will be discussed.

The company received a “Governance & Economic Score” of 68 out of 100 points (S&P Global, n.d.-c). In the category “Governance” of the Fashion Transparency Index, adidas received the full 100 points out of 100 (Fashion Revolution, 2022). ISS ESG granted adidas a

highly positive ISS Governance QualityScore of 2, implying a particular low risk (ISS ESG, n.d.-c). Regarding the section “Policies & Governance” of the 2022 Ethical Fashion Report, adidas scored a full 6 out of 6 points (Baptist World Aid Australia & Tearfund New Zealand, 2022).

3.4.5.4 General

In this section, general information on adidas ESG performance is presented.

MSCI (n.d.-c) allocated adidas an all-around positive score, grading it AAA for five consecutive years.

Nonetheless, adidas ESG score of S&P Global had been downgraded from 82 in 2021 to 60 in 2022, a similar downgrading as it could already be observed concerning the company’s environmental score. This represents a considerable contrast to the last four years, in which adidas ESG score never significantly changed (S&P Global, n.d.-c).

Morningstar Sustainalytics granted adidas a low risk ESG rating of 14.7, ranking it 39 out of 193 companies in the apparel and textile sector (Morningstar Sustainalytics, n.d.-b).

ISS ESG granted adidas a corporate rating of B-, a score that still positioned the company in the upper half of the performing companies, according to ISS ESG’s distribution rating (ISS ESG, n.d.-c).

3.5 Case study: PUMA SE

PUMA SE is a European stock corporation, which shares common history with adidas, as both companies originated from the same firm (PUMA SE, n.d.-c). In 1948, the companies went separate ways and PUMA SE was born. PUMA SE, which is during the thesis abbreviated to simply PUMA, sells footwear, apparel and accessories, under the PUMA and Cobra Golf brands, through wholesale, retail and direct in-store, as well as online sales (PUMA SE, 2021). PUMA is, after NIKE and adidas, the third largest sportswear seller with 948.7 million net sales in 2021 and worldwide distribution that is mainly operated through subsidiaries (PUMA SE, 2021). Like adidas, PUMA’s 2022 revenue is not available yet. However, PUMA’s sales from the second quarter shows that sales increased by around 18.4% to €2,002.0 million, which are \$2,121.02 million (PUMA SE, 2022). In 2021, the most sales were registered in the American region (€2,636.9 million), followed by EMEA countries (2,531.7) and the Asia/Pacific region (€1,636.8) (PUMA SE, 2021).

3.5.3 PUMA’s CSR Communication

The information for PUMA’s CSR communication table is gathered from its 2021 sustainability report, which is published separately and as a part of PUMA’s annual report. PUMA publishes a sustainability report since 2002 (PUMA SE, n.d.-b).

Table 9

PUMA’s CSR Communication

Environmental	Social	Governance
Resources & Raw Materials	Labor & Supply Chain Management	Corporate Governance
Carbon Footprint	Human Rights	Business Ethics
Waste & Circularity	Human Capital	Risk & Crisis Management
Chemicals & Toxins	Occupational Health & Safety	

3.5.4 Findings

In the following four subchapters, three tables containing independent data on PUMA’s ESG key issues, will be presented. The information which the table contains will be specified after the table; furthermore, additional information not represented in the table will be discussed. The interpretation of these findings in relation to PUMA’s CSR information can be found under the chapter “4. Discussion”.

3.5.4.1 Environmental

In this subchapter, information on PUMA’s environmental key issues will be presented.

Table 10

PUMA’s Environmental Scores/Evaluations

Resources & Raw Materials	Carbon Footprint	Waste & Circularity	Chemicals & Toxins	General
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“Raw Material Sourcing” (MSCI, n.d.-e): ESG Leader	“Product Carbon Footprint” (MSCI, n.d.-e): ESG Leader	“Waste” (BoF, 2021): 21/100	“Chemical Safety” (MSCI, n.d.-e): average.	Environmental Score (S&P Global, n.d.-d): 81/100
“Level 4 (Leading)” in MCI: Overall leader (Textile Exchange, 2022)	“Emissions” (BoF, 2021): 57/100	“Circular Fashion” (S&P Global, n.d.-d): 69/100	“Water & Chemicals” (BoF, 2021): 47/100	“Environmental Sustainability” (Baptist World Aid Australia & Tearfund New Zealand, 2022): 16/20
“Materials” (BoF, 2021): 38/100	CATI score (IPE, n.d.-g): 72/100			CITI Category Scores “Extend Green Supply Chain Practices” (IPE, n.d.-c): 14.10/30
	“Climate Change” (CDP, n.d.-c): A			

The first key issue of this section is “Resources & Raw Materials”.

In the category “Raw Material Sourcing”, PUMA has been defined as an “ESG leader” by MSCI (n.d.-e). Moreover, PUMA reached “Level 4 (Leading) in the Material Change Insights 2021 report, and is therefore classified as an “overall leader” (Textile Exchange, 2022). Furthermore, the Sustainability Index placed PUMA on the third place in its section “Materials”, with only 38 points out of 100 (BoF, 2021).

The next environmental key issue that will be presented is “Carbon Footprint”.

MSCI (n.d.-e) described PUMA as an ESG leader in the category “Product Carbon Footprint”. In the section “Emissions” of the Sustainability Index, PUMA received 57 points, ranking it on the 5th place, shared with two other companies (BoF, 2021). The next index that takes into account CO² emissions, is IPE’s Corporate Climate Action Transparency Index (CATI) (IPE,

n.d.-g). PUMA scored 72 out of 100 in CATI and, consequently, ranked third out of 155 companies in the textile industry.

The following results of the CATI index could be observed: PUMA scored 10 out of 10 regarding scope 1 & 2 emissions and 7 out of 7 for scope 3 emissions, both in the category “Measurement & Disclosure”. Regarding the category “Carbon Targets Setting”, the company scored 6 out of 7 for scope 1 & 2 targets, and 6 out of 7 for scope 3 targets. In “Performance against Carbon Targets”, PUMA received a score of 5 out of 8 in scope 1 & 2 emissions and 6 out of 9 in scope 3 emissions, for the reduction progress. In regards to decarbonization in company operations, PUMA scored 5.50 out of 12 points, as well as a full 6 out of 6 regarding value chain decarbonization, both in the category “Climate Action”. Finally, still in the category “Climate Action”, PUMA scored only 1.50 out of 8 for affiliated company engagement, and 8 out of 16 for upstream supplier engagement (IPE, n.d.-g). Assessing the results, it can be observed that PUMA achieved a high CATI score, with results generally above average. The most noticeable exceptions regard the decarbonization processes in its own company operations, as well as affiliated company engagement and upstream supplier engagement.

Next, CDP’s assessment of PUMA regarding “Climate Change” has been taken into account, for which PUMA received an A, making it a leader in its efforts to act against climate change (CDP, n.d.-c).

The next key issue presented is “Waste & Circularity”.

PUMA received a score of only 21 in the section “Waste” of the Sustainability Index, placing it on the 11th place, far behind its competitors NIKE and adidas (BoF, 2021).

In contrast, in the category “Circular Fashion” of S&P Global’s environmental score, PUMA received a very high score of 69, compared to the industry mean of 17 points, standing out from its peers (S&P Global, n.d.-d).

Finally, the last environmental key issue is “Chemicals & Toxins”. Regarding the category “Chemical Safety” of MSCI (n.d.-e), PUMA was considered to be average. Lastly, PUMA scored fourth place in the category “Water & Chemicals” of the Sustainability Index, with 47 points (BoF, 2021).

Presenting now a more general assessment of PUMA’s environmental practices, S&P Global granted PUMA a high environmental score of 81 (S&P Global, n.d.-d). In addition, the company scored 16 out of 20 points in the category “Environmental Sustainability” of the 2022 Ethical Fashion Report, showcasing that the assessment of PUMA’s environmental practices is regarded as positive (Baptist World Aid Australia & Tearfund New Zealand, 2022). Finally,

PUMA received 14.10 points, in comparison to 22 points of the highest scoring brand in the category “Extend Green Supply Chain Practices” (IPE, n.d.-c).

3.5.4.2 Social

In this section the social key issues of PUMA will be introduced.

Table 11

PUMA’s Social Scores/Evaluations

Labor & Supply Chain Management	Human Rights	Human Capital	Occupational Health & Safety	General
“Labor Management” (MSCI, n.d.-e): ESG leader	“Human Rights” (S&P Global, n.d.- d): 95/100	/	“Occupational Health & Safety” (S&P Global, n.d.- d): 83/100	Social score (S&P Global, n.d.- d): 83/100
“Labor Practice Indicators” (S&P Global, n.d.- d): 76/100	“Worker Voice” (KnowThe-Chain, 2021c): 55/100			
“Supply Chain Management” (S&P Global, n.d.- d): 85/100	“Workers’ Rights” (BoF, 2021): 36/100			
“Supply Chain Labor Standards” (MSCI, n.d.-e): average	“Rights of Workers in Vulnerable Conditions” (KnowThe-Chain, 2021c): 45/100			

“Transparency” (BoF, 2021): 63/100	“Worker Em- powerment” (Baptist World Aid Australia & Tearfund New Zealand, 2022): 7/25			
“Tracing & Risk” (Baptist World Aid Aus- tralia & Tearfund New Zealand, 2022): 12/15				
“Traceability” (Fashion Revolu- tion, 2022): 48%				
“Traceability and Supply Chain Transparency” (KnowTheChain, 2021c): 75/100				

The subchapter starts with the first social key issue, “Labor & Supply Chain Management”. In the category “Labor Management”, PUMA has been defined as an “ESG leader” by MSCI (n.d.-e). In that same manner, in the category “Labor Practice Indicators” PUMA scored a high score of 76 points, while the industry mean was 35 (S&P Global, n.d.-d). Moreover, in the category “Supply Chain Management”, S&P Global (n.d.-d) granted PUMA an extraordinarily high score of 85 points, compared to an industry mean of only 24 points. In comparison, MSCI (n.d.-e) defined PUMA only as “average” in the category “Supply Chain Labor Standards”. Regarding PUMA’s supply chain transparency and traceability, positive evaluations can be observed.

For instance, PUMA scored 63 out of 100 in the section “Transparency” of the Sustainability Index, its highest score (BoF, 2021). Similarly, PUMA received a high score of 12 out of 15 possible points in the category “Tracing & Risk” of the 2022 Ethical Fashion Report (Baptist World Aid Australia & Tearfund New Zealand, 2022). However, the company received a score of 48% in the category “Traceability” of the Fashion Transparency Index, implying that its efforts to trace its supply chain were average. Lastly, in the subcategory “Traceability and Supply Chain Transparency” of the category “Traceability & Risk Assessment”, PUMA scored 87.5 out of 100 points (KnowTheChain, 2021c). This is in accordance with KnowTheChains statement, that PUMA began disclosing more and more information regarding its supply chain over the years, as, for example, how forced labor risks were identified, the training it offered to its suppliers and how it assured fair wages (KnowTheChain, 2021c).

The next social key issue of this chapter will be “Human Rights”.

S&P Global distributed 95 points to PUMA in the category “Human Rights”, a score that placed the company far above average, considered that the industry mean is only at 26 points (S&P Global, n.d.-d).

Contrarily, receives a score of 55 out of 100 points in the category “Worker Voice” (KnowTheChain, 2021c) and only 36 in the category “Workers’ Rights” of the Sustainability Index, although this score still ensured its third place (BoF, 2021). Furthermore, PUMA received only 7 out of 25 in the category “Worker Empowerment” of the 2022 Ethical Fashion Report (Baptist World Aid Australia & Tearfund New Zealand, 2022) and 45 out of 100 in the subcategory “Rights of Workers in Vulnerable Conditions” of the category “Recruitment” (KnowTheChain, 2021c). In addition to that, the issue “Social Supply Chain Incidents” could be observed in S&P Global’s Controversy Ranking (S&P Global, n.d.-d).

One of the most significant, socially-relevant controversies of PUMA is in regard to the company’s sponsorship of the Israeli Football Association (IFA). IFA manages multiple clubs that operate on Palestinian territory that had been illegally occupied by Israel, provoking the emergence of protests (Ross & Abujazar, 2022). When PUMA replaced adidas in 2018 as IFA sponsor (Business & Human Rights Resource Centre, 2018), PUMA became the object of protest. The #BoycottPUMA campaign was started by the Boycott, Divestment and Sanctions movement (BDS) in 2018 which relied on social media for achieving international attention; in 2019, UK football clubs Liverpool and Chester refused to renew deals with PUMA (Ross & Abujazar, 2022). In 2020, Universiti Teknologi MARA, the largest higher education institute in Malaysia, ended PUMA’s sponsorship of its university’s football team (Ross & Abujazar, 2022).

Furthermore, from 2015 to 2021, PUMA had a license deal with Delta Galil Industries, a company that had been named in an UN report, listing organizations involved in “business activities related to settlements in the Occupied Palestinian Territory” (United Nations, 2020). Nonetheless, even after the dissolution of the deal, PUMA still received criticism by BDS, as it did not stop operations entirely in Israel, but simply moved to another licensee not mentioned in the report (Ross & Abujazar, 2022; BDS Movement, 2021).

Another human rights-related instance of PUMA regards the same article that already had been presented when discussing NIKE’s social key issues.

As already mentioned, an article of the Guardian informed its readers in 2020, that textile manufacturing facilities in Karnataka, India, which also supplied PUMA, did not pay the new minimum wage to its workers (Kelly, 2021). This resulted in the workers not being able to maintain a minimum standard of living for them and their families (Kelly, 2021). According to the Guardian, PUMA informed that it had limited influence on its suppliers in Karnataka, but it collaborated together with other apparel companies, sourcing a larger amount in Karnataka, to ensure that wages were paid correctly (Kelly, 2021).

The next relevant topic, which also already had been discussed before, is Uyghur forced labor. As NIKE and adidas, PUMA also had been criticized for allegedly having cases of Uyghur forced labor in its supply chain. One article of the Guardian specifically mentioned forced labor in cotton sourcing from that region (Davidson, 2021). In that context, PUMA assured that it had neither direct nor indirect connections to manufacturers in Xinjiang (Oltermann, 2022; KnowTheChain, 2021).

Nevertheless, KnowTheChain (2021c) lamented that, beyond certifications and audit, PUMA did not offer any disclosure on how they planned to address the risks of alleged forced labor of Uyghur workers across its supply chain tiers.

Then, in 2022, researchers at the German Agroislab in Jülich and the Hochschule Niederrhein University of Applied Sciences, stated to have found traces of Xinjiang cotton in PUMA and adidas t-shirts (Oltermann, 2022). PUMA quickly reconfirmed its previous statement, that, based on the investigations it conducted and the traceability control in its supply chain, it did not source any cotton from the Xinjiang region and had no direct or indirect connection to any cotton supplier in the region (Oltermann, 2022).

For the next key issue, “Human Capital”, unfortunately no independent data is available.

For this reason, the last social key issue, “Occupational Health & Safety” is presented.

In the category “Occupational Health & Safety” of S&P Global (n.d.-d), PUMA received 83 points, whereas the industry mean is 18.

Regarding a more general assessment, PUMA received a high social score of 83 points, comparing to the industry mean of 23 (S&P Global, n.d.-d).

3.5.4.3 Governance

In this subchapter, the Governance key issues of PUMA are discussed.

Table 12

PUMA's Governance Scores/Evaluations

Corporate Governance	Business Ethics	Risk & Crisis Management	General
“Corporate Governance” (MSCI, n.d.-e): average	“Corporate Behavior” (MSCI, n.d.-e): ESG leader	“Risk & Crisis Management” (S&P Global, n.d.-d): 88/100	Governance & Economic Score (S&P Global, n.d.-d): 77/100
			Governance QualityScore (ISS ESG, n.d.-): 6
			“Governance” (Fashion Revolution, 2022): 100%
			“Policies & Governance” (Baptist World Aid Australia & Tearfund New Zealand, 2022): 6/6

PUMA is regarded as average by MSCI (n.d.-e) regarding the key issue “Corporate Governance”. Hence, PUMA’s ownership, board, and compensation practices are in line with industry peers, but could be improved.

The next governance key issue of PUMA is “Business Ethics”.

MSCI (n.d.-e) described PUMA as being an ESG leader in regards to the issue “Corporate Behavior”, implying that the company had suitable oversight over business ethics related issues as for example fraud and corruption, and managed them accordingly.

The last governance key issue presented will be “Risk & Crisis Management”.

S&P Global (n.d.-d) allocated 88 points to PUMA, with the industry mean being 26; this indicated that PUMA is was above average regarding the detection of, and response to, risk and crisis factors.

Lastly, more general assessments on PUMA’s management of its governance issues will be presented.

In general, it can be stated that PUMA received a positive assessment of its governance.

S&P Global (n.d.-d) granted PUMA a “Governance & Economic” score of 77, with an industry mean of 31. In contrast, PUMA received an ISS Governance QualityScore of 6, already indicating a non-negligible risk (ISS ESG, n.d.-c). However, the organization achieved a full 100% in the category “Governance” of the Fashion Transparency Index (Fashion Revolution, 2022). In like manner, PUMA received the full score of 6 out of 6 points in the category “Policies & Governance” of the 2022 Ethical Fashion Report (Baptist World Aid Australia & Tearfund New Zealand, 2022).

3.6.4.4 General

In this subchapter, assessments on PUMA’s general ESG performance are presented.

Starting with MSCI (n.d.-e), the rating company granted PUMA leader status by attributing it AAA for five consecutive years.

Additionally, taking into account S&P Global’s rating, it could be observed that the company had been constantly upgraded from 2018-2022, especially in the years 2018-2020 (S&P Global, n.d.-d). Thus, it is not surprising that it received an ESG score of 81 (S&P Global, n.d.-d).

Moreover, PUMA received a low risk ESG rating of 16.8 by Morningstar Sustainalytics (n.d.-e), which resulted in the 83rd place out of 193 companies of the same industry.

Lastly, PUMA received a corporate rating of C+ from ISS ESG, below its competitors NIKE and adidas (ISS ESG, n.d.-c). However, taking a look at the distribution rating, PUMA still was located above average (ISS ESG, n.d.-c).

4. Discussion

4.1 NIKE

After having presented the findings on NIKE’s, adidas’, and PUMA’s ESG key issues, this chapter will be dedicated to the discussion of these findings as well as to the answer of the

research questions. The discussion chapter will start with the findings of the ESG issues for NIKE, then adidas, and finally PUMA.

First NIKE's environmental issues will be discussed. As it could be observed in the subchapter "3.4.2 Findings", there is no real consensus about how well NIKE acts on the ESG key issue "Resources & Raw Materials". In its CSR report, the company is discussing the goals it set for its material management, as it is aware that the usage of materials accounts for almost 70% of its product carbon footprint (NIKE, Inc., 2021). The materials that have the most severe environmental impact, according to NIKE, are leather, mixed textiles, foam, and rubber; the reduction of the use of these materials are imperative for the company. For instance, NIKE defined as a goal that preferred materials, such as recycled, organic or certified materials constitute 50% of all of the company's key materials (NIKE, Inc., 2021). According to NIKE's CSR report, the company attempts to substitute these high impact materials in its footwear with less problematic material that produces less waste, and has a less negative environmental impact (NIKE, Inc., 2021). However, the results on NIKE's management of resources and raw materials do not coincide; while Textile Exchange (2022) and MSCI (n.d.-c) regard NIKE as a leader in this key issue, BoF sees NIKE far behind its competitors adidas and PUMA. This may be due to the recurring fact, that the consulted indexes measure the same key issue differently. Although no definite statement on the management of resources and raw materials can be delivered, more favorable than unfavorable assessments could be found on that specific environmental key issue of NIKE.

The discussion is continued with the second environmental key issue, "Carbon Footprint". The consulted assessments on this key issue of NIKE were generally positive, with the exception of three different performance measurements of CATI which were specific to its own operations as well as the performance of affiliated companies and upstream suppliers. Taking into account the carbon-related information that NIKE provided under its "FY30 Science-Based Target" (NIKE, Inc., 2021), the company seems to have clear targets that it continuously strives to attain. The FY Science-Based target is company's the first set of targets that cover a time period of 15 years; in addition, the targets are formulated as absolute targets, instead of relative per unit targets like before (NIKE, Inc., 2021). NIKE also assures that they reach further into the supply chain than ever before (NIKE, Inc., 2021). However, the low score of CATI regarding NIKE's decarbonization efforts in its own operations must be addressed. The achieved score of 5.50/12 is in contrast to NIKE's goal of reducing emissions in its own companies; in fact, the company strives for 70% absolute reduction of greenhouse gas emissions in its own facilities or where it operates in (NIKE, Inc., 2021). As CATI relies partly on company

disclosure, there may be also a problem of transparency regarding NIKE's own operations. Nonetheless, analyses on NIKE's product carbon footprint resulted positive.

"Waste & Circularity" is the next environmental key issue that will be discussed. As was already mentioned during the discussion of the first environmental key issue "Resources & Raw Materials", NIKE undertakes endeavors to reduce the environmental impact of materials which compose its products (NIKE, Inc., 2021). Moreover, waste reduction during product manufacturing is a target of NIKE; in this context the company specifically mentions the necessary reduction of defects of the mid- and outsole of its footwear. This would, as a consequence, reduce waste, increase production capacity, and entail a reduction of energy and labor (NIKE, Inc., 2021). In its CSR report, NIKE dedicated an entire subsection to waste and its zero-waste target and explains how it is planning to effectively achieve this target (NIKE, Inc., 2021). For instance, NIKE clarifies, that, to reduce waste, it is inevitable that products are efficiently designed to produce less waste. In addition, manufacturing processes need to be optimized for the highest possible material efficiency, as well as circular systems should be in place to manage material, products that reached the end of their life cycle, and packaging (NIKE, Inc., 2021). When discussing waste, also wastewater needs to be taken into account. Regarding this particular topic, NIKE states that its goal is that suppliers are fully compliant to the ZDHC Wastewater Guidelines, which focus on hazardous chemicals in effluents; in its fiscal year 2021, already 74% of suppliers and finished goods suppliers of NIKE's compliance list were engaging in full compliance (NIKE, Inc., 2021). Furthermore, NIKE also offered wastewater-related training (NIKE, Inc., 2021). "Waste & Circularity" has been rated in the section "Waste" of the Sustainability Index, in which, as already mentioned, NIKE scored the highest out of all the companies assessed. Nonetheless, the score is not high in itself, as "Waste" represents the lowest-scoring category of them all. It is also important to remember, that the issue of wastewater is almost entirely related to chemicals and therefore also important for the key issue "Chemicals & Toxins". Coming now to the specific issue of circularity to reduce waste, NIKE is assessed in S&P Global's category "Circular Fashion", in which the company is placed above industry average. Nevertheless, as can be observed later, it has a significantly lower score than adidas and PUMA. Thus, considering these results, it can be assumed that NIKE is above average in relation to its industry peers, but as waste continues to constitute a major problem in the fashion industry, NIKE still has to improve.

Moving on to "Chemicals & Toxins", the last environmental issue of NIKE that will be discussed. Even though NIKE ranks top 3 in the category "Water & Chemicals" in the Sustainability Index it is not clear how much of this high score is attributable to its management of

chemicals and how this can be differentiated from its general management of pollution and wastewater, besides the chemicals. Therefore, this category may not be suitable to give a clear assessment on NIKE's use of hazardous chemicals. MSCI's category "Chemical Safety" seems more fitting for this specific key issue; MSCI regards NIKE as average and not as a leader in that category, which possibly can be attributed to the fact, that NIKE did receive critic for its use of BPA in some of its products, as showed in the findings subchapter. However, according to the company, besides the Restricted Substances List (RSL) and the Manufacturer Restricted Substances List (MRSL) it complies to, it is continuously striving for cleaner alternatives which go beyond the baseline compliance for ten prioritized chemistries across its supply chain, among these, also BPA (NIKE, Inc., 2021). Considering all of this, it can be assumed that NIKE actively tries to avoid the use of hazardous chemicals in its product, but that the presence of hazardous chemicals in NIKE products still cannot be ruled out.

Regarding these findings, it is clear that NIKE still needs to improve depending the specific factors taken into account. Nonetheless, on a more general note, analyzing the independent data that could be gathered for inspecting the environmental focus of NIKE, it can be concluded that the findings strongly suggest that NIKE has an advanced environmental focus which is above industry average. No substantial contradiction could be found between relevant information regarding the presented environmental key issues published by Nike, and the independent indexes/reports on those key issues consulted. Thus, NIKE's environmental efforts are considered as authentic.

Having discussed NIKE's environmental key issues, the focus will now be put on NIKE's social key issues. The first key issue that will be presented is "Labor & Supply Chain Management" will be assessed simultaneously with the issue "Human Rights", as both of them often are closely tied together in independent evaluations. Human rights issues found in NIKE's supply chain represent the most severe accusations that could be found of the organization; as could be observed in the subchapter "3.4.2 Findings", there are multiple news sources that support allegations of human rights violations in the company's supply chain. This is in contrast to NIKE's own statements in its CSR report, in which it expects that, by 2025, "100% of facilities in *its* extended supply chain meet NIKE's foundational labor, health, safety and environmental standards" (Nike, Inc., 2021, p. 62). Nonetheless, the compliance with this statement went down 9 points from 2020 to 2021 and is now at 85% (NIKE, Inc., 2021). The company found that safety issues regarding the workplace and excessive working hours are the main factors that interfere negatively with this expectation, but also acknowledges the risk of forced labor especially for migrant workers (NIKE, Inc., 2021). NIKE identified forced labor as a

priority issue, which it is trying to address, amongst others, through collaboration with human rights organizations (NIKE, Inc., 2021). The company, according to its CSR report, engaged, amongst others, in multiple initiatives to offer training to its suppliers and was aware of the heightened risks of forced labor when employing foreign migrant workers in its supply chain (NIKE, Inc., 2021).

To that effect, even though positive assessments on NIKE's management of human rights issues were found (e.g., the above average score from S&P Global in the category "Human Rights"), the negative results outweigh them, as could be especially observed regarding newspaper articles. For this reason, and due to the seriousness and multitude of allegations, it is questionable if NIKE has the necessary control over its supply chain and will attain its aforementioned goal in 2025.

For the next key issue "Human Capital", no independent, reliable information could be found. This may be due to the fact, that many organizations that are involved in assessing CSR-related information on companies, do not consider this key issue as a priority, as it is the case for human rights issues. Still, insights in NIKE's own reporting on this issue will be offered. In the section "Inclusive Culture & Engagement", the company describes in which way it allegedly promotes engagement, diversity, and inclusion, factors that, according to the company, have been proven to lower the turnover rate and increase productivity (NIKE, Inc., 2021). The focus on inclusion can also be found in the next section "Education & Professional Development", in which NIKE, amongst others, discusses the education it offers regarding social and ethnic bias in the workplace (NIKE, Inc., 2021). Nonetheless, due to the lack of independent, relevant data on human capital, no assessment of NIKE's claims can be undertaken.

Concerning the last social key issue "Occupational Health & Safety", independent information on the health and safety of NIKE's employees in its own operations could be found, but is very scarce. S&P Global's category "Occupational Health & Safety", could be consulted, in which NIKE received a below average rating. The company itself named COVID-19 still as the priority of the company in regards to health and safety of its employees (NIKE, Inc., 2021). NIKE claims that it follows the guidance provided by the CDC (Centers for Disease Control and Prevention) and that it put in place adequate hygiene and safety measures (NIKE, Inc., 2021). Furthermore, NIKE assures that it is continuously improving the management of different safety issues, such as emergency action or fire safety (NIKE, Inc., 2021). Nevertheless, as already explained above, information is scarce and does not allow a judgement on NIKE's management of occupational health and safety.

After evaluating all of the findings in their relation with NIKE's published information, it can be concluded that NIKE is generally perceived as being below average in its labor and supply chain management. Even though different programs related to the prevention are in place, a specific strategy to systematically prevent future cases is missing, especially regarding Uyghur forced labor, which is not even mentioned in the report. For this reason, authenticity cannot be given regarding its social practices, as the information it published does not captures the urgency of the issue.

In the last section about this subchapter the governance key issues of NIKE will be analyzed. For the first governance key issue, "Corporate Governance", unfortunately no independent assessment is available, besides MSCI's rating, which described NIKE as an "ESG laggard" regarding its ownerships, board, and compensation practices. Information on the board published from NIKE itself can be found, amongst others, in the company's 2022 10-K form and its CSR report. When examining the structure of the board, nothing that could imply a significant difference to most industry peers could be found. However, comparing the board structure to the board structure of adidas and PUMA, no employee representatives are present. Nonetheless, NIKE is a company based in the USA, while adidas and PUMA both are German firms, which may explain this difference in the board structure. In line with other industry peers, there is an attempt to diversify the board, regarding gender and ethnicity, with now less than 50% of board members being gender or ethnically diverse (NIKE, Inc., n.d.).

Regarding NIKE's engagement in CSR practices, the company has a specific committee, called the "Corporate Responsibility, Sustainability & Governance Committee", which provides guidance in regards to CSR and reviews NIKE's CSR practices (NIKE, Inc., 2021). However, as no independent analysis of NIKE's board quality and structure could be found, this key issue cannot be reviewed. Also, for NIKE's remuneration practices, very limited information was available. As You Sow (2022) raised critic regarding the compensation of NIKE's CEO, which, according to the organization, is excessively high. However, no further information, especially regarding employees pay is available. According to NIKE, its employee remuneration is intended to be comprehensive, competitive and fair at the same time (NIKE, Inc., 2021). Moreover, NIKE claims that, for instance, its pay and promotion practices are reviewed on an annual basis and that employees are rewarded based on company performance (NIKE, Inc., 2021). As not enough data could be gathered for the assessment of this key issue, no analysis could be done.

Next, the key issue "Business Ethics" will be assessed. As it could be observed, NIKE is engaged in lobbying; the pressure applied by companies on political parties or candidates may be

evaluated as non-ethical by some. Moreover, the fact that NIKE acts as a member of an organization that lobbied against the “Uyghur Forced Labor Prevention Act”, may raises further questions regarding its business ethics. In NIKE’s CSR report, no significant information on its business ethics in that matter could be found; however, in its code of conduct NIKE states that, in the case of a specific strategic, business or community need, it will support causes that are in line with this need (NIKE, Inc., 2019). That said, in line with other large companies, it can be assumed that NIKE will actively engage in lobbying behavior if it supports its business strategy, but, at the same time, it also never claimed it would refrain from such activity.

The last governance key issue for NIKE that will be discussed is “Risk & Crisis Management”. As it was presented before, S&P Global allocated a six points below average score to NIKE. The company itself explains in its report, that it has an independent audit and risk organization, called “Global Risk Management” (GRM), which, as part of the risk assessment process, identifies and evaluates risks for NIKE (NIKE, Inc., 2021). GRM works together with management to be able to provide effective risk management, as well as control and governance processes (NIKE, Inc., 2021). After further inspection, NIKE’s risk and crisis management seems to be in line with industry peers, as no relevant deviant information could be found on that matter. Taking into account more general assessments on NIKE’s governance efforts, it can be stated that, although the reviews are mixed, NIKE is generally not perceived to have a strong governance. Combined with the lack of information on the specific governance issues, no statement can be provided on the authenticity of governance practices of NIKE.

4.2 adidas

In this subchapter, the findings on the ESG key issues of adidas will be discussed. The subchapter will start with the analysis of the environmental key issues of adidas.

Regarding the first environmental key issue “Resources & Raw Materials” contradicting independent results were found. While MSCI and Textile Exchange see adidas as a leader in the matter of materials, the Sustainability Index attributed a rather low score of 38 points to adidas, which, however, still placed it in on the third place. A potential reason for that score may be, that, according to the Sustainability Index, often times visibility lacks in the deeper levels of the supply chain, where the sourcing and processing of raw materials takes place (BoF, 2021). This aligns with the published information in adidas’s CSR report, in which the company explains that the highest environmental impacts of its value chain are generated in the supply chain, particularly the processing of raw materials (adidas AG, 2021). For this reason, the

company formulated the goal that 9 out of 10 articles should be manufactured with preferred materials by 2025 (adidas AG, 2021). The majority of preferred materials adidas currently uses are recycled materials or sustainable cotton, while, on a smaller scale, other sustainable materials such as biobased synthetics or more sustainably grown natural materials are used (adidas AG, 2021).

The second environmental key issue of this subchapter is “Carbon Footprint”. In general, a positive assessment on the carbon footprint management of adidas could be found. As could be observed in the subchapter “3.4.2 Findings”, MSCI described adidas as a leader in that particular issue and, in the same time, CATI ranked it on the fourth place in its industry. Nonetheless, adidas did not receive a high score in the category “Emissions” of the Sustainability Index, placing it only on the eighth place. Again, this may be due to the different factors taken into account by the responsible organizations when analyzing CO²-related issues of adidas. According to the company itself, it strives for climate neutrality in its own operations by 2025 and for complete climate neutrality by 2050 (adidas AG, 2021). These goals should be achieved, for instance, through cooperation with suppliers and the promotion of environmental programs in the value chain (adidas AG, 2021). Furthermore, it aims for a reduction of energy consumption and CO₂ emissions by transitioning to clean energy (adidas AG, 2021). It can therefore be assumed that the company does engage in favorable environmental behavior, but deviates from the analyzed factors of the Sustainability Index. Other reasons may be, that not enough information necessary for the Sustainability Index was disclosed.

The next key issue of adidas that will be analyzed is “Waste & Circularity”. The company informs the reader of its CSR report that it developed a precise waste management strategy, and a guideline for environmental good practice (adidas AG, 2021). It claims that it is engaged in reducing the amount of waste which is transported to landfills, and, in 2021, achieved a waste diversion percentage of 93% for suppliers enrolled in its environmental program (adidas AG, 2021). Its diversion rate for own operations has been 92% by the end of 2021 with the goal to achieve 95% at own operations (adidas AG, 2021). An example of the company’s waste initiatives is that it conducted a program in its major sourcing countries initiated in 2019 in which production waste got used as an energy source in the cement industry (adidas AG, 2021). Regarding circularity, besides working with sustainable and/or recycled materials, the company also focuses on the circular use of the finished product, e.g., by initiating the program “Choose to Give Back”, in which a used product can be sent in, and be then resold if in good condition (adidas AG, 2021). Regarding packaging, adidas intends to reduce the use of plastic packaging and strives for its substitution through more sustainable alternatives (adidas AG,

2021). A specific focus is put on polybags, which have been replaced, to a major extent, to 100% recycled LDPE material (adidas AG, 2021). Furthermore, adidas is focused on innovation-driven sustainability achievements, for instance, by elaborating a fully recyclable running shoe in 2019 (adidas AG, 2021). adidas received a positive score by S&P Global as well as by BoF on its waste management; however, as already mentioned, the category “Waste” was the worst performing category of the Sustainability Index, particularly due to a lack of information and clear reporting standard. For this reason, it can be assumed that, even though that adidas received a score above average, still a lot of improvements regarding that issue are necessary. The last environmental key issue for adidas is “Chemicals & Toxins”. adidas asserts that it monitors the chemical management in its supply chain, reports supplier performance data publicly, and conducts final controls on the finished end product (adidas AG, 2021). adidas follows the guidelines of the Manufacturing Restricted Substances List (MRSL), provided by Zero Discharge of Hazardous Chemicals (ZDHC), an organization which aims to eliminate the use of harmful chemicals in the fashion industry’s global supply chain (ZDHC, n.d.). adidas consequently set the target to increase the usage of level 3 (highest level of conformance due the before mentioned guidelines) chemicals (adidas AG, 2021). The company’s goal is that 80% of its suppliers comply with ZDHC MRSL level 3 by 2025; by the end of 2021, 42% of suppliers achieved the desired chemical use compliance (adidas AG, 2021). Nevertheless, according to MSCI, adidas can only be regarded as average in the category “Chemical Safety”. In addition, also BoF rates adidas’ chemical management (with a special focus on wastewater) only slightly above average.

Assessing the management of environmental key issues of adidas, it can be observed that conflicting findings were present, not depicting a clear picture of adidas’ environmental efforts. It is assumed, that one major reason for this discrepancy is the year in which most of the consulted indexes were published. All of the indexes assessed data from the year 2021; taking into account the rating of S&P Global, adidas environmental practices deteriorated in 2022. However, its environmental activities are still perceived as being far above the industry mean, and therefore, it can be assumed that even though adidas’ management of environmental key issues deteriorated in 2022, it still belongs to the industry leaders. In that sense, no information in the company’s CSR report could be detected that would indicate inauthenticity regarding its environmental practices. Thus, adidas is evaluated as authentic regarding the management of its environmental key issues.

Next, the social key issues of adidas will be discussed, starting with “Labor & Supply Chain Management” and “Human Rights”, as they are assessed together in the majority of analyses.

To assure the compliance to labor practice standards, the company is accredited by the Fair Labor Association and is working together with the International Organization for Migration through the initiative “Corporate Responsibility in Eliminating Slavery and Trafficking” which is focused on the implementation of responsible recruitment practices across the supply chain (adidas AG, 2021). adidas put in place the “adidas Workplace Standards”, a supply chain code of conduct that is in alignment with the code of conduct and principles of the Fair Labor Association (adidas AG, 2021). That said, every year, the company issues a Modern Slavery Statement, in which it shares its efforts to tackle forced labor in its global supply chain (adidas AG, 2021). Besides receiving a highly positive assessment of S&P Global both on its labor and supply chain management, as well as on its human rights practices, it has also been described as the highest-scoring European company in the KnowTheChain benchmark. Nonetheless, regardless of these positive assessments, adidas is still involved in human rights issues in its supply chain; furthermore, the negative results of the category “Worker Empowerment” of the 2022 Ethical Fashion Report contradict the just mentioned positive assessments. Therefore, although adidas seems to be highly invested in identifying and acting upon cases of forced labor, as well as ensuring worker rights in general in its supply chain, it does not have full transparency over its supply chain and can therefore not always prevent human rights violations.

The next social key issue that will be analyzed is “Human Capital”. adidas claims that it is attempting to retain talent by asking for the feedback of employees, for example in the “Employee Listening Survey” (adidas AG, 2021). The company explains that, through this survey, the company can measure the level of employee engagement and the experience employees have by working for adidas (adidas AG, 2021). adidas points out the recognition it received as an employer, for instance in Forbes’ “The World’s Best Employers 2021” list. Moreover, adidas is also engaged in inclusive hiring and offering student rotation programs, amongst others (adidas AG, 2021). Aligned with the information adidas published, S&P Global offered a positive assessment of the company’s workforce and diversity, without however offering greater details. Furthermore, no information has been detected that would contradict adidas’ statement on human capital in its CSR report.

The last social key issue of adidas that will be discussed is “Occupational Health & Safety”. Once again, S&P Global provides a positive assessment on this particular key issue and allocate an above average score. According to adidas, it continuously tracks the health and safety of its employees, especially since COVID-19 and implemented specific training and guidelines applied throughout the company (adidas AG, 2021). These guidelines are compliant with

accredited standards in place and track different, significant rates, such as the Occupational Illness Frequency Rate (adidas AG, 2021). Information regarding occupational health and safety that contradicts adidas' statements could not be found.

In general, as the independent assessments suggest, it can be assumed that adidas is highly invested in solving its social key issues, and that it exerts reasonable control over its supply chain. Fashion supply chains are extremely complex, cases of human right violations are occurring and need to be appropriately addressed by the company. Although forced labor is addressed in its CSR report, adidas does not treat the topic separately in the details (concrete measures taken against it, improvements that have been made, since the last case of forced labor, etc.) it deserves. Furthermore, it completely omits the cases of forced labor regarding Uyghur workers in China; consequently, the company cannot be evaluated as authentic regarding its management of social key issues.

The last section of this subchapter will be discussing the governance key issues of adidas. First, the issue "Corporate Governance" will be assessed. An evaluation of the board is available from S&P Global, who finds that the German Corporate Governance Code which adidas follows is aligned with international governance practices. adidas structure is considered as strong. However, S&P Global's evaluation mostly focuses adidas' supervisory board which it sees in line with industry peers, but does not discuss the structure and diversity of its executive board. However, also MSCI classifies adidas as a leader in regards to its corporate governance, which aligns with assessment of S&P Global. adidas' The supervisory board is composed of sixteen members, composed with eight shareholders and eight employee representatives (adidas AG, n.d.-c). Its task is to advice the executive board and to monitor its management practices (adidas AG, 2021). The company's executive board is composed of six members; according to adidas, each of these members are responsible for at least one major function in the company, namely the function of CEO, Global Sales, Global Brands, CFO, Global Human Resources, and Global Operations (adidas AG, 2021). Although no judgement can be made on the quality of the executive board, it is noticeable that its structure lacks diversity. Besides the supervisory and executive board, adidas has also six committees, the Steering Committee, the General Committee, the Audit Committee, the Nomination Committee, the Meditation Committee, and the Reebok Ad Hoc Committee, with different tasks each (adidas AG, 2021). No information could be found that would contradict the information on the board published by adidas. Regarding specifically adidas's compensation system, no independent data is available. Nonetheless, as it is described as a leader regarding corporate governance, an issue that includes remuneration practices, it can be assumed, that its compensation system is in line with

industry peers, or above. adidas assures that it is using a “Pay-for-Performance” approach for its company, therefore compensation is adapted to performance (adidas AG, 2021). The company states that the pay of executive and supervisory board members is reported in a transparent manner and meets the requirements of the German Stock Corporation Act and is designed on the base of the recommendations of the German Corporate Governance Code (adidas AG, 2021). As no relevant independent data is available on that key issue, and no information could be found that questions adidas’ compensation system, the subchapter will be continued with the next key issue, “Business Ethics”.

Regarding adidas’ business ethics, the company is in line with industry peers, according to S&P Global and at the same time, its corporate behavior is deemed very strong by MSCI. However, as already mentioned in the findings subchapter, adidas recently faced a scandal regarding its business ethics, by not reacting in an appropriate manner when confronted with unacceptable behavior in its company. adidas has its Compliance Management System in place, called adidas Fair Play, which ensures compliance with the law, as well as with external and internal regulations (adidas AG, 2021). Even though, every employee is required to act ethically, the company acknowledges that not all violations can be eliminated (adidas AG, 2021). Hence, although measures are in place to ensure compliance, not every violation of ethical behavior entails immediate consequences.

Lastly, “Risk & Crisis Management”, the last governance key issue for adidas will be discussed. adidas reports that it has a well-defined risk management system at its disposal, which is based on the company risk management framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (adidas AG, 2021). According to adidas, the framework has been adapted to its own company structure and culture to be able to assess risks more effectively (adidas AG, 2021). The risk management of the company identifies, evaluates and acts upon risk; at the same time, adidas introduced a quantitative concept, to assess the company’s risk capacity, as well as its risk appetite (adidas AG, 2021). Risk capacity is defined as the maximum of risk adidas can take before facing insolvency, whereas risk appetite represents the maximum level of risk the company is willing to take. S&P Global allocated a far above average score to adidas regarding its risk and crisis management, however no further independent information is available on this particular key issue.

After inspecting the findings on adidas’ governance efforts, also taking into account general assessments, it is concluded that adidas management of governance issue is strong and even superior than some of its industry peers. No contradicting information could be found that would invalidate adidas’ statements in its annual report, however information was very limited

and does not allow for an evaluation on adidas' authenticity regarding the management of its governance issues. Hence, no evaluation on the authenticity of adidas regarding governance practices can be made.

4.3 PUMA

In the last subchapter of the discussion, the findings on the ESG key issues of PUMA will be discussed. Like the other subchapters it will start with the analysis of the environmental key issues of PUMA.

The first environmental key issue treated is "Resources & Raw Materials". According to PUMA its strategy is to switch all major materials to more sustainable alternatives (PUMA SE, 2021). For instance, 43% of the polyester they used in 2021 is recycled; the company's goal is to increase that number to 75% by 2025 (PUMA SE, 2021). Furthermore, PUMA formulated the goal to source 100% of its cotton, polyester, leather, and down from certified sources by 2025. In addition, by 2025, 90% of apparel and accessories should be classified as more sustainable, and 90% of all footwear should contain at least one sustainable component (PUMA SE, 2021). The company received a thoroughly positive assessment on this key issue, with the minor exception that, even though it scored third place in the category "Materials" of the Sustainability Index, only 38 out of 100 points were achieved. Considering this, it can be assumed that although PUMA is a leader regarding "Resources & Raw Materials", the management of materials in the fashion industry needs to be dramatically improved.

The next key issue that will be discussed in this subchapter is "Carbon Footprint". PUMA declares that it attempts to gradually transition to the usage of materials with a lower carbon footprint, as for example, recycled products (PUMA SE, 2021). According to PUMA, the switch to more sustainable materials will lead to a reduction of CO₂ emissions, with the possibility to even produce carbon neutral clothing collections, as it did with its Exhale collection (PUMA SE, 2021). Moreover, emissions can be reduced by switching to more carbon-efficient modes of product transport (PUMA SE, 2021). Another attempt for emission reduction, is PUMA's engagement in different projects, one of them being the "Fashion Industry Charter for Climate Action" led by the UN in partnership with the German Development Agency (PUMA SE, 2021). This project develops a standard training program on emission reduction for supplier of apparel and footwear in Asia (PUMA SE, 2021). The assessment on PUMA's management of its carbon footprint is generally positive, with the exception of specific results of the CATI, especially decarbonization of its own company operations and affiliated company

engagement. Considering this, it can be stated that PUMA is above average regarding the management of its carbon footprint, but that it still needs to make improvements concerning its own decarbonization.

The next key issue that is assessed is “Waste & Circularity”. According to PUMA, one of its targets is to reduce waste to landfills by at least 50% compared to 2020 (PUMA SE, 2021).

According to PUMA, it is not only involved in projects like the Apparel Impact Institute’s Clean by Design Program, but also follows a circular design approach to assure the longevity and cyclability of its products (PUMA SE, 2021). Furthermore, it aims to establish product take back possibilities in all major market, a project that is currently only available in Hong Kong; this project allows customers to bring back their used activewear to a selected PUMA store, which will be then donated if in good condition (PUMA SE, 2021). In return, customers receive a 20% voucher on their next purchase (PUMA SE, 2021). Although PUMA seems highly invested in the matter of circularity for which it also received a positive assessment from S&P Global, waste management beyond circularity either does not constitute a strength of the company. This is supported by the low score it received in the Sustainability Index, placing it on the 11th place in the corresponding section “Waste”. As PUMA is one of the only companies that provided information on waste management beyond its own operations, a lack of available data which would explain the low score does not seem likely.

The last environmental key issue of PUMA is “Chemicals & Toxins”. As for the other material issues PUMA is focused on, it formulated three targets which should be attained by its chemical management (PUMA SE, 2021). To attain the first target, 100% of PUMA’s products should be safe to use (PUMA SE, 2021). Second, the company is eager to maintain a Restricted Substances List compliance rate above 90%; to be more precise, PUMA changed its target from less than 1% RSL failure rate in 2020 to a compliance rate above 90% in 2021, explaining this change by the fact that it allows for increased new material development and innovation, where, because of the testing, the risk of failures are higher (PUMA SE, 2021). Third, PUMA aims to reduce its organic solvent usage (PUMA SE, 2021), as many of the solvents in use are classified as toxic or carcinogenic (CDC, 2018). Regarding this key issue, the ratings were generally average, indicating that PUMA is neither a leader in the management of chemicals, nor is it unaligned with its industry peers.

Taking into account the more general assessments of PUMA’s management of its environmental key issues, it can be stated that PUMA is above many of its industry peers and that the company strives for an environmentally conscious operating of its business. No information was found in PUMA’S CSR report that would support the suspicion of over- or understating its

environmental practices; for this reason, PUMA's management of its environmental key issues is evaluated as being authentic.

The next section is dedicated to PUMA's management of its social key issues, starting with "Labor & Supply Chain Management" and "Human Rights". In its CSR report, PUMA identified labor and human rights risks in its supply chain for which regular due diligence is performed; examples are child or forced labor, violation of workers' right of union, or non-compliance with the legal minimum wage (PUMA SE, 2021). Amongst others, the company formulated the target to conduct fair wage assessments for its top five sourcing countries (PUMA SE, 2021). Furthermore, all core suppliers should have democratically elected worker representatives (PUMA SE, 2021). PUMA scored generally high on the two presented key issues, placing it above many of its industry peers; however, the company also struggled with human rights issues in its supply chain and its business relationships (IFA sponsorship).

Regarding the next social key issue, "Human Capital", PUMA sees diversity of its employees as one of its greatest assets, which is why it provided diversity training to its global directors (PUMA SE, 2021). Moreover, it invests in the wellbeing of its employees by offering sports classes, free gym access, etc., as well as flexible working conditions under the form of different working models, such as part-time, mobile office and a choice of sabbaticals (PUMA SE, 2021). For this key issue, unfortunately no independent data is available, so that no evaluation can be made.

The last social key issue of PUMA that will be discussed is "Occupational Health & Safety". Besides the measures taken during and after the COVID-19 pandemic, PUMA's goal is to reduce the average injury rate year by year (PUMA SE, 2021). Moreover, the company conducted safety training courses at all of its locations and online training programs to prepare employees not only for potential emergency situations, but also educate on hygiene and correct behavior during mobile office (PUMA SE, 2021). Even though independent data is scarce on this issue and only available from S&P Global, its assessment on PUMA's management of occupational health & safety, resulted very positive.

In conclusion it can be stated that, after inspecting PUMA's CSR report, that the company has a multitude of measures in place to address human right violations in its supply chain, as well as it is involved in ensuring the health and safety of its workers. However, the assessments on PUMA's social key issue "Human Rights" do not seem to align with the cases of forced labor that had been disclosed about PUMA. It would be expected that PUMA puts more importance in the presentation of the exact measures it will take to prevent other cases of forced labor than it does in its CSR report, especially regarding Uyghur forced labor which is not mentioned in

the company's report. Thus, PUMA's management of its social key issues cannot be judged as authentic.

Finally, the last part of PUMA's analysis will be the dedicated to its governance key issues, starting with "Corporate Governance". On this issue, no independent assessment is available, besides MSCI's rating of PUMA's corporate governance, which has been rated as being average. PUMA's supervisory board consists of 6 members, with two of them being employee representatives (PUMA SE, 2021). Female board members count for two out of the 6, ethnic diversity is minimal. Furthermore, the professional background of the members cannot be described as diverse (both employee representatives from IT background; chair and member of the supervisory board with similar backgrounds). Nevertheless, it cannot be ignored that PUMA is the smallest company among the companies assessed and therefore has a smaller board in general. Furthermore, four committees have been established: The Personnel Committee, the Audit Committee, the Nominating Committee and the Sustainability Committee (PUMA SE, 2021). Each committee has two shareholder representatives, except for the Nominating Committee, which has one (PUMA SE, 2021). The Personnel Committee, together with the Management Board, is responsible for employment contracts and establishes policies for human resources and personnel development (PUMA SE, 2021). The Audit Committee has, amongst others, the task of reviewing different reports, as well as it is, for example, responsible for monitoring the effectiveness of the different control systems in place (PUMA SE, 2021). The Nominating Committee suggests suitable candidates to the Supervisory Board for the next Annual General Meeting, whereas the Sustainability Committee, only recently established in 2021, reviews the company's sustainability strategies (PUMA SE, 2021). Regarding MSCI's rating and the fact that no conspicuous incongruities could be detected when examining, PUMA's information on its board, it may be stated that the company's management of its board quality and structure is average and in line with industry peers. Regarding its compensation practices, according to the company, it has a performance-based compensation system in place, which includes a fixed base salary, a standardized bonus system, profit-sharing programs, as well as different kind of benefits (PUMA SE, 2021). Furthermore, the company offers a long-term incentive program regarding sustainable development and performance, for its senior management (PUMA SE, 2021). Moreover, PUMA cooperates with the Fair Wage Network, which analyzes all of the company's subsidiaries in terms the compliance to pay living wages (PUMA SE, 2021). However, as only MSCI's assessment is available on this key issue, and no contradicting information has been detected, it can be stated that PUMA's management of its corporate governance is in line with industry peers and therefore average.

The subchapter will be continued with the next governance key issue, “Business Ethics”. PUMA received a positive assessment of MSCI, classifying it as a leader in corporate behavior, and no adverse behavior is known. PUMA has guidelines in place that focus on environmental and social management and is following the principles of the UN Global Compact (PUMA SE, 2021). The company established its PUMA Code of Conduct and the PUMA Code of Ethics, consisting of ethical and environmental standards, employees and suppliers are obliged to follow (PUMA SE, 2021). Based on the available information of MSCI, and the lack of contradicting information on PUMA’s business ethics, it is assumed that the company is in line or above its industry peers.

The last governance key issue that will be assessed in this subchapter is “Risk & Crisis Management”. PUMA’s risk management is based on the COSO standard (Committee of Sponsoring Organizations of the Treadway Commission), and, according to the company, the system should identify and manage at an early stage material risks in accordance with the corporate strategy (PUMA SE, 2021). At the same time the system should ensure compliance with related laws, regulations and standards, and depict the current risk situation in a transparent manner for the company’s stakeholders (PUMA SE, 2021). For this specific key issue, PUMA received a high above average from S&P Global. Again, as no information could be found that contradict PUMA’s management of risk and crisis situations, it can be assumed that the company is above average, or at least, in line with its industry peers.

After analyzing PUMA’s management of governance issue, by also taking into account the general assessment conducted of its governance, it can be stated that no significant contradicting data has been detecting. Nonetheless, due to the lack of information, no final statement on the authenticity of PUMA’s governance practices can be made.

4.4. Final assessment

After having assessed the three companies on their management of their ESG key issues, a few peculiarities have to be addressed.

First of all, a pattern could be observed regarding some of the assessments of NIKE, adidas, and PUMA. For instance, in regards to the issue “Resources & Raw Materials”, it could be observed, that MSCI classified each company as an ESG leader in the category “Raw Material Sourcing” (MSCI, n.d.-c; MSCI, n.d.-d; MSCI, n.d.-e). Similarly, Textile Exchange (2022) regarded the three companies as overall leaders in its 2021 Material Change Insights. In comparison, the Sustainability Index distributed lower scores to the companies, resulting in adidas

and PUMA still being in the upper half of the companies, but NIKE only being on the 7th place. It is assumed that the measurement of different parameter, depending on the index, resulted in distinct outcomes for the companies. This could be observed throughout the research.

For the final assessment, it is necessary to return to the research question, which was formulated as follows:

Is the information disclosed in NIKE's, adidas' and PUMA's CSR reports consistent with non-corporate information and can therefore be interpreted as authentic?

The answer to this research question, is yes for the companies' environmental issues; the three companies seemed to have, in general, an above average rating regarding their management of their environmental key issues. This strong focus on environmental practices could also be found in their CSR report; therefore, NIKE, adidas, and PUMA are considered authentic regarding their environmental practices.

Regarding the companies' management on their social key issues, the answer is not as clear; although no signs of inauthenticity could be found in the issues "Human Capital" and "Occupational Health & Safety", incongruencies could be found with regards to the issue "Human Rights" in the labor and supply chain management of the companies. All three of them have been involved in cases of forced labor, but not one of the companies addresses this issue appropriately in its CSR report. Although forced labor is addressed in adidas and PUMA CSR report, this is only in minor manner without naming concrete steps that should be taken. NIKE is the only company that lists concrete steps it has taken in the past to address forced labor. Nonetheless, all three of them omit the discussion of Uyghur forced labor in their supply chain and how this can be prevented. Statements on these cases have been vague and do not disclose concrete details. Hence, NIKE, adidas, and PUMA are regarded as inauthentic regarding their social efforts.

With regards to the companies' management of their governance key issues, no final answer could be given to the research question. This is due to the lack of information that was found on governance issues; even though governance in general has been assessed, details were missing and components of the analysis have not been clear, or not attributable to the defined key issues. For this reason, no evaluation of the authenticity of the governance practices of NIKE, adidas and PUMA could be made.

4.3 Limitations and further research

The research proposed was limited in so far that it was conducted in the form of a case study for a limited number of companies, therefore, the results are not quantifiable, but specific for the companies assessed based on the information that was retrieved. Therefore, future research on authenticity could focus on more companies to assess, measuring specific factors for the evaluation of authenticity.

Another limitation regarded the sources; many indexes and reports based themselves on public corporate information, in some cases, without requiring evidence of the companies. Hence, it appeared difficult to gather sufficient, evidence-based, information. For the research, information had been limited to public information from multiple sources to narrow the scope of research, but also to ensure variety at the same time. For future research, non-public information from less sources could be consolidated, which would ensure more precise results, although with less variety regarding the analyses.

Furthermore, during research it became clear that the chosen method is suitable for the analysis of environmental key issues, and, in a minor manner, for the analysis of social key issues. However, data was lacking for material governance issues, which impeded an evaluation of authenticity. As the presented method to solve the research question is only valid if enough information is available, it can be observed that the majority of data that could be retrieved focused on environmental sustainability, or, in a minor manner, on the supply chain transparency of the assessed companies. Future research could therefore also only focus on one specific set of key issue, environmental, social, or governance, to offer a more precise assessment.

5. Conclusion

The aim of this thesis was to evaluate the CSR authenticity of NIKE, adidas, and PUMA, assessing the information they provided on their ESG key issues and analyzing it on the base of independent data under the form of indexes, reports, and ESG ratings.

In the first part of this thesis, the literature on CSR, authenticity, CSR authenticity, and stakeholder governance had been presented and explained.

In the main part, the employed methodology, the specifics of the apparel industry, as well as the research design had been described. In the same chapter ESG ratings as well as ESG key issues and their importance for the conducted research had been explained. It followed the presentation of the selected ESG key issues for the analysis of NIKE, adidas, and PUMA, as

well as the introduction of the consulted independent data. Still in the main part, the different case studies had been conducted, starting with the company's key issues and the relevant data that had been found on these issues.

Then, in the last part, the findings had been discussed for each of the three companies.

Lastly, a final assessment was conducted in which the research question had been addressed, the limitations of the research had been presented and further research suggested.

The chosen methodology to analyze the case studies contributes to current research on authenticity, as it represents a new case study-focused approach to the evaluation of CSR authenticity, significantly different from the previous consumer-based perspective on CSR authenticity.

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