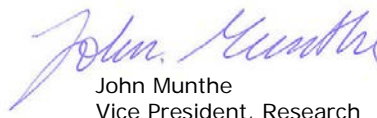# Assessment methods for corporate responsibility on the fashion scene

A case study of Hennes & Mauritz, Lindex, KappAhl and MQ

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IVL Swedish Environmental Research Institute

Organization	Report Summary	
IVL Swedish Environmental Research Institute Ltd.	**Project title**	
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Assessment methods for corporate responsibility on the fashion scene

A case study of Hennes & Mauritz, Lindex, KappAhl and MQ

Summary

The aim of this project was to describe the methods used for assessment of corporate responsibility. The comparative case study included four Swedish apparel retailers and was based on external communication in CSR and sustainability reports. The project revealed a large number of initiatives addressing social and environmental challenges both in the supply chain and for the own operations in stores and offices. A number of performance measures were also linked to these initiatives, enabling an assessment of the performance. However, differences did appear related to the transparency of performance measures and how far in the supply chain the initiatives reached. The results of this study can be discussed in a larger context, where it is relevant to shed light upon the role of sustainability and external communication to stakeholders. This study also leads back to the very core of corporate responsibility; namely, the debate on corporations' responsibilities towards society.

Keyword

Corporate responsibility, assessment, evaluation, apparel, garment, textile, social responsibility, environmental responsibility, CSR

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Summary

Assessing the outcome of corporate responsibility is often argued to be complicated due to long-term effects and qualitative aspects. Epstein (2008, p.261) establishes that: *"Though many think that sustainability is too difficult to measure, companies have found that unless the impacts are measured, they are commonly ignored in the resource allocation process"*. Corporate responsibility is often referred to as a business case, i.e., that social and environmental concern add value to the business (Heikkurinen, 2010; Porter & van der Linde, 1995). Hence, for corporate responsibility to be a business case a strategy, corporate structure and systems, programmes and actions linked to performance measures need to be in place to assess the outcome; environmental, social as well as financial. The information assessed from corporate responsibility initiatives is not exclusively of interest for the internal organisation, but is also important for stakeholder dialogue.

Hennes & Mauritz, Lindex, KappAhl and MQ are four of the ten largest apparel retailers on the Swedish market. They have all adopted a corporate responsibility strategy, and are actively communicating corporate responsibility in sustainability reports and on their websites. Poor social and environmental conditions in the supply chains of apparel retailers have been highlighted in media, among consumers and non-governmental organisations since the 1990's. It is also in the apparel and footwear sector some of the world's largest consumer brands can be found. This has been given as one explanation to why apparel retailers are in the forefront of acknowledging corporate responsibility, as protection of the brand and corporate image has been crucial. The fact that apparel retailers are described as pioneers in the area and that large social and environmental challenges are still facing the industry makes it an interesting sector to study. This comparative case study is conducted on commission of IVL Swedish Environmental Research Institute and aims at describing how Hennes & Mauritz, Lindex, KappAhl and MQ assess their corporate responsibility initiatives. A case study approach in combination with document studies was used to study external communication in sustainability and CSR reports and on corporate websites.

Eight areas of corporate responsibility could be identified for the case companies and a number of initiatives in all areas, ranging from policies, to supplier training, measurement of carbon dioxide emissions, employee surveys and life cycle assessments. The companies have very similar systems, programmes and actions to deal with social and environmental aspects, both in the supply chain and for own operations in stores, offices and for distribution. However, even though a large number of systems, programmes and actions are in place to address social and environmental challenges, it is not until it is linked with a performance measure that an initiative can be assessed. The results of this study reveal that even though many of the initiatives are similar there are differences in the transparency of performance measures and how far in the supply chain the initiatives reach. The similarities in assessment of corporate responsibility can be explained by the fact that the companies belong to the same sector and are facing the same social and environmental challenges. The differences might be explained by differences in corporate resources, company size and media exposure. The results of this study can also be discussed in a larger context, where it is relevant to shed light upon the role of sustainability and external communication to stakeholders. This study also leads back to the very core of corporate responsibility; namely, the debate on corporations' responsibilities towards society.

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Sammanfattning

Många anser att det är svårt att utvärdera företags miljö och sociala ansvar eftersom det ofta handlar om långsiktiga effekter och kvalitativa aspekter. Epstein (2008, s. 261, egen översättning) menar dock att *"Även fast många anser att hållbarhet är för svårt att mäta har företag funnit att om inte påverkan mäts, så ignoreras den ofta i resursfördelningen"*. Företagsansvar anses ofta leda till sociala, miljömässiga såväl som ekonomiska fördelar (Heikkurinen, 2010; Porter & van der Linde, 1995). Om företagsansvar även ska leda till affärsnytta måste det finnas en strategi och en företagsstruktur som stödjer detta. Det bör även finnas system, program och aktiviteter kopplade till indikatorer tillgängliga inom organisationen för att kunna utvärdera miljömässig, social såväl som ekonomisk prestanda. Denna information är inte bara viktig för den interna organisationen utan är även en viktig del av intressentdialog och extern kommunikation.

Hennes & Mauritz, Lindex, KappAhl och MQ är fyra av de tio största klädkedjorna på den svenska marknaden som har utvecklat strategier för företagsansvar och som aktivt kommunicerar sitt företagsansvar externt. Bristfälliga sociala och miljömässiga förhållanden i leverantörskedjorna hos klädföretag har sedan mitten av 1990-talet fått stor uppmärksamhet i media, hos konsumenter och bland intresseorganisationer. Det är även inom kläd- och skobranschen som världens största varumärken finns, vilket av vissa är förklaringen till att denna bransch har varit en pionjär när det gäller att uttrycka företagsansvar (Roberts, 2003). Att klädkedjor beskrivs vara i frontlinjen när det gäller företagsansvar och att allvarliga sociala och miljömässiga utmaningar i stor mån kvarstår gör det till en intressant bransch att studera.

Den här jämförande fallstudien på uppdrag av IVL Svenska Miljöinstitutet har som syfte att beskriva hur Hennes & Mauritz, Lindex, KappAhl och MQ utvärderar sina företagsinitiativ inom området företagsansvar. En fallstudie i kombination med dokumentstudier har använts för att studera extern kommunikation om hållbarhet och företagsansvar i rapporter och på företagens hemsidor.

Åtta områden av företagsansvar kunde identifieras i studien samt ett antal initiativ inom alla områden, till exempel policys, leverantörsutbildningar, mätning av koldioxidutsläpp, medarbetarenkäter och livscykelanalyser. Företagen har liknande system, program och aktiviteter för att arbeta med företagsansvar, både i leverantörskedjan och i butiker, på kontor och för distribution. Även fast ett antal sätt att arbeta med företagsansvar kommuniceras så kan man inte prata om utvärdering förrän dessa aktiviteter kombineras med relevanta indikatorer. Den här studien visar att även fast många av företagens initiativ är lika finns det skillnader när det gäller transparens av indikatorer samt hur långt i leverantörskedjan initiativen sträcker sig. Likheterna kan förklaras med att företagen finns i samma bransch och möter liknande utmaningar när det gäller miljö och sociala frågor. Skillnaderna å andra sidan kan förklaras med att företagens resurser skiljer sig, att de är olika i storlek och att det finns skillnader i hur uppmärksammade de har blivit i media. Resultaten av den här studien kan även diskuteras i ett större sammanhang där rollen av hållbarhetsrapporter och extern kommunikation till intressenter diskuteras. Studien leder även tillbaka till den grundläggande frågan om företagens ansvar gentemot samhället.

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Abbreviations

BCI	Better Cotton Initiative
BSCI	Business Social Compliance Initiative
BSR	Business for Social Responsibility
CR	Corporate Responsibility
CSR	Corporate Social Responsibility
EPA	Environmental Protection Agency
EWC	European Work Council
FWF	Fair Wear Foundation
FLA	Fair Labour Organisation
FAP	Full Auditing Programme
FUP	Follow-up Programme
ISO	International Standardization Organization
LCA	Life Cycle Assessment
NGO	Non-governmental Organisation
SAM	Safety, Work environment and Environment
STWI	Sweden Textile Water Initiative
WCED	World Commission of Environment and Development
WWF	World Wildlife Foundation

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1 Introduction

This chapter aims at introducing the reader to corporate responsibility as a topic on both the corporate and academic agenda, and presents the research questions that are aimed to be answered in this paper. The chapter also introduces the reader to important theoretical definitions and the methodological, theoretical and empirical demarcations of this study.

1.1 Problem background

Corporate responsibility (CR) is an established concept on the academic agenda as well as among many corporations. Ihrén (2011) established in a recent analysis that CR has become a hygiene factor among many medium and large corporations. According to Roberts (2003) the question is no longer so much about if a corporation is acknowledging CR but rather how it addresses environmental, social and economic challenges.

CR is often referred to as a new concept (Portney, 2008; Carroll, 1991). However, the discussion and literature about corporations' responsibility towards society can be traced back to the 1950's (Windell, 2006). The concept of CR in its contemporary form was first introduced in multinational corporations selling consumer goods, such as clothes and footwear, and from there spread to other industries and sectors. Today CR has reached most business sectors, such as food and consumer product businesses, home improvement stores, consumer durables, design and construction (Grafström et al., 2008). CR is not exclusively practiced in the day to day work of companies' own operations but is practiced through the supply chain which includes part manufacturers, distributors and raw material producers (Portney, 2008).

Even though CR is not a recent concept as such, CR communication is argued to be a rather new phenomenon (Portney, 2008). During the last fifteen years a wave of communication on the subject of CR has emerged in company reports, media and on internet (Portney, 2008; Sahlin-Andersson, 2006). According to Bergström et al. (2002) the Brundtland report issued in 1987 by the United Nations World Commission on Environment and Development (WCED) can be seen as an anchor point for corporations starting to report on social and environmental issues. By communicating CR, companies have come to realise how they can take advantage of their commitments, and that society requires companies to take responsible actions.

Stakeholders are increasingly not only asking for action, but also for information and accountability. Companies cannot just talk about what actions they are taking, but stakeholders increasingly ask for transparency, especially in businesses where the supply-chains are long, such as in the apparel and textile industry. To provide stakeholders such as customers, employees, non-governmental organisations (NGOs), and in a larger extent also investors, with information about CR commitments and achievements, a strategy and internal systems for addressing environmental and social challenges need to be put in place (Nyström, 2011).

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A company's implementation of a CR strategy depends on several factors, such as company size, management philosophy, corporate strategy and industry characteristics (Carroll, 1991, p.48). Industry characteristics is an important factor, as different business sectors will react differently to external changes as some industries perceive a higher demand of reacting to CR challenges than others (Heikkurinen, 2010; Laudal, 2010). The international apparel and textile industry is one such industry.

Since the 1990's poor social conditions, and lately negative environmental impacts, in the apparel and textile industry have had a high media exposure (Klein, 2004) and has become a growing issue of concern among retailers (Frostenson et al., 2011). Swedish and international NGOs are regularly publishing critical reports about chemical management, low wages, overtime and limited or no right to collective bargaining in the apparel and textile industry (de Verdier et al., 2010; Wingborg, 2009; Engwall, 2008), which reflect the existing reality behind the increasing consumption of clothes in Sweden (Ander, 2010; Handelns Utredningsinstitut, 2010; Sandlund, 2009).

Brand reputation and corporate image are important components for corporations' profitability, and some argue that CR is a prerequisite for future profitability (Grafström et al., 2008). The apparel and textile industry together with the footwear industry have been in the forefront of acknowledging CR through the supply chain and actively working with improving negative environmental and social impacts derived from the production of clothes and shoes (de Verdier et al., 2010; Roberts, 2003). It is also in these industries that the world's largest consumer brands can be found (Roberts, 2003).

1.2 Problem

Hennes & Mauritz (H&M), Lindex, KappAhl and MQ are four of the ten largest apparel retailers on the Swedish market (Handelns Utredningsinstitut, 2010). These companies all have a presence on different geographical markets; however, all have adopted a CR strategy and are actively communicating CR in sustainability and CSR report as well as on corporate websites.

Several authors argue that CR can lead to competitive advantage (Heikkurinen, 2010; Porter & van der Linde, 1995), but according to Linnanen et al. (1999) a company's commitments for improved CR performance will lead to competitive advantage first when they have been communicated to stakeholders. Epstein (2008, p.261) argues that for CR to be a business case it must be measured. He establishes that: "Though many think that sustainability is too difficult to measure, companies have found that unless the impacts are measured, they are commonly ignored in the resource allocation process". Hence, external reporting and measurement of initiatives related to social responsibility such as labour relations, health and safety, discrimination and environmental challenges such as biodiversity loss, climate change, land use, freshwater consumption and chemical pollution (Rockström et al., 2009) are needed. Dealing with diverse social and environmental issues is a challenge for companies, as many different aspects need to be taken into account and

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traditional economic measurements are in many cases not enough (Nyström, 2011; Epstein & Buhovac, 2010).

Over the years CR has become an extensively popular area of study for many researchers. A number studies have focused on what and how CR is reported in different countries, industries and in accordance with the standard Global Reporting Initiative (Frostenson et al., 2011; Isaksson & Steimle, 2009; Kotonen, 2009; Jones et al., 2005), and on how management systems and standards are used (Schwartz & Tilling, 2009; Stigzelius & Mark-Herbert, 2009; Walker et al., 2007). Several frameworks and methods have as well been proposed to measure the value and evaluate the performance of CR activities (Björklund, 2010; Sprinkle & Maines, 2010; Liston-Heyes & Ceton, 2008; Weber, 2008). Few studies have focused on providing a general picture of how companies are assessing the performance of CR initiatives. In line with Epstein's (2008) argumentation, CR cannot become a business case unless the social, environmental and financial benefits of CR are assessed. Many corporations today spend large resources on CR and the communications of commitments and achievements in sustainability or CSR reports (Miljörapporten, 2011). Companies will in the future, to a larger extent, have to defend its CR initiatives to a large number of stakeholders, including NGOs, employees, customers, investors and owners.

This study aims at filling the research gap of an overview of how CR initiatives are assessed within a sector that is facing social and environmental challenges. By studying a sector that since the 1990's has worked with CR, the findings of this study might inspire companies that are more recent in their attempts to develop responsible business practices. The study can also reveal gaps in the assessment methodology which are important for future research and consultancy services.

1.3 Aim and delimitations

This case study is conducted on commission of the IVL Swedish Environmental Research Institute, with the objective of gaining knowledge about how Swedish apparel retailers are assessing their CR initiatives. The aim is to describe the methods used to assess CR initiatives and research questions of particular interest in this study are:

• What areas of corporate responsibility are assessed by Swedish apparel retailers?

• How are the Swedish apparel retailers assessing corporate responsibility initiatives?

1.3.1 Methodological delimitations

Although CR can be said to be a field of study that has been extensively studied for the last 15 years, it is still an area that is relatively recent. Many different theoretical perspectives are used by researchers from different fields of study, such as marketing, management, accounting and organisational studies to explain CR as a concept and phenomenon. When few established theories are to be found in an area, an inductive research approach, where the researcher departs from empirical findings, is recommended (Backman, 2008). This study aims at with an inductive approach describe the phenomena of assessing CR, but

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does not aim to normatively discuss the studied corporations behaviour, actions or performances.

1.3.2 Theoretical delimitations

CR is a field of study that can be looked upon from several theoretical perspectives, which each provide different explanations of what CR is, how it is implemented in organisations and what role it has for society in a more general perspective. This study takes a stance from business studies, with a focus on management and organisational studies. A model derived within the area of business management has been used as a conceptual model to explain the assessment of CR initiatives as an on-going process. In Epstein's (2008) Corporate sustainability model the assumption is that CR is a business case. This theoretical perspective implies a theoretical delimitation of the study, as there is no general agreement among scholars that CR is a business case (Grafström et al., 2008).

1.3.3 Empirical delimitations

This study is delimited to four apparel retailers on the Swedish market and does not aim at drawing general conclusions about how apparel retailers are assessing CR initiatives. The objective is rather to explore the kind of assessment methods that can be used in a sector with large social and environmental challenges. An empirical delimitation is as well the time aspect. This study does not aim to make a historical study of the studied companies' assessments but aims at describing the contemporary methods used. Hence, there will be no focus on initiatives that the case companies report that they are going to work with or develop in relation to CR.

CR as a concept involves several stakeholders: employees, NGOs, investors, owners, regulatory agencies and local communities. However, due to the empirical delimitations of this study the main focus will be on how corporations are working with assessments of CR initiatives. Stakeholder perspectives will not be the main focus of this study, but will be part of a more general discussion of corporations' responsibility towards society.

H&M has since 2008 been the major shareholder of FaBric Scandinavien AB, with the brands Monki, Weekday and Cheap Monday, and since 2009 these brands are part of H&M's supplier monitoring programme. This study, however, is only focused on what is externally reported in reports and websites related to the brand H&M.

1.4 Definitions

A discussion of the definitions of concepts used in this project is provided, as several of the concepts regarding corporate responsibility differ among actors. This paragraph aims at clarifying the use of a number of central concepts.

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1.4.1 Corporate responsibility

Social and environmental responsibility is often referred to as corporate social responsibility (CSR) by companies, the media and among researchers. On the academic agenda however, a change has lately taken place towards referring to corporations' responsibility in relation to the environment, social issues and economic aspects, simply as corporate responsibility (CR). The advantage of using CR is that it does not emphasise the social aspect but gives equal weight to economic, social and environmental responsibility. Such a definition is in line with sustainable development as established by WCED (1987) and with the established application of sustainable development in the business world, referred to as the triple bottom line (Elkington, 1998). In this study CR will be used to describe social, economic and environmental aspects of corporate initiatives.

1.4.2 Corporate responsibility communication

The external communication of CR is referred to in different ways by different actors. Environmental reporting, social reporting, corporate social reporting (CSR) and sustainability reporting are all concepts used to describe companies external reporting. In the conceptual model used in this study Epstein (2008) uses sustainability reporting when he refers to strategies and external reporting of corporate responsibility. Aras & Crowther (2008) criticize the use of sustainability reporting and argue that confusion exists in the use of "sustainability" and "sustainable development". They argue for example that there are industries, e.g., the mining industry that by no means can live up to being a sustainable business. Corporate responsibility (CR) communication is another concept that has been used (Frostenson et al., 2011). CR communication will in this study be used, which is in line with the more general concept of CR as defined in the previous paragraph.

1.4.3 Assessment method and performance measure

This study aims at describing how Swedish apparel retailers assess CR initiatives. An assessment method will in this study have a broad meaning and refer to what in Epstein's (2008) model are systems, programmes and actions used to address CR issues. A system can refer to a management system such as ISO 14001, a programme can consist of environmental training of employees and an action can refer to sponsorship of a community project (Epstein, 2008). A CR system, programme or action is not in itself an assessment method, but in combination with a performance measure (e.g. number of facilities with an environmental certification, number of competence training per employee/year or SEK in community support). In this study the focus is on how companies are assessing their CR initiatives, i.e. what systems, programmes and actions that are in place and what kind of performance measures that are disclosed in external CR reporting. The performance as such will not be discussed.

1.4.4 Social responsibility

Social responsibility in this study is broadly defined and refers to social issues that are relevant in the context of CR such as labour relations, work environment, discrimination, equality and diversity, health and safety, and child labour among others.

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1.4.5 Environmental responsibility

Environmental aspects have, as with social responsibility, a broad meaning in this study and refer to environmental issues that relate to production and distribution of clothes such as biodiversity loss, climate change, land use, freshwater consumption, chemical pollution and ocean acidification (Rockström et al., 2009).

1.4.6 Supply chain

Supply chain in this study refers to the step-by-step process by which the product, in this case apparel and textile, transitions from raw material to finished apparel (Roberts, 2003). The concept of supply chain has been chosen above that of value chain as the later could be interpreted as to refer to values added to a product in a later stage, such as service, packaging, distribution etc. (Porter, 1980).

1.4.7 Subcontractor and second-tier supplier

A subcontractor is defined by H&M (2009, p.15) as an "Independent factory (units) which may be contracted by our suppliers to perform certain parts of the production process such as washing". A second-tier supplier refers to an actor in the supply chain that the apparel retailer does not have a business contract (compared to a first-tier supplier which is the supplier that has a contract with for example H&M) with, and can for example be a producer of yarn or fabric (Hennes & Mauritz, 2009).

1.4 Outline

Chapter 1 provides the reader with a problematisation of the chosen research area and the research questions, the demarcations of the study and definitions of key concepts.

The next chapter, chapter 2, aims at providing the theoretical framework of the study which within the empirical findings will be analysed. The theoretical framework explains CR as a process and how internal systems are closely linked to external reporting. Chapter 3 provides a discussion about the method approach of the project and the choice of sector, study units, data collection and analysis methods.

In chapter 4 a background to the apparel and textile industry is presented, aimed at introducing the reader to the social and environmental challenges that face apparel retailers worldwide. The chapter also provides a historical perspective of how CR has been viewed by Swedish apparel retailers and how methods for addressing social and environmental challenges in the supply chain are used.

Chapter 5 presents the empirical findings of the project for each company, H&M, Lindex, KappAhl and MQ. These findings are in chapter 6 analysed and interpreted in a larger context to provide a discussion of the findings as presented in chapter 7.

Finally, in chapter 8, the conclusions of the project are presented together with a brief discussion of suggested future research.

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2 Theoretical perspective and literature review

In this chapter the theoretical framework for the analysis is presented. The chapter is introduced with a brief discussion about CR in general and CR in the apparel and textile industry in particular. Next, the theoretical framework, which is built around Epstein's (2008) Corporate sustainability model, will be presented. The model emphasises stakeholder demand for corporate accountability, internal systems and how to assess the performance of CR initiatives.

2.1 The pyramid of corporate social responsibility

There are as many discussions about the meaning of CR as there are definitions, depending on the company and its context (Grafström *et al.*, 2008). Few commonly agreed upon definitions of the concept exist (Roberts, 2003). Smith (2003) establishes that CR is about corporations' obligations towards society, but argues that it is debated and not defined how far these obligations extend. Lyon & Maxwell (2008, p.24) define CR as *"Socially or environmentally friendly actions that go beyond what is required by law"*. Carroll (1991, p.43) is more specific in his definition of corporations' responsibility towards society and identifies four components, namely an economic, legal, ethical and philanthropic responsibility, i.e. the company's responsibility is to *"make a profit, obey the law, be ethical and be a good corporate citizen"*. These four responsibilities are all part of what Carroll refers to as the Pyramid of corporate social responsibility (Figure 1).

Figure 1. The pyramid of corporate social responsibility (Carroll, 1991, p.42).

The categorisation of CR in accordance with Carroll's (1991) pyramid can be argued to be established both on the academic agenda and the way CR is interpreted among corporations. In the international standard on social responsibility it is highlighted that social responsibility is not a static concept (Swedish Standards Institute, 2010, p.5): *"The elements of social responsibility reflect the expectations of society at a particular time, and are therefore liable to change. As society's concerns change, its expectations of organisations also change to reflect those concerns."* Just like it is important to reflect upon social responsibility in a time perspective it is important to reflect upon the meaning of CR in different contexts. Laudal (2010)

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expressed the opinion that a misconception occurs when CR is referred to as those actions taken that go beyond what is required in law in the context of the international clothing business. Laudal argues that CR in this context often is about actually enforcing the legal requirements in the production country, and hence less about going beyond legal requirements.

2.2 Corporate responsibility — a business case?

According to Epstein (2008) CR is a business case, i.e. improved environmental and social performance can also lead to long-term corporate financial performance. From this perspective, the ethical considerations in Carroll's (1991) pyramid must not go against the economic responsibility of a corporation but can lead both to social, environmental and financial benefits. On the academic agenda CR as a business case is debated. There are two major opinions about CR as a business case; either that CR is counter-productive or that CR is a prerequisite for continuous profitability (Grafström *et al.*, 2008). Among those scholars that argue for CR to be a business case several advantages are highlighted. It is argued that CR can lead to a satisfied workforce and increased productivity (Lyon & Maxwell, 2008; Portney, 2008), better reputation and customer loyalty (Heikkurinen, 2010), cost efficiency (Porter & van der Linde, 1995) and improved relationship with stakeholders (Epstein, 2008; Welford & Frost, 2006).

Arvidsson (2010) argues that CR is rather a way of avoiding value-destruction than to create value. Sahlin-Andersson (2006) establishes that CR also can be viewed as part of a management trend, where CR has become an important and fashionable part in the identity of a modern organisation. The societal and financial outcomes of CR depend on the approach adopted by the company. To integrate CR as part of the core business, by for example developing new business models, is more likely to be sustained over time and lead to value for the business as well as for stakeholders compared to a philanthropic approach (Porter & Kramer, 2011; Halme & Laurila, 2009). A philanthropic approach might give more direct societal outcomes than do the integration and innovation approaches, but might not lead to a sustained positive social outcome as it can easily be withdrawn by a company (Halme & Laurila, 2009).

Although there are different opinions about CR as a business case the assumption in Epstein's (2008) Corporate sustainability model is that CR can be a business case. The model, which will be used in the analysis of the empirical findings, will be further discussed in the next paragraph.

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2.2 The Corporate sustainability model

Internal systems and structures for working with CR are closely linked to external communication as the internal systems generate the information that can be used in external reporting (Veleva, 2010; Epstein, 2008; Linnanen *et al.*, 1999). Burritt and Schaltegger (2010, p.38) provide a clarifying metaphor of the relation between internal systems and external reporting: *"[...] sustainability reporting is rather like clothing, a larger number of items may not be visible, but sustainability accounting undergirds those clothes which are visible to the public as messages are portrayed about the wearer in space and over time."*

Implementing and working with CR can be compared to a process where actions, feedback loops and continuous improvement are crucial components for assessing the social, environmental and financial outcomes of CR systems, programmes and actions. The Corporate sustainability model aims at explaining this process (Figure 2).
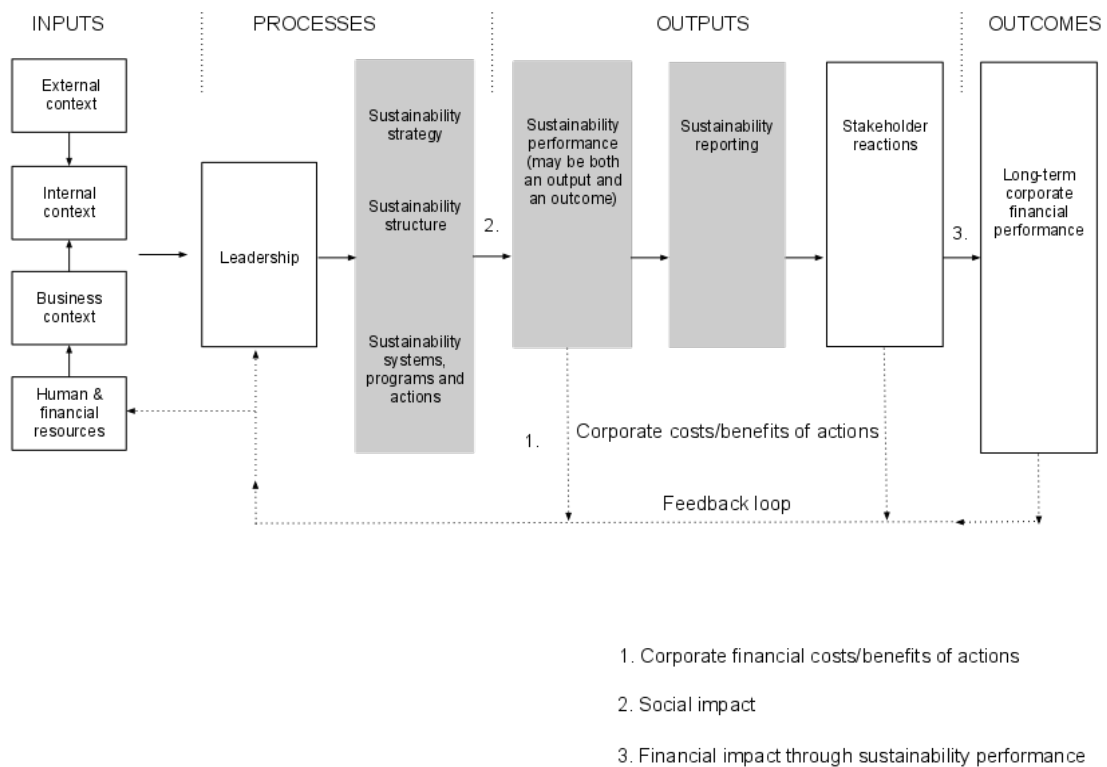
Figure 2. The Corporate sustainability model (own version according to Epstein & Buhovac, 2010, p.307)

Epstein's (2008) model aims at illustrating the process of implementing and working with CR, from the external factors that affect the adoption of a CR strategy to the long-term corporate financial performance that can be a result of a well-implemented CR strategy (Heikkurinen, 2010; Welford & Frost, 2006; Porter & van der Linde, 1995). However, in this study Epstein's model will be used to focus on the systems, programmes and actions

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aimed at addressing CR issues and the performance measures disclosed in CR reporting (the three shaded boxes in figure 2). As illustrated in the model, it is in combination of systems, programmes and actions and sustainability performance the social and environmental impacts of CR can be assessed.

The Corporate sustainability model (Epstein, 2008) is designed for internal application, i.e., how a company can implement and work with CR. In this study it is important to keep in mind that the analysis will be made from an external perspective, i.e., based on the CR communication of the studied companies. To clarify this focus an additional box has been added to Epstein's model, named "Sustainability reporting". The additional box does not change the meaning of the model but emphasises the focus on the systems, programmes and actions for working with CR and performance measures that are externally communicated. The following paragraphs aim at further explaining the relationship between internal systems and external reporting illustrated in the Corporate sustainability model (Epstein, 2008).

2.2.1 Stakeholder demand and corporate accountability

Governments, consumers and NGOs are increasingly demanding corporations to take responsibility and in the fashion business disclosure of CR performance of suppliers' is demanded (Mamic, 2005; Miles *et al.,* 2004). It has hence become crucial for companies to have a good relationship with stakeholders to avoid boycott threats and other reputation destroying actions (Lyon & Maxwell, 2008). The process of sustainability accounting driven by external factors is developed as a response to external expectations from stakeholders (Bowers, 2010; Burritt & Schaltegger, 2010; Ballou *et al.,* 2006). Arvidsson (2010, p. 349) describes the demand driven request for information about social and environmental performance as a proactive approach to CR reporting aiming at *"preventing legitimacy concerns to arise"*. Schultz and Wehmeier (2010, p.18) argue that CR reporting can be seen as *"a symbolic facade that provides evidence that the demands of various actors must be dealt with"*. This perspective of CR reporting also implies that the content in external reporting in a high degree will be driven by stakeholders' interests (Arvidsson, 2010; Burritt & Schaltegger 2010; Ballou *et al.,* 2006).

Stakeholder pressure is not exclusively a request for action, but also for information and accountability (Aras & Crowther, 2008). Kotonen's (2009) study of the CR reporting of Finnish firms revealed that 50 percent of the companies communicated that stakeholder relations are important and that the CR reporting is part of a stakeholder dialogue. According to Walker *et al.* (2007) reporting about social and environmental responsibilities is a way of positioning the organisation and to communicate where the company wants to be, now and in the future.

Epstein (2008, p. 226) establishes that external reporting is an important component of CR and argues that it is important that the CR reporting is about credible accountability rather than seen as a *"public relations exercise"*. Jones *et al.* (2005) argue that many corporations are keen to communicate their CR achievements, which can have a potential advantage towards competitors (Ballou *et al.,* 2006; Linnanen *et al.,* 1999). According to Frostenson *et al.* (2011) environment and quality are areas within CR communication that have most

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focus. Veleva (2010) argues that information that is generated internally is not always appropriate to communicate externally, for example employee satisfaction, brand reputation and customer loyalty. Corporations can even be criticised for providing too much and too complex information (Kotonen, 2009). Hence, a challenge can be to find a balance between transparency and openness, and what can actually fit within the report format (Adams & McNicholas, 2007).

2.2.2 Internal systems for external reporting

Epstein (2008) argues that the information that is assessed internally should be used for external reporting. CR systems, programmes and actions hence have an important role in generating the information used for external reporting of social and environmental performance (Isaksson & Steimle, 2009; Kotonen, 2009; Epstein, 2008; Linnanen *et al.*, 1999). According to Epstein (2008) there are two important steps in the implementation of a CR strategy. The first step is to set up goals and targets for what the company wants to achieve, and the second step is to develop structures, systems, programmes and actions for fulfilling the commitments communicated in policies regarding environmental and social responsibility.

Several scholars establish that a formal and systematic management system is necessary for the implementation of a CR strategy and to work with social and environmental issues on an organisational level (Epstein & Buhovac, 2010; Walker *et al.*, 2007). The aim of a management system is to have access to information that is needed for decision making related to budget, investments and strategy, to measure and evaluate the activities that have been undertaken and to monitor the fulfilment of goals and targets (Epstein & Buhovac, 2010; Durden, 2008; Walker *et al.,* 2007; Ballou *et al.,* 2006; Burritt *et al.,* 2002). The management system itself does not guarantee an improved performance but sets a framework for how to deal with issues encountered (Walker *et al.,* 2007). The formal systems that can lead to external certification can also have a more symbolic function, as the implementation of a standardised management system can create legitimacy (Schwartz & Tilling, 2009; Brunsson & Jacobsson, 1998).

Continuous improvement is a core concept of standardised management systems (Schwartz & Tilling, 2009; Piper *et al.,* 2004) and is a way of assessing the success of CR initiatives. To work with continuous improvement, appropriate performance measures need to be set up to define the goals and targets of improvement. Epstein (2008) establishes that every CR initiative should be linked to a performance measure, to be able to assess the social and environmental impacts of the actions. The feedback loops in Epstein's model (2008), see Figure 2, have the function of providing information about the costs and benefits derived from a CR strategy, the structures, systems, programmes and actions, but also of the performance outputs and performance outcomes, so that necessary revisions can be made for continuous improvement. Burritt and Schaltegger (2010) state that the information derived from a management system need to be of high quality and provide useful information for managerial decision making. Management tools that provide quantitative data are important as the top-management often is focused on measures and monetary data (Veleva, 2010). However, Epstein (2008) argues that quantitative and as well as subjective

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and qualitative measures might be necessary in cases where it is hard to quantify the information.

Measuring the outcomes of CR it is often argued to be complicated, due to long-term effects and the qualitative aspects of social and environmental issues (Epstein & Buhovac, 2010; Weber, 2008; Burritt *et al.*, 2002). Nikolaou and Evangelinos (2010) identify several challenges with existing environmental and social accounting methods such as definition of measurement units, the formal or informal character of the accounting principles, and number of different accounting theories. Burritt *et al.* (2002) emphasise a combination of economic and environmental aspects as a way of creating awareness about its positive and negative effects on the economic bottom line. Weber (2008) refers to the positive impacts of CR as monetary and non-monetary benefits, while Sprinkle and Maines (2010) assess costs and benefits of engaging in CR related activities.

2.2.3 Systems, programmes and actions in the supply chain

In the context of apparel retailers the focus is not only on the internal organisation, but also the supply chain becomes an important aspect of CR as a majority of consumer goods are sourced in developing countries (Björklund, 2010). The environmental management systems aimed at improving environmental performance have for a long time dominated within organisations and have mainly had an internal focus. However, due to a demand of formal systems for social issues, standardised management systems addressing a broader social responsibility have been developed (Schwartz & Tilling, 2009; Stigzelius & Mark-Herbert, 2009; Roberts, 2003). Examples of this is the newly released social responsibility standard ISO 26 000 and the Social Accountability standard SA8000.

SA8000 is a standard that has developed as a response to retailers' pressure on suppliers to comply with labour and environmental laws. SA8000 provides a system that guarantees that a production site complies with the minimum legal standards applicable in the production country and is audited by a third party (Stigzelius & Mark-Herbert, 2009). The SA8000 is a voluntary standard covering worker's rights, work place conditions and management systems and can lead to a third-party certification (Social Accountability International, 2008). The request for standards such as SA8000 and supply chain management can have a positive impact in the supply chain (Wolf, 2011; Lyon & Maxwell, 2008; Miles *et al.*, 2004). Political regulations might not always be enough to address social problems, especially in developing countries and hence actions taken by companies using for example standards can have positive effects (Beschorner & Müller, 2006).

ISO 26 000 (Swedish Standards Institute, 2010, p.8) is developed to suit all kind of organisations, both more and less experienced practitioners. This standard provides guidelines of social responsibility including human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development. Even though ISO 26000 is referred to as a standard, it cannot lead to a third party certification. Instead the standard aims at guiding organisations in their social responsibility by providing a detailed guide on aspects related to social responsibility.

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The social standards aim, just like other management systems, to facilitate the organisation and management of social responsibility (Schwartz & Tilling, 2009) and lead to improvements regarding an organisation's social responsibility (Swedish Standards Institute, 2010). Just like social and environmental management and accounting systems are criticised for their lack in comparability (Nikolaou & Evangelinos, 2010) criticism is raised towards the standardised way of dealing with social issues. The ISO 26000 neither contains commonly agreed upon tools or goals, which makes it hard to compare different actors on their achievements (Schwartz & Tilling, 2009).

This chapter has provided the theoretical framework of the empirical study, which will work as the conceptual model for analysis of the empirical findings. How the empirical study was conducted and how the study units, H&M, Lindex, KappAhl and MQ, were chosen will be presented in the following chapter.

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3 Method

The researcher always has earlier experiences, values and limited perspectives that influence the choice of subject, theoretical perspective and analysis method. Due to these previous experiences, a researcher cannot strive towards complete objectivity, but should instead focus on transparency and reflexivity (Öckerman & Friman, 2003; Alvesson & Sköldberg, 1994). The choice of research questions, theoretical perspective, method and study units all involve important decisions and it is crucial to reflect over the advantages and disadvantages different research methods entail (Bryman, 1989). This chapter aims at providing a transparent and reflected discussion of the method approach in this study.

3.1 Case study as part of the qualitative approach

This project is based on a qualitative research design, which implies a limited number of study units and a mix of qualitative and quantitative data (Robson, 2002). A qualitative research design was chosen due to the aim of the study, namely to describe how four Swedish apparel retailers are assessing their CR initiatives based on what is communicated in external corporate documents.

A case study is a common strategy within the qualitative research approach (Robson, 2002). In a case study the interpretation is done in relation to the context, i.e., the case companies were not analysed exclusively as isolated units of analysis but their interactions and impact of external actors are taken into account (Backman, 2008). A disadvantage with the case study approach is that no generalisation of results can be done. However, the aim of the case study with a limited number of study units is not to draw general conclusions about a whole population "but to engender patterns and linkages of theoretical importance" (Bryman, 1989, p.173). This study chose four Swedish apparel retailers as study units which imply that the case study is comparative. A comparative case study was conducted as this approach is suitable when studying organisations (Robson, 2002). The interest was not to draw conclusions about the apparel retail sector as such, but to gain understanding about which assessment methods that are used by four large retailers on the Swedish market with complex supply chains and large challenges regarding environmental and social responsibility.

3.2 Choice of sector and companies

The apparel and textile industry in general has since the 1990's been highly exposed by media and under critical scrutiny by NGOs due to poor working conditions and negative environmental impacts in the long and complex supply chains (Wingborg, 2009; Munck, 2007; Klein, 2004; Rahm, 2000; Beck-Friis & Gerken-Christiansen, 1998). However, it has also been argued that the apparel and textile industry together with the footwear industry are the sectors at the forefront in acknowledging CR through the supply chain (Roberts, 2003). Some of the larger Swedish apparel retailers have worked with CR since the mid 1990's (Ählström & Egels-Zandén, 2008) and thus become an important sector to study, as

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they have a long experience of working with CR. Four major Swedish apparel retailers, H&M, Lindex, KappAhl and MQ; that actively communicate CR were chosen as study units. The companies were theoretically sampled, i.e., the units of analysis have been chosen for theoretical reasons and not randomly sampled for giving representative results (Flick, 2009; Eisenhardt, 1989). The units of analysis were chosen by using information from the Swedish Retail Institute about apparel retailers on the Swedish market and by browsing the internet for retailers that actively communicate CR. The number of units for analysis was determined according to the minimum number of study units required to be able to draw conclusions about the sample (Eisenhardt, 1989). The companies that are all Swedish implies a national bias; however, all companies besides MQ are acting on more international markets and in general the CR challenges facing apparel retailers worldwide can be argued to be similar.

H&M, Lindex, KappAhl and MQ are among the ten largest clothes retailers at the Swedish market, together making up 32.6 percent of the total Swedish clothes market (Handelns Utredningsinstitut, 2010). The four companies belong to the same sector and have at least one common market, in this case study the Swedish market, the companies are all selling their own brands, each company has a company specific sustainability report, all of them have production of clothes outsourced to independent contractors concentrated mainly in Asia and all are registered as Swedish public limited companies. However, the companies differ in size and markets outside Sweden; they show some differences when it comes to target customers, minor differences in CR strategy and some of the companies sell both external and own brands (Table 1).

Table 1. Presentation of case companies

Company	Turnover million SEK	Market	Brands	Number of stores	Number of employees
Hennes & Mauritz AB	108 483	Global, 38 countries	Mainly own brands	2 200	75 000
Lindex AB	4 616	Northern & Eastern Europe, the Middle East	Mainly own brands	395	4 500
KappAhl AB	4 622	Northern & Eastern Europe	Mainly own brands	350	4 800
MQ Retail AB	1 435	Sweden	Own and external brands	110	634

Source: Hennes & Mauritz, 2009; www, Hennes & Mauritz, 2011a; KappAhl, 2008; KappAhl, 2010; Lindex, 2009; www, MQ, 2011a; www, MQ, 2011b

A more detailed presentation of the case companies is provided in chapter 4.

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3.4 Literature review and theoretical perspective

The starting-point of this research is the empirical findings based on document studies, which implies an inductive research approach (Backman, 2008). However, as May (2001) establishes, in the social sciences there is always a reflection back from theory toward the empirical data, and from the empirical data to the theory. This approach can also be referred to as abduction, where the empirical findings are developed and the theories are fine-tuned to have the function as inspiration during the research process (Alvesson & Sköldberg, 1994).

To identify a relevant theoretical framework a literature review was conducted. The purpose of a literature review is not only to make an inventory of literature within the field of study, but rather to make an inventory of the knowledge within the field (Backman, 2008). The theoretical review is mainly based on peer-reviewed articles in academic journals relating to business management, as well on book chapters in management and marketing. "Grey literature", such as reports and newspaper articles have also been included (Robson, 2002).

3.4.1 Consultation, manual search and computer search

Three methods identified by Backman (2008) for a systematic literature search: consultation, manual searching and computer based searching have guided the literature review of this study. The computer based search involved browsing articles in data bases provided by the Swedish University of Agricultural Sciences. The data bases were selected on their relevance to the subject of the study, namely business studies (Econlit and Emerald) but also data bases with a broader scope covering both social and natural science journals (Scopus and ISI Web of Knowledge) were selected to give a broader perspective of the subject. Key words were used in different combinations and in cases where the number of articles has been extensive (in Econlit and ISI Web of Knowledge) the search has been additionally demarcated by adding limitations in publication years or additional search terms.

The literature review, based on peer-reviewed articles, reveals that the topic of this thesis is covered in a number of different academic journals, implying that the study area can be explained from many different perspectives, both from a more general CR perspective to sector and subject specific journals. The study topics of this project are covered in many different academic journals which show that it is hard to study one part of a CR strategy implementation without discussing another step (e.g., accounting and management systems are closely related to how external information is generated, and external communication is demanded by stakeholders, which in turn has a large impact on a corporation's decisions to implement a CR strategy).

A number of different research method approaches have been used in previous work on the subject, such as case studies, action research, development of theoretical frameworks and statistical analysis. Authors from the Western part of the world are overrepresented in the literature review which implies a Western bias regarding the perspective of business

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management and CR. Regarding the ration of women and men, the majority of authors are male representing 67 % of the peer-reviewed articles. A majority of the reviewed articles have been published the last five years, which could indicate that assessment, performance, evaluation and measurement of CR lately have gained research attention.

Consultation as a method for finding relevant literature for this study took place with supervisors and students to access literature that was of relevance to the topic. Manual search was used to browse the library on books of interest and go through bibliographies from earlier research papers and projects. The snowball technique, i.e., to use the bibliographies of articles to find additional articles of relevance, has been used as it gives a more focused literature search than only using key words as the search in data bases entails challenges of choosing appropriate key words (Ridley, 2008). The literature search has been an iterative process that has been on-going throughout the research project.

3.4.2 Choice of conceptual model
The literature review reveals that the implementation of a CR strategy can be seen from a process perspective where external factors affect the CR strategy adopted, where internal resources will decide how the strategy is implemented, and the internal systems, programmes and actions will generate performance measures that can be used in external communication. Feedback-loops, both internal and from stakeholders, will in turn reveal whether the CR actions taken were successful or not both regarding social, environmental and financial performance. A model that explains CR as a process is presented by Epstein (Epstein & Buhovac, 2010; Epstein, 2008) and was used as a conceptual model to illustrate how different steps in the implementation of a CR strategy are linked. The Corporate sustainability model presented by Epstein (2008) was, however, modified to suit the aim and method approach of this project.

Theories and theoretical models are always based on assumptions made by the author and it is important to be aware of the underlying assumption of a theoretical model when applied in research (Alvesson & Sandberg, 2011). One underlying assumption in Epstein's (2008) model is that CR is a business case. However, as highlighted by Grafström et al. (2008) this is an assumption that is not shared by all researchers and corporate leaders and is therefore important to keep in mind when considering part of the findings in this project.

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3.5 Document studies

Secondary data in the form of company specific data is the main source of empirical data in this study, including sustainability or CSR reports issued by the companies and information available at corporate websites. The most recent sustainability and CSR reports have been used as the aim of the study is to study contemporary methods for assessment, and therefore a historical analysis of the reports was not relevant in this case. The reports either cover year 2008 (KappAhl), 2009 (H&M and Lindex) or 2009/2010 (MQ) . Due to the fact that the reports are issued in different years, additional information from company websites have been used which can be assumed to be more regularly updated than published reports.

Flick (2009, p. 262) describes documents as "Communicative devices" which implies that documents are created for a specific reason. When studying corporate information it is hence important to keep in mind that this information is designed for a specific purpose and it is crucial to question the function the sustainability and CSR reports have. One argument is that the aim of external reporting is to provide stakeholders with information about companies' initiatives and achievements in the area of social and environmental issues. On the other hand, Stittle (2002, p.349) expresses a critical view of external reporting. According to him "Companies tend to use the reporting of ethical issues to portray their own image in a 'positive' or 'favourable' light".

Document studies can hence provide a limited view of the study units (Flick, 2009). Personal interviews would have been a way of validating and complementing the information provided in the sustainability and CSR reports. Additional data collection methods would also have provided a more nuanced and deeper perspective on assessment methods of CR. Access to other kinds of data was limited by the lack of availability of corporate representatives willing to share their experiences and perception. External communication became the second data collection choice to fulfil the aim of the study. Telephone interviews with company representatives at H&M and MQ have given background information on those two companies. To eliminate the bias of using personal communication in some cases and exclusively secondary data in other cases, the personal interviews did not form part of the comparative case study.

A more empirically focused document study was conducted to provide background to the apparel and textile industry. For this purpose "grey literature" (Robson, 2002) was used in combination with peer-reviewed articles. The grey literature consists of publications and reports from NGOs such as Fair Trade Center, the Clean Clothes Campaign, World Wild Foundation (WWF) and Swedwatch. Information from stakeholder organisations might be biased and represent limited perspectives. However, the publications were judged to be useful to provide a balanced perspective to the external communication of the case companies. The grey literature has in many cases been cross-checked and complemented by peer-reviewed journal articles, which is a way of validating data (Backman, 2008). It is also important to reveal that there is not one opinion or one "truth" in the field of study. Stakeholders, academics and corporations will have different perspectives regarding social and environmental challenges and responsibilities.

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3.6 Data collection and analysis

The data collected in this study on assessment methods for CR is based on both qualitative and quantitative data. The qualitative approach implies that data analysis is present throughout the whole research process, as information is always selected, read and interpreted and it is hence problematic to talk about "raw data" (Alvesson & Sköldberg, 1994). The common terminology of reliability and validity, commonly referred to in quantitative data analysis, are hence irrelevant in this case study. Trustworthiness is instead a suggested term to judge the quality of qualitative research, where transparency and reflexivity in the research process are crucial (Flick, 2009; Robson, 2002; Alvesson & Sköldberg, 1994). To acknowledge that the analysis in a qualitative approach starts already in the data collection process, if not already in the choice of topic, is a way of reflecting upon the fact that interpretation of data is an on-going process.

Empirical findings need to be analysed and viewed in a theoretical context to be understood and to add knowledge to the research field (May, 2001). Thematic coding is a common data analysis method within the qualitative research approach which Flick (2009, p.307) describes as the "operations by which data are broken down, conceptualised, and put back together in new ways". The data analysis in this study was inspired by thematic coding as presented by Flick (2009) and Glesne (2011). Thematic coding implies that themes or categories can be derived from empirical data, either based on key words in the text or interpretations of the text. This approach was suitable in this study as the use of themes made it possible to organise a large amount of data and enable a comparison of the four case companies. The procedure of data collection and analysis is further presented in the following paragraphs.

3.6.1 Data collection

In the data collection process all information related to CR at each company's website was reviewed one at a time. The data collection was carried out in a step-by-step manner, starting with the sustainability and CSR reports, and complementing with other corporate information available at the companies' websites. The sustainability and CSR reports were reviewed four times in total, while the information on the websites was reviewed once. A brief first review of the sustainability and CSR reports was carried out to get an idea of the information. In the second step the reports were read more carefully, looking for relevant themes. On the third and fourth times, a list of questions was used to make sure that no important information was missed in any of the cases.

3.6.2 Thematic coding

Based on the empirical findings from the company specific information, eight categories were identified related to the companies' CR, which is in line with earlier categorisation of CR areas (e.g. Frostenson et al., 2011). Thematic coding was used and the empirical findings of the first case were used to design the themes that could be used for further analysis of the additional cases (Flick, 2009). By creating themes such as raw materials, social responsibility in the supply chain, etc., the themes were fine-tuned in a step-by-step manner to enable a comparison of the case companies and their CR assessment methods.

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The data was then compiled in the selected themes and the case companies presented individually.

3.6.3 Identification of patterns

To analyse the empirical finding from the companies and identify patterns for analysis a table of comparison was designed in accordance with Epstein's (2008) Corporate sustainability model. In this step the categories from the thematic coding and the concepts from the theoretical model were used to get an overview of the empirical data and as a basis for the empirical analysis.

3.6.4 Synhesis and conclusion

The last and most important step in the analysis was to place the results of the empirical study in relation to the theoretical review and earlier studies in the field of study. This synthesis resulted in a discussion about the results of the empirical findings and conclusions about these particular cases could be drawn.

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4 Background to the industry

Chapter four aims at giving the reader a context to the corporate responsibility challenges apparel retailers are facing. The aim is to give the reader a background to the empirical findings presented in the next chapter (chapter 5) by discussing the major challenges in the industry and the more established assessment methods related to social and environmental aspects.

4.1 Corporate responsibility in the industry

The main driver of the fashion industry is consumer tastes and consumer purchasing power. The majority of clothes and accessories purchased and consumed in Sweden and other developed countries are produced by independent contractors in China, Bangladesh, India, Sri Lanka, Pakistan and Bangladesh (Ander, 2010). The apparel and textile industry can be divided into two segments: the production of textiles from yarn and the production of apparel from textiles (www, GlobalEdge, 2011). The apparel industry shares several characteristics with the production of other consumer goods such as toys and footwear including labour intensive production, production in low-income countries and production with low margins (Bremer & Udovich, 2001). The supply chains in the apparel industry are long and can involve up to eight actors (Björklund, 2010; Roberts, 2003), which implies complexity of tracing and controlling the social and environmental impacts of the production. A general model of how a supply chain in the footwear and apparel industry can look like is illustrated in Figure 3.

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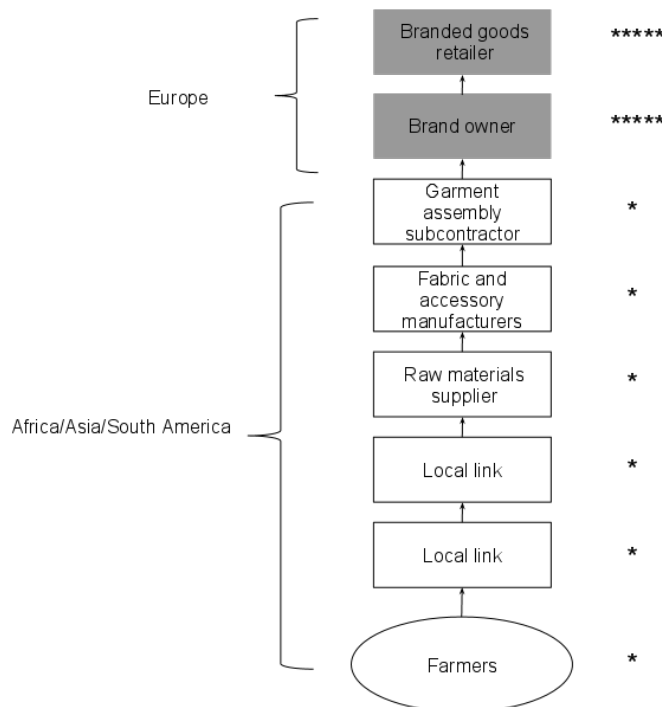
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Figure 3. Key links in the clothing and footwear supply chain (Roberts, 2003, p.165).

The two shaded boxes in Figure 3 illustrate the actors on the European market while the additional boxes represent the different actors and middlemen that exist in the supply chain. The stars indicate the power in the supply chain, indicating that the European brand owners and retailers have the largest bargaining power in relation to suppliers, subcontractors and raw material producers (Roberts, 2003). The power between the additional actors can as well vary due to size and sector. The aim of the model is, however, to highlight that there is a large difference in bargaining power between buyers on the European market, and suppliers and raw material producers in Africa, Asia and South America. As pointed out, this is a general model that tries to illustrate the complex supply chain that is common for many types of consumer goods, such as clothes, footwear and toys. In this case study the brand owner and the branded goods retailer is the same actor, while for other brands such as Nike and Adidas (Klein, 2004), the brand owner and the branded goods retailer are different actors.

Fang et al. (2010) establish that the growing interest of ethical aspects in global sourcing has become important in the choice of suppliers and several Swedish apparel retailers emphasises the benefits of long-term supplier relationships. Roberts (2003) refers to the apparel industry as pioneers of ethical sourcing. She explains that with the fact that the world's largest consumer brands can be found in the apparel and footwear sector, for whom it has been crucial to protect the strong brands from reputation and image destroying criticism. de Verdier et al. (2010) point out that the apparel retailers have

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reached further than companies in many other sectors, but argue that there are still serious issues that need to be addressed. Röhne (2010) argued that the apparel industry has for a long time been faced with a catch 22 situation, where consumers are criticising retailers for not taking their responsibility for improving labour conditions and decreasing the negative environmental impacts in the supply chain. Retailers on the other hand, argue that consumers are not willing to pay for products and services with ethical, environmental and social concerns.

4.2 Corporate responsibility challenges

Since the 1990's, several social and environmental issues in the textile and apparel industry have been highlighted in media, among consumers and NGOs. Lack of freedom of association and collective bargaining, health and safety issues, energy and water demanding processes of bleaching, dyeing, printing and washing are among them (de Verdier et al., 2010; Engwall, 2008; Pruett, 2005; Klein, 2004). Issues related to cotton cultivation, the major raw material in the industry, have as well been discussed (Ander, 2010; Soth et al., 1999). The content of the concept of CR is dependent on its natural and cultural context (Visser & Tolhurst, 2010). CR in Europe will be defined differently than CR in an Indian or Chinese context. While poor labour conditions, child labour, chemical use and water management are main issues in the Asian context, other CR challenges are present in a Scandinavian and European context as "The idea that companies can contribute to societal well-being beyond their legal obligations has a long tradition in many parts of the region" (Visser & Tolhurst, 2010, p.27). Challenges in a Scandinavian and European context involve: climate change and health issues related to pollution, health and safety, equal opportunities and diversity, and skills and competence building (Visser & Tolhurst, 2010, p.28).

4.2.1 Cotton cultivation
Cotton is the main raw material used in global textile production and is a major export commodity in many countries including Pakistan, Uzbekistan, the United States, Turkey, India and China. However, cotton production requires large quantities of freshwater. Irrigation is often needed and cotton production demands heavy use of chemicals, which leads to polluted freshwater ecosystems affecting biodiversity, pollution of ground water and falling water tables (Soth et al., 1999). The heavy use of insecticides and pesticides does not exclusively affect ecosystems but is a health issue for the people being exposed by the chemicals (Ander, 2010). Poor working conditions and child labour are also issues related to cotton cultivation in for example Uzbekistan (Ander, 2010). The environmental impacts are not restricted to the production stage, but also where the consumption is taking place as washing of clothes brings the chemicals to the sewage water plants (Prevodnik, 2008).

4.2.2 Social auditing – assessment of suppliers' compliance
Social auditing has since the 1990's been an important tool for assessing suppliers' performance regarding social issues in the apparel industry (Mamic, 2005). The purpose of social audits is to determine compliance with codes of conduct by identifying and

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evaluating the conditions for workers in relation to a social standard (Pruett, 2005). A code of conduct is a document issued by the retailer that usually set the standard for working conditions and the right to collective bargaining, and social auditing is the most common tool for evaluating compliance and identify areas where improvements are necessary (Wingborg, 2009; Pruett, 2005).

According to Ählström and Egels-Zandén (2008) a number of Swedish apparel retailers started the process of implementing codes of conduct in 1996. Prior to this, suppliers had not been defined as included in the apparel retailers' CR. The process of redefining the retailers CR, i.e. to acknowledge the workers in the countries of production, started due to stakeholder pressure. The process started with campaigns and was later followed by an attempt to collaborate on a common ground for a code of conduct and an independent monitoring system. In the global apparel retail sector there are organisations, e.g., Business Social Compliance Initiative (BSCI), Fair Wear Foundation (FWF) and Fair Labour Association (FLA) that work in collaboration with apparel retailers (Wingborg, 2009). A common problem among suppliers is that several buyers have different codes of conduct that the suppliers are obliged to follow (Welford & Frost, 2006). Therefore, some organisations provide a common code of conduct and system for social auditing (Business Social Compliance Initiative, 2009).

4.2.3 Improvements and further challenges

Since social auditing was introduced in apparel factories improvements have been noticeable regarding health and safety, the appearance of child labour and forced labour. However, there are still major problems in the areas of freedom of association and collective bargaining, overtime, wages, abusive treatment of workers and discrimination (de Verdier et al., 2010; Pruett, 2005). The combination of a code of conduct and regular social audits can lead to improvements of health and safety, but lacks the components to deal with more complex issues such as collective bargaining and the right to freedom of association (Wingborg, 2009).

A study of codes of conduct in the Chinese toy industry showed that the effectiveness of retailers' codes of conduct could be questioned. The compliance with codes of conduct was low, despite regular inspections and even third party certifications in accordance with SA8000 (Egels-Zandén, 2007). Among other challenges are the methods that have developed aiming at manipulating the results of social audits (Egels-Zandén, 2007; Welford & Frost, 2006). Double book-keeping is for example a way of hiding problems with low wages and overtime. Factory workers can as well be afraid of sharing their experiences and social audits are in many cases announced, which gives factory owners time to deal with non-compliance that would have been apparent at the time of inspection. Another issue is that the minimum wage for an apparel producing country, which is often incorporated in codes of conduct, has been criticised for not covering the basic needs of workers (Mamic, 2005; Pruett, 2005). It has been argued by NGOs such as the Clean Clothes Campaign that the wage should rather be set as a living wage rather than as a minimum wage (www, Kennberg, 2008).

Welford and Frost (2006) establish that one problem with social auditing is that inspectors sometimes do not understand the purpose of the audits, and they may rather become part of the cheating process. Companies are aware of flaws in the inspection process and the challenges are to include managers and factory owners. This can increase the knowledge and understanding of why compliance with a code of conduct and social audits are important. The challenges are to communicate what a code of conduct is, what its objective is and why it is important in today's business relations (Mamic, 2005). The social audits include inspections of suppliers, but often do not involve subcontractors further down the supply chain (Bremer & Udovich, 2001). The criticism against social audits has been that it is rather used as a risk mitigation tool for retailers than as a mean of improving labour conditions in the factories. Retailers often rely on social audits for their CR, as it has become crucial for protecting retailers' reputation and brands (Welford & Frost, 2006; Pruett, 2005).

The code of conduct in combination with other actions, such as education and training programmes, give better result than to exclusively rely on audit results (Wingborg, 2009). The relationship between retailers and suppliers and subcontractors as well need to focus more on trust building than policing (Welford & Frost, 2006). The challenge is to create long-term relationships between suppliers and retailers, and abandon the policing mentality between buyers and the supplier (Welford & Frost, 2006; Mamic, 2005). Also the workers at the factories need to be involved and informed about their rights (de Verdier et al., 2010).

4.3.4 Processes of dyeing, washing and printing

The negative environmental impacts in the apparel and textile industry have for a long time been shaded by social responsibility in the supply chain of apparel retailers. However, energy, water and chemical demanding processes of bleaching, dyeing, printing and washing, which lead to land and water pollution and water scarcity, are environmental impacts that have severe consequences for peoples' health, biodiversity, ecosystems and land use in developing countries (de Verdier et al., 2010; Engwall, 2008). In developing countries the legal structure might be low, but even if equal to Western legislation the legal enforcement of law is often lacking (Prevodnik, 2008; Bremer & Udovich, 2001).

The controls of suppliers' compliance with environmental regulations are often just one process of the whole supply chain. According to Engwall (2008), there is a tendency of apparel retailers to keep their suppliers secret, and the suppliers in turn keep their subcontractors secret. The lack of transparency makes it hard to assess information about the problems through the whole supply-chain, and especially about the processes and conditions among subcontractors and second-tier suppliers. However, often the most energy, water and chemical rich processes, such as dyeing and bleaching, are taking place there (de Verdier et al., 2010; Engwall, 2008). As a result, a conflict occurs when transparency towards stakeholders has to be balanced with disclosing confidential business information (Mamic, 2005).

The costs of pollution from garment production is according to Engwall (2008) paid by the country of production, and the polluter pays principle is therefore misdirected. When

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retailers, such as multinational apparel retailers, demand improved conditions by suppliers it leads to price pressure further down in the supply chain. At the same time as demands of environmental precautions are communicated, lower prices, shorter lead times and quicker deliveries of fashion are as well demanded (Engwall, 2008; Welford & Frost, 2006).

4.3 Presentation of the case companies

In the following paragraphs the case companies, H&M, Lindex, KappAhl and MQ, are presented to provide background to the next chapter.

4.4.1 Hennes & Mauritz

H&M is a Swedish retailer of clothes, cosmetics, shoes and accessories (www, Hennes & Mauritz, 2011a) with stores in 38 countries around the world. H&M also sells clothes via catalogue and internet shops in Europe, as well as home textiles. H&M was established in 1947 and its business concept is "Fashion and quality at best price" (Hennes & Mauritz, 2009, p.8). H&M is the major shareholder of FaBric Scandinavien AB, including the brands Monki, Weekday and Cheap Monday (Hennes & Mauritz, 2009). H&M does not own any of its production sites but places orders at around 700 independent contractors in Asia and Europe (www, Hennes & Mauritz, 2011a).

4.4.2 Lindex

Lindex is one of the leading fashion retailers of women's and children's clothes, underwear, and cosmetic products on the Nordic market with the business concept of offering "Inspiring and value-for money fashion" (Lindex, 2009a, p.6). The first Lindex store opened in Gothenburg in 1954 and is today part of the Stockmann business group. Besides its stores in Sweden, Norway, Finland, the Baltic States, Czech Republic, Russia, Slovakia and the Middle East, Lindex customers can as well order clothes via web shops (Lindex, 2009a).

4.4.3 KappAhl

KappAhl is a clothes retailer acting on the Nordic and Eastern Europe market with stores in Sweden, Norway, Poland, Finland and the Czech Republic and with the business concept of offering "Affordable fashion for many people"(KappAhl, 2010, p.1). KappAhl's target group is women aged 30-50 and their families (KappAhl, 2010). The head office and the distribution centre are located in Mölndal close to Gothenburg, and KappAhl does not own any production sites, but contracts around 250 independent suppliers in Asia and Eastern Europe (KappAhl, 2010; KappAhl, 2008).

4.4.4 MQ

The business of MQ can be traced back to 1957, however the contemporary organisation was established in 2006 (www, MQ, 2011b). MQ's goal is to become the leading fashion chain on the Nordic market and MQ's target group is women and men aged 20-49 years. The head office of MQ is located in Gothenburg and MQ does not own any production

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sites but contracts specific suppliers for its production, a total of 86 suppliers and 120 factories located mainly in China and Bangladesh. According to MQ the sustainability strategy is both about taking social and environmental responsibility for its business and for marketing positioning (MQ, 2009).

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5 Corporate responsibility on the fashion scene

In this chapter the empirical data of the study is presented. The corporate responsibility strategies and structures for each company are briefly presented, and the systems, programmes and actions for addressing CR challenges are described in the areas illustrated in

Figure 4. Areas of corporate responsibility as identified for Hennes & Mauritz, Lindex, KappAhl and MQ.

Hennes & Mauritz, Lindex, KappAhl and MQ each have a CR strategy and corporate structures that support the initiatives in the areas illustrated in Figure 4. Next, the initiatives are described in more detail for the respective companies.

5.1 The sustainability strategy of Hennes & Mauritz

The core of H&M's sustainability strategy is to balance the three components of people, profit and planet, and to strive towards continuous improvement. According to H&M, taking people and the planet into account not only contributes to better environmental and social performance, but also leads to increased sales, motivated employees and the perception of H&M as an attractive employer. *"[...] we are already beginning to see a trend where consumers choose more responsible brands over less responsible ones. So we need to keep our car to the ground and find ways to meet or exceed our customers' expectations of us."* (Hennes & Mauritz, 2009, p.3)

H&M acknowledges a CR (H&M uses the term CSR to refer to its managers and department,; however, for consistency I shall use CR) approach throughout the supply chain including persons not employed by H&M. H&M's responsibility does not only include aspects such as transportation and sales, but the full life-cycle of products (www, Hennes & Mauritz, 2011a; Hennes & Mauritz, 2009). *"We want to broaden our scope to take into account every part of our products' life cycle, from the moment a cotton seed is planted all the way to the point that a particular product is disposed of, reused or recycled"* (Hennes & Mauritz, 2009, p.5).

H&M's CR organisation consist of 93 people located at the head office in Stockholm and in H&M's production countries around the world. The CSR support department, with 11 people located at the head office in Stockholm, has the role of supporting the sustainability work at the separate departments, while the 72 persons are working with CR related issues at the production offices. Each department at H&M has the responsibility of identifying areas of improvement, implementing and setting goals for sustainability actions, as emphasis is placed on integrating the sustainability values throughout the organisation (Hennes & Mauritz, 2009).

5.1.1 Corporate responsibility in the supply chain

H&M's strategy is to work in cooperation with suppliers, to support them in the improvement of labour conditions and to reduce the environmental impact from production. H&M does not themselves purchase cotton and other raw materials, but acknowledges that its responsibility involves subcontractors and raw material producers (Hennes & Mauritz, 2009). Summaries of the initiatives and performance measures in the supply chain are presented in Table 2 and Table 3.

Raw materials
In collaboration with the Better Cotton Initiative (BSI) and Organic Exchange, H&M is supporting the improvement of working conditions for conventional cotton cultivation and the use of organic cotton.

Table 2. Summary of CR for raw materials of H&M

Area	Policy	System, programme, action	Performance measure
Raw materials		BCI	Tonnes of organic cotton
		Organic Exchange	Tonnes of transitional cotton
		Tracing of country of origin for cotton	Number of pieces produced with recycled cotton
			Number of pieces with the flower eco-label
			Number of designs made from recycled cotton
		Farmers training through BCI	USD to training programmes
	Product policy	Fur Free Alliance Programme	
		Leather Working Group	

Source: www, Hennes & Mauritz, 2011f; Hennes & Mauritz, 2009

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Performance measures relate to the tonnes of organic cotton used in production, how many different designs that are made of alternative materials, apparel with labels etc. H&M has a system in place to trace the country of origin of cotton to avoid that cotton is sourced in countries where child labour is used, as is the case in Uzbekistan (Hennes & Mauritz, 2009).

A product policy states guidelines for the use of wool, merino wool, leather, feathers and downs. The Fur Free Alliance Programme and the Leather Working Group are collaborations for animal rights and to decrease the negative environmental impacts from leather production (www, Hennes & Mauritz, 2011f; Hennes & Mauritz, 2009).

Social responsibility
The code of conduct in combination with the Full Audit Programme (FAP) and the Follow-up Programme (FUP) is a system to assess the first-tier suppliers' and sub-contractors' compliance regarding H&M's legal requirements, child labour, health and safety, worker's rights, wages, benefits, working hours and leave, housing conditions, environment, systems approach, and monitoring and enforcement (www, Hennes & Mauritz, 2011b; Hennes & Mauritz, 2010a). A home worker policy, a policy against child labour and a code of ethics covering anti-corruption and bribery are also in place to set standards for H&M's relations with its suppliers and subcontractors. A guidance document for the code of conduct has been developed to facilitate the suppliers' implementation of the code of conduct (Hennes & Mauritz, 2009).

H&M's follow-up of the suppliers' compliance with the code of conduct includes a five-point grading system with the levels: satisfactory, insufficient, temporary, rejected and permanently rejected (Hennes & Mauritz, 2009). Based on the audit an action plan is established containing short and long-term goals, and specifications of how the goals should be fulfilled (www, Hennes & Mauritz, 2011d). The improvements should have been done within two years and is followed up by an additional audit (www, Hennes & Mauritz, 2011e). The results of the first audit are reported to the CR support department at the head office and used for purchasing decisions (www, Hennes & Mauritz, 2011d).

The use of a management system scorecard for suppliers have been introduced to address issues that are difficult to determine based on standard audits, such as forced labour, freedom of association and discrimination. The management system score card has proved to provide better results and is also a way of encouraging the suppliers to implement management systems (Hennes & Mauritz, 2009).

H&M is a participating member of FLA. The FLA conducts independent monitoring of H&M's suppliers in Turkey and China, and publishes the results on its website. FLA has approved H&M's code of conduct and monitoring system to be in line with FLA's guidelines. Complementary to the internal and external audits, H&M strives towards long-lasting relationships with suppliers and offers training programmes to increase the knowledge and possibility of living up to the code of conduct (Hennes & Mauritz, 2009).

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H&M has several programmes used to improve the social conditions at supplier factories in the production countries, including supplier workshops with focus on human resource challenges in China, a pilot project in Bangladesh aiming at improving knowledge of workers' rights in factories, provide safety measure information about sandblasting, support the implementation of management systems and best practice workshops in Bangladesh and Indonesia. The training programmes are focused on H&M's key suppliers and undertaken by H&M and external organisations (Hennes & Mauritz, 2009).

Environmental responsibility
The code of conduct contains environmental requirements, such as compliance of environmental regulations in the production country and encouragement of suppliers to act beyond what is regulated by law. The audit includes assessing compliance with environmental laws and license to operate from authorities, chemical management, and water cleaning and waste management (www, Hennes & Mauritz, 2011d).

According to H&M the company has little power to put demands and requirements on second-tier suppliers such as producers of yarn and fabric. By encouraging the textile manufacturers to use more environmentally friendly practices and informing about the financial and environmental benefits of doing so, H&M focuses efforts to affect second-tier suppliers. H&M auditors have visited manufactures to assess the potential of implementing more environmentally friendly practices as part of the "Cleaner production programmes" and the "Mill development programme" (www, Hennes & Mauritz, 2011b; Hennes & Mauritz, 2009).

H&M has signed the CEO Water Mandate, a voluntary programme from the UN Global Compact with guidelines for reporting on water management, water efficiency and water quality. H&M assesses the suppliers' water use by calculating the water foot print of different types of production. The water foot print measurement also includes mapping the suppliers to see which of those were located in water scarce areas (Hennes & Mauritz, 2009). H&M works to assess the quality of suppliers' waste water by measuring biological oxygen demand (BOD), chemical oxygen demand (COD) and total suspended soils (TSS). The assessment is conducted by the suppliers themselves in recommended laboratories or by using approved testing standards and the results are reported back to H&M. If threshold levels are exceeded, the suppliers are asked to set up an action plan for improvement. Pilot projects to decrease water use, support the NGO Water aid and guidelines for water efficiency for new constructions in countries where H&M operates are other measures for water management (Hennes & Mauritz, 2009).

The Chemical restriction list guides the use of chemicals for suppliers (Hennes & Mauritz, 2009). Chemical management is part of H&M's FAP and includes controlling the labelling of chemicals, use of safety data sheets, chemical management education among factory workers and the use of safety measures (www, Hennes & Mauritz, 2011b). H&M has educated the suppliers to audit and report on their suppliers, as H&M experiences that it time to time is difficult to visit subcontractors and suppliers' suppliers. The aim is to make suppliers take an active role in this area and work towards the standards set up by H&M. According to H&M this has led to better knowledge and compliance with chemical

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restrictions (Hennes & Mauritz, 2009). By conducting chemical tests at independent laboratories, H&M aims to ensure that restricted chemicals cannot be found in finished garments (www, Hennes & Mauritz, 2011b). H&M is a member company of Apparel and Footwear Restricted Substances List Management (AFIRM) which is an organisation that aims at reducing the harmful substances in the industry (Hennes & Mauritz, 2010a).

Table 3. Summary of social and environmental responsibility in the supply chain of H&M

Area	Policy	System, programme, action	Performance measure
Social responsibility	Code of conduct	FAP	Number of FAP/country
	Home worker policy	FUP	% of unannounced FAP
	Code of ethics	Five-point grading system	% of non-compliance 1st FAP audit
	Guidance document for Code of conduct		% of non-compliance 2nd FAP audit
	Policy against child labour		Number of FUP/country
			% of unannounced FUP
			Average number of audits/active factory
		Management System Scorecard	Number of other audits
		FLA	Number of audits conducted by FLA
		Training programmes/pilot projects	Number of participants[1]
			Number of factories participating[4]
Environmental responsibility		Full Audit Programme (FAP)	See indicators for social responsibility
		Assessment of second-tier suppliers	Number of second-tier suppliers assessed
		Cleaner Production Programme	Number of audited mills
		Mill Development Programme	See indicators for social responsibility

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[1] Reported for some projects

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Guidelines for stores & distribution centres	FAP	Litre/kilo of product
CEO Water Mandate	Suppliers' water footprint	Number of suppliers in water scarce areas
	Mapping of water scarce areas	Number of units assessed (water foot print)
	Quality assessment of waste water	Number of assessed factories (waste water quality)
		% of factories with BOD within the lowest threshold
		% of factories with COD within the lowest threshold
		% of factories with TSS within the lowest threshold
	Pilot project for water savings	Water savings litre/jeans
	Support to the organisation Water Aid	SEK in support
Chemical restrictions list	FAP	See indicators for social responsibility
	Chemical tests of products	Number of tests/year
	Supplier methods for quality assurance	Number of products recalled
	Project for phasing out VOC	
	AFIRM	

Source: www, Hennes & Mauritz, 2011a; www, Hennes & Mauritz, 2011b; www, Hennes & Mauritz, 2011d; www, Hennes & Mauritz, 2011e; www, Hennes & Mauritz 2011g; Hennes & Mauritz, 2010a; Hennes & Mauritz, 2009.

In Table 3 the initiatives and performance measures in the area of social and environmental responsibility in the supply chain are summarised.

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5.1.2 Stores, offices and distribution

It is important to keep in mind that while H&M does not have their own production, negative environmental impacts and a social responsibility may be associated with their operations in stores, offices and for distribution. In Table 4 the initiatives and the performance measures in these areas are disclosed.

Environmental responsibility

H&M has developed an environmental guidance document targeted at H&M's sales countries, with guidelines related to energy use and waste management (Hennes & Mauritz, 2009). An IT environmental declaration is used when purchasing IT products and contains data on the manufacturer's environmental work and the performance of the product. H&M has also developed guidelines for the purchases of interior material, restricting the content of, for example, PVC, lead and chemicals (www, Hennes & Mauritz, 2011b). The code of conduct is applicable on non- consumer goods, i.e., materials used for decoration etc. in H&M's stores and H&M has documented environmental requirements for new construction of stores (Hennes & Mauritz, 2009).

CO_2 emissions are measured in all parts of H&M's business. The GHG Protocol Guidelines is the reporting methodology used and includes: CO_2 emissions from H&M's other brands, estimations of CO_2 emissions from electricity provided by landlords and emissions for CO_2 equivalent data ($CO2_e$). H&M has used a life cycle assessment (LCA) to gain understanding of where in the life cycle of its products the largest CO_2 emissions occur. The LCA was conducted by Business for Social responsibility (BSR) in 2009 on commission of H&M. The aim was to assess the areas of high carbon intensity and to focus action to reduce carbon emissions (Hennes & Mauritz, 2009).

For transportation, environmental criteria for transport are set up (Hennes & Mauritz, 2009). The providers are evaluated and the criteria are continuously updated with the aim of improving performances (www, Hennes & Mauritz, 2011d). In North America the goal is that all providers should be certified in accordance with SmartWay, a programme run by the U.S. Environmental Protection Agency (EPA). The certification includes aspects of fuel efficiency and reporting to EPA. Route planning and transportation modifications have been done in several countries, moving from the use of road to rail transport. For improving the environmental performance of shipping, H&M is a member of the Clean Shipping Project. As part of the programme an index has been developed consisting of 20 environmental aspects that are related to shipping (Hennes & Mauritz, 2009).

For business travels the travel policy sets the guidelines and it is the manager at each H&M department that is responsible for the compliance with the guidelines (Hennes & Mauritz, 2009). To assess the environmental impacts from consumer bags and to find the best alternative, H&M has conducted a LCA. An analysis of paper (card board boxes, hang tags, gift cards etc.) has also been conducted, including aspects of what kind of paper that was used, its origin and the production process. This analysis will be the base of focusing further on focus areas during 2010 (Hennes & Mauritz, 2009).

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Employees

H&M's code of ethics addresses corruption and bribery. Procedures for whistle blowing are in place, including the provision of an e-mail notification system which facilitates the reporting of breaches of the code. The code of ethics has been part of an employee training programme concerning employees working at H&M's production offices and in the sales organisation. Training in the code of ethics also takes place as part of the recruitment process. A performance review is conducted annually to identify the needs of competence training among employees. An e-training programme has been tried out at H&M in Spain, Sweden and the U.K. Furthermore, other training programmes for employees are in place. H&M has in addition to national policies, a global employee policy on discrimination and equality, and diversity (Hennes & Mauritz, 2009).

Marketing

H&M has a marketing policy that states H&M's view on responsible marketing, and outlines guidelines on advertisements where children are participating (Hennes & Mauritz, 2009).

Quality

H&M has gone from reactively to pro-actively work with quality assurance and developed a method for suppliers to make them more aware and active in this work, using their own labs and working in line with H&M's standards. H&M has local teams that make quality assurance tests and there is a procedure in place to be able to quickly withdraw products that do not live up the quality standards. Risk assessment methods are used for children's safety and cosmetics should be produced in accordance with good manufacturing practices for cosmetics. Key Suppliers are trained in assessing subcontractors for improved quality control (Hennes & Mauritz, 2009).

Table 4. Summary of CR for stores, offices, distribution and community support of H&M

Area	Policy	System, programme, action	Performance measure
Environmental responsibility	Environmental guidance document		
	IT environmental declaration		
	Code of conduct		
	Purchasing guidelines		
	Environmental requirements for construction		
	CEO Water Mandate		

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GHG Protocol Guidelines	Evaluation of energy use for lightning	% of total emissions from electricity in stores, offices and distribution centres
Travel policy	LCA conducted by BSR	Areas of high carbon intensity (product life cycle)
Environmental criteria for road transport	Clean Shipping Project	Number of shippers registered
	SmartWay certification	% of road carriers certified
	Change of modes of transport	Reduction (%) in shipments by ocean and air via transit
		Decrease in air transportation (%)
		% of goods shipped by rail from transit to sales countries
		Increase of train transportation (%)
		Estimations of CO_2 from external electricity
		Emissions for CO_2e data
		CO_2 in tonne/SEK million sales including VAT
		CO_2 tonne/source
		CO_2 % per source
		% change CO_2 from previous year
		Energy reduction (%)
		% of total carbon footprint from transportation
		% of total carbon footprint from stores, offices and distribution centres
		CO_2 (tonnes and %) from electricity & heat for stores, offices and warehousing
		Reduction of CO_2 (%)
		CO_2 (tonnes and %) from business travel and transportation of goods
		CO_2 (tonnes) total emissions

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			% of total emissions from business travel
			Reduction (%) of total emissions from business travel
			Reduction (%) of total emissions from fuel from company cars
			CO_2 (tonnes and %) from direct fuel use
			CO_2 emission from additional brands
	Environmental guidance document	Paper use analysis	% of hangers recycled and reused
		LCA on consumer bags	
Employees	Global policy		Number of breaches/year
	Code of Ethics		Number of employees participating in training of code of ethics (number and %)
			Number of participants (e-training)
			Feedback on e-training[2]
			Average training days/new management
			Average training days/ existing and new staff
			% of employees covered by collective bargaining
			Number of employee representatives in EWC
			Full-time and part-time employees (%)
			Employment contract type (%)
			Ratio of salary M/W (%)
			Gender diversity in management positions
			Employees/ job category (% of total workforce)
Marketing	Marketing		
	Guidelines for childrens' concept		

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[2] Spain, U.K. and Sweden

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Quality		Risk assessment for childrens' clothes	
		Quality assurance tests	
		Routines for withdrawal	
		Good Manufacturing Practices	
Community support	Community support policy	Several community projects etc.	SEK/project and year
		Donations of clothes	Number of participants/beneficiaries from various projects[3]
			Total SEK/year
			Number of clothes donated

Source: www, Hennes & Mauritz, 2011b; www, Hennes & Mauritz, 2011d; Hennes & Mauritz, 2009

In Table 4 the systems, programmes and actions and performance measures aimed at addressing CR issues in offices, stores and for distribution are summarised.

5.1.3 Community support

The community support includes the focus areas; education and employment of women and youth, water and innovation of sustainable textile materials. Community support by H&M relates to H&M's business and the needs of the company's stakeholders. Guidelines for community support are provided in the community support policy. The performance measures in this area are disclosed in Table 4.

5.2 Lindex and corporate social responsibility

"Lindex works today with the future in mind. We not only assume responsibility for our products but through our long-term CSR work we act to bring about good working conditions, a sustainable environment, good ethics and human rights." (Lindex, 2009a)

Lindex CR (Lindex uses the term CSR; however, for consistency I shall use CR) covers five areas: working conditions for suppliers, work environment in the own organisation, environmental management, ethics and human rights. The environmental policy is linked to environmental management in the supply chain, employee knowledge, and legal aspects, take part in external forums and organisations for improvements for the environment and

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[3] Reported for some projects

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to have an open communication, both internally and externally. Routines to minimize the negative environmental impacts from purchasing have also been established (Lindex, 2009a).

China, Bangladesh, Turkey, Italy, India and Pakistan are the countries where Lindex suppliers are located, as Lindex does not own any factories. In the major production countries Lindex has its own production offices, dealing with purchasing and CR issues. A total of eight inspectors are located at the production offices and their roles are to control, educate and support the suppliers in their work. At the head office in Gothenburg the social compliance manager and the environmental managers are located. Each of Lindex departments individually set targets and implement routines for the CR strategy. Lindex does not have a separate CR department but has persons at every department responsible for support and advisory within different areas. The aim is to integrate the CR work into the whole organisation. The ultimate responsibility for CR at Lindex is the executive officer and the CR management group, who has the responsibility of strategically moving the CR work forward (Lindex, 2009a).

5.2.1 Corporate responsibility in the supply chain
Sustainable fashion for Lindex is to involve the whole supply and value chain, from the raw material until the clothes are consumed (www, Lindex, 2011b). The initiatives and performance measures in these areas are disclosed in Table 5.

Raw materials
Lindex has goals related to improvements of conventional cotton cultivation and to the promotion of organic cotton, which is done in collaboration with BCI and Organic Exchange (www, Lindex, 2011a; Lindex, 2009a). Lindex has an animal rights policy that states that the company does not sell fur; that all leather used in Lindex production comes from leather as a bi-product of meat production, that Lindex does not accept mulesing and that cosmetic products are not tested on animals (Lindex, 2009a).

Social responsibility in the supply chain
Lindex is a member of BSCI which provides a common code of conduct and a system for social auditing. The code of conduct provided by BSCI covers the following areas: legal compliance, freedom of association and the right to collective bargaining, prohibition of discrimination, compensation, working hours, workplace health and safety, prohibition of child labour, prohibition of forced labour and disciplinary measures, environment and safety issues, and management systems (Business Social Compliance Initiative, 2009). The BSCI holds a database where the results from the audit are gathered, which means that the suppliers' performance can be followed up. Evaluations of suppliers are continuously made by the purchasing department. Lindex has established an internal IT system for handling the results of suppliers' compliance with the code of conduct (Lindex, 2009a).

Announced and unannounced audits (by Lindex and BSCI) are not limited to the factory site, but include the dining hall; residents, kindergartens and other facilities. The factory is assessed on 13 areas. The results are weighted together and result in an overall assessment.

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The documentation provided by management is cross-checked with information workers have provided in interviews. The social audit usually includes meetings with the factory management, an audit of documentation, and a visual assessment of the factory and interviews with workers. When these steps are finished, a final meeting with the management takes place and an action plan with a time frame for the improvement is set up. The action plan is followed by a follow-up audit. Lindex has a stop list, and a supplier can end up at the stop list if no actions have been taken or no improvements of compliance with the code of conduct can be revealed. To be removed from the stop list and be able to have production orders again, the supplier has to show the improvements done. If a supplier ends up several times at the stop list, Lindex can consider terminating the contract with that supplier (Lindex, 2009a).

In addition to inspections, training, workshops, dialogue and a common understanding are important aspects of the relationships with suppliers (Lindex, 2009a; Lindex, 2009b). In the cases child labour has been revealed, Lindex tries to find a solution in cooperation with the supplier. The solution could be that the child keeps its salary and goes to school until it is mature enough to get an employment at the factory. Lindex is then following up the agreement (www, Lindex, 2011c). Inspectors regularly visit the factories to control the quality of the clothes; the inspectors also visually assess the working conditions of the factories and report back to the CR team if they judge that the conditions are not satisfying (Lindex, 2009a).

Table 5. Summary of CR in the supply chain of Lindex.

Area	Policy	System, programme, action	Performance measure
Raw materials		BCI	
		Organic Exchange	
	Animal rights policy		
Social responsibility	Code of conduct	BSCI	Number of inspections
	Child Labour Action Plan	Social audits	Number of 1st time audits
		Grading system (0-2)	Number of follow-up audits
		Follow-up audit	Number of audits by Lindex
		Supplier training programmes	Number of external audits
		Internal IT system	Number of factories at the stop list
		Stop list	Number of suppliers and factories in training programmes

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			% of suppliers at level 2 (based on purchasing value)
			% of suppliers at level 1 (based on purchasing value)
			% of suppliers at level 0 (based on purchasing value)
			Number of reported child labour
Environmental responsibility	Environmental code		% and number of suppliers at yellow level
	Environmental policy	Grading system	% and number of suppliers at green level
			% and number of suppliers at red level
			% of suppliers that have signed the code
		Voluntary assessment of subcontractors	
	Chemical list	Garment tests	% garments tested
			% of garments not approved

Source: www, Lindex, 2011a; www, Lindex, 2011b; www, Lindex, 2011c; Lindex, 2009a; Lindex, 2009b

In Table 5 initiatives and performance measures for raw materials and social responsibility are summarised for Lindex.

Environmental responsibility in the supply chain

The code of conduct contains environmental requirements, such as compliance with environmental laws, and chemical and water management. In 2009 Lindex introduced an environmental code for suppliers that have wet processing in their factories, e.g. processes for dyeing, washing or printing. The compliance of the environmental code is conducted through inspections, and a grading system of yellow, green and red is used. The goal is to also assess second-tier and subcontractors, but this is harder as Lindex does not have a business contract with these suppliers. Instead, the demands have to go through Lindex suppliers. However, some subcontractors to the larger suppliers have been assessed on a voluntary basis (Lindex, 2009a). Lindex has established a chemical list that contains prohibited and restricted chemicals. Lindex suppliers have to adhere to the demands and have to agree upon by signing the document. To assure that the chemical list is complied with, randomly picked products are tested in independent laboratories. If clothing is not approved the supplier will be required to change the production processes or the order will be cancelled (Lindex, 2009a). For performance measures in this area, see Table 5.

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5.2.2 Offices, stores and distribution

Environmental responsibility
Lindex has worked with environmental certifications of stores in Norway. The certification process included an analysis of environmental impacts and an action plan linked to work environment, energy consumption, purchases and material use, and waste and emission management (Lindex, 2009a). Lindex has set requirements for freight transport with special focus on shipping by boat. Lindex is a member of the Clean Shipping Project, which has set up a database companies can use in their procurement to assess shipping providers on what type of vessels that are used and their environmental impact (Lindex, 2009a). A number of guidelines are set out to decrease business travels, for example that all travels less than six hours distance shall be done by train, considering alternative ways of holding meetings, encourage the purchase of environmentally certified cars and participation in a car pool that provides environmentally certified cars (Lindex, 2009a).

The electricity consumption of Lindex stores is measured, but is according to Lindex not consistent due to different electricity contracts and reporting methods. In Sweden the project "Energy Hunt" was initiated in 2009 to find ways of increasing energy efficiency. Stores with unusually high energy consumption were assessed to find the reasons why and in new stores modern technology was installed. As part of the project a list with store related energy saving tips was developed, the "Hot list" (Lindex, 2009a). For performance measures in this area, see Table 6.

Employees
Lindex has established an equality and diversity plan and also has an ethics policy that provides guidelines related to corruption and bribery. Training in handling issues with bribery and corruption is continuously taking place at Lindex production offices, and routines for reporting about breaches of the policy are in place. Training in the code of ethics is part of a yearly safety education. All employees shall also undertake education in CR related issues (Lindex, 2009b). Annually Lindex conducts an employee survey with the aim of gaining knowledge about how employees perceive their work situation. Lindex Academy Programme involves all internal training programmes at Lindex and Lindex has representatives in the European Work Council (EWC) (Lindex, 2009a).

Quality
Quality inspectors are regularly visiting Lindex suppliers and a number of quality tests are conducted annually (Lindex, 2009a).

Table 6. Summary of CR for stores, offices, distribution, and community support of Lindex.

Area	Policy	System, programme, action	Performance measure
Environmental responsibility		Analysis of environmental impact and action plan	Number of certified stores (Norway)
	Environmental policy		

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	Guidelines for business travels	Clean Shipping Project	CO_2 emissions (tonnes) road
	Requirements for freight transport	Lindex Energy Hunt	CO_2 (tonnes and %) rail
	Hot list		CO_2 (tonnes and %) boat
			CO_2 (tonnes and %) air
			CO_2 (tonnes) total
			CO_2 (tonnes)from business travel
			Gwh/year (electricity consumption)
			Electricity consumption/store in Finland, Norway and Sweden
			% recycled cardboard, plastic, paper, glas and emtal
Employees	Ethics policy	Ethics training	Number of full-time/part time employees/country
	Equality and diversity plan	Ethics training & routines	Response rate (% and absolute number)
		Employee survey	% proud at working at Lindex
			% involvement
			Number of employees (M/W)
			Number of M/W in the management group
			Sick leave/country
Quality		Quality inspections	Number of quality tests
Community support		Several community projects etc.	SEK/year and % of profit
			SEK/organisation and year[4]

Source: www, Lindex, 2011c; Lindex, 2009a; Lindex, 2009b

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[4] Reported for some projects

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In Table 6 Lindex initiatives within the areas of stores, offices and distribution for Lindex are summarised.

5.2.3 Community support
Lindex is involved in several projects related to its core business and knowledge in different areas (www, Lindex, 2011c; Lindex, 2009a). The performance measures in this area are disclosed in Table 6.

5.3 KappAhl – social and environmental responsibility

"We are, and shall be perceived as, one of the most environmental businesses in the industry" (KappAhl, 2008, p. 15).

KappAhl works systematically with environmental and social risk, ranging from design, production, transportation, warehousing and stores. The economic advantages of working with social and environmental responsibility can according to KappAhl not be measured. However, if KappAhl did not acknowledge this responsibility and systematically work with CR it could affect the brand negatively, e.g., due to negative publicity in media. The CR work is integrated into the business operations at all levels of the company, as CR should be managed within the organisation rather than from top-down. There are three documents that are of central importance in KappAhl's CR: the code of conduct, the environmental policy and the work environment policy. Policies can also be found in the areas of violence, racism, sexism, fur and cruelty to animals (KappAhl, 2008).

5.3.1 Corporate responsibility in the supply chain
KappAhl acknowledges a responsibility for the supply chain linked to social and environmental aspects, and communicates that they are working with continuous improvements in cooperation with customers and suppliers (KappAhl, 2008). A summary of the initiatives and performance measures for the supply chain is provided in Table 7.

Raw materials
KappAhl offers its customers a wide range of labelled clothes, e.g. ÖKo-Tex Standard 100, European Union Flower, Organic Cotton and Organic Linen (KappAhl, 2008). KappAhl holds a membership of BCI, which works with informing and supporting farmers of conventional cotton cultivation (www, KappAhl, 2011a). KappAhl has a policy that states that KappAhl condemns cruelty to animals and does not sell fur in its stores (KappAhl, 2008).

Social responsibility in the supply chain
The code of conduct guides KappAhl's work with environmental and ethical issues related to suppliers. KappAhl has adopted a code of conduct and a social monitoring system provided by BSCI. An inspection is conducted when KappAhl is establishing a new contract with a supplier. If the supplier is non-compliant, a follow up audit should be undertaken during the following year and if the supplier is compliant within three years. The follow up of the code of conduct is made through external auditors and by KappAhl's

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full-time inspectors (KappAhl, 2008). A four grade scale is used in the controlling process and if the supplier is not complying with the code of conduct the inspectors will give suggestions for improvements that the supplier should agree upon. Statistics are used to follow up the inspections with information about the number of inspections and how suppliers are living up to the requirements. A data base system has been introduced to better be able to assess suppliers' compliance and KappAhl's and BSCI's audits. Education and training for suppliers is taking place through the BSCI and according to KappAhl it is important that suppliers "Show a clear interest to cooperate and make the changes that are required to live up to the demands that KappAhl require for all business partners" (KappAhl, 2008, p.10, own translation).

Table 7. Summary of CR in the supply chain of KappAhl.

Area	Policy	System, programme, action	Performance measure
Raw materials		BCI	% labelled clothes
	Animal rights policy		
Social responsibility	Code of conduct	BSCI	Number of inspections/year
		Audit system	Number of follow-ups/year
		Follow up audits	Number of suppliers
		Four grade scale	% of purchasing value/country of production
		Internal data base	Number of suppliers in the project
		Supplier training programmes	
Environmental responsibility	Environmental code		See indicators for social responsibility
		SWTI	
	Test and manufacturing guide	Garment tests	
		Education and training of suppliers	
		No risk, garment tests and action plan	
		the Chemical Group	

Source: www, KappAhl, 2011a; www, KappAhl, 2011b; KappAhl, 2008

A summary of initiatives related to raw materials and social responsibility in the supply chain is presented in Table 7.

Environmental responsibility in the supply chain
In 2008 an environmental code was implemented with focus on suppliers who are responsible for the process from yarn to finished clothing, i.e., wet processing. The environmental code has three main areas: chemicals, waste and water. The environmental code has mainly been used in India and Bangladesh, and aims at controlling how much water is being used in the process and how the water is cleaned before let out in lakes and rivers. A pilot project and training programmes are on-going in Bangladesh including four suppliers (KappAhl, 2008).

KappAhl has implemented a "Test and manufacturing guide", which suppliers are obliged to follow. The guide regulates prohibited and restricted chemicals, and contains quality and safety measures. Regular and random chemical controls of thousands of clothes are conducted in independent laboratories. If apparel from a supplier contains prohibited or restricted chemicals, an action plan with suggested improvements will be issued. Education and training of the Test and manufacturing Guide is also conducted. No Risk is another programme that aims at conducting randomly sampled chemical tests each year and if chemicals are found, a dialogue is initiated with the supplier and an actions plan followed by an audit established. This project is according to KappAhl also a way of gaining information about subcontractors (KappAhl, 2008). KappAhl is a member of the Chemical Group led by Swerea IVF which provides information related to chemical management (www, KappAhl, 2011b) and the Swedish Water Textile Initiative (SWTI) that has developed guidelines for water management for textile and foot wear companies in their relation with suppliers (KappAhl, 2008).

Table 7 summarises KappAhl's systems, programmes and actions linked to performance measures for CR in the supply chain.

5.3.2 Offices, stores and distribution
A number of initiatives to work with social and environmental responsibility are used by KappAhl related to offices, stores and distribution. A summary of these initiatives and performance measures are disclosed in Table 8.

Environmental responsibility
In 1999 KappAhl was the first business in the world within the clothing industry to be certified in accordance with ISO 14001. The environmental auditing system includes the head office, the distribution hub and the stores in Finland and Sweden. A system for planning and evaluation within the areas of safety, work environment and environment (SAM) includes environmental audits, a systematic and constructive discussion of environmental issues for managers and employees, and web based education (the "Environment hunt". At each department an annual meeting takes place where the department manager and employees discuss environmental issues. An action plan with a framework of three years is established to improve the environmental performance of the department. The action plan is in turn sent to the top-manager for that department. If

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environmental training is considered necessary, the needs for this will be revealed during the meeting.

To decrease the environmental impacts of freight transports focus has been on replacing land and air transport with boat and train. KappAhl also discusses changes of transport, engines, route planning and cooperative freight transports with its shippers. Impacts from shipping by boat have recently been highlighted and are worked with through the Clean Shipping Project. These requirements are also used for procurement (KappAhl, 2008). Climate compensation of flights done by employees in the management group and the purchasing department is a measure that has been taken. In the stores, "green" electricity is used and environmental demands for store decoration are included in the procurement process. In 2008 a LCA was conducted on a t-shirt and a pair of trousers, which will work as a reference point in KappAhl's continued work with decreasing CO_2 emissions. KappAhl uses a single distribution hub for re-packing of clothes and to manage the distribution to stores. At the distribution hub wood-boxes are used instead of cardboard boxes, hangers are re-used and packaging material recycled (KappAhl, 2008).

Employees
A basis for employee related issues is the work environment policy. The work environment is organised in a similar way as environmental work, through the planning and evaluation system SAM. The SAM system includes organisational design, safety routines, fire safety, cooperation, stress, anti-discrimination and health promotion (KappAhl, 2008, p.19). A focus has been to decrease sick-leave among employees. Measures such as improving the contact between employees and the business health care, health promotion, work atmosphere and subsidising physical activity have been effective (KappAhl, 2008).

KappAhl actively works with recruitment and the communication of its corporate culture and expectations, and has a policy for equality and diversity. As part of the recruitment process, internal recruitment is encouraged. The goal is to have a mix between internal recruitment and employees from outside the organisation. KappAhl communicates that it is important to have a workplace free from discrimination due to sex, ethnicity, religion, disabilities or sexual orientation. A majority of employees are women, but the company is striving towards a balance between women and men. An employee survey, KappAhl Attitude Survey, is conducted annually, aiming at surveying employees' perceptions about their work situation and KappAhl in general (KappAhl, 2008).

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Table 8. Summary of CR for stores, offices, distribution and community support of KappAhl.

Area	Policy	System, programme, action	Performance measure
Environmental responsibility	Environmental policy	Environmental management system/SAM system	
		Clean Shipping Project	
		Climate compensation programme	Climate compensation SEK/year + tonnes per year
		LCA on t-shirt and trousers	CO_2 production (%)
			CO_2 transportation (%)
			CO_2 sales (%)
			CO_2 consumption (%)
		Change of modes of transport	Total (tonne) CO_2 emissions
			CO_2 (tonne) for air, boat, truck and train/year
		Recycling and re-use of hangers	
Employees	Work environment policy	KappAhl Attitude Survey	Response rate (%) survey
	Policy equality & diversity		Job satisfaction (value 0-5 & 0-10)
		Initiatives for decreasing abseenteism	Sick leave in per cent/ country
		SAM system	Number of employees
		The "Environment hunt"	Hours of competence development/employee
			M/W in the management group
			M/W in board of directors
			% of employees that perceive KappAhl as a future employee
			% of employees that would recommend KappAhl as workplace

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			Number of labour union representatives in the board of directors
			Internal recruitment (%)
			Average number of full-time positions
			% women at KappAhl
			Average age
			% employees with one or both parents born outside Sweden
Marketing	Policy		
Community support	Policy for sponsorship	Community projects	
		Clothes donations	

Source: www, KappAhl, 2011b; KappAhl, 2010; KappAhl, 2008

The initiatives and performance measures for stores, offices and distribution are summarised in Table 8.

5.3.3 Community support

KappAhl mainly supports projects and programmes that are related to social and environmental causes that are long-term projects with clear goals (Table 8). Guidelines for sponsorship are set out in the policy for sponsorship. Clothes donations are done to local organisations, for example Erikshjälpen and Stadsmissionen in Sweden (www, KappAhl, 2011b). For performance measures in this area, see Table 8.

5.4 MQ's journey towards sustainable fashion

"MQ's business concept is to offer sustainable fashion that perfectly suits the urban environment. This is fashion that MQ's customers will wear again and again over a long period of time, both because they want to and because they can. Fashion that has been produced in a responsible way and that can be used, combined with other garments and loved time and again. Sustainable fashion." (MQ 2009, p.5)

MQ refers to its CR as *"A journey towards a sustainable MQ"* (www, MQ, 2011a). This journey includes three commitments including responsible production, committed employees, and conscious customers. The first sustainability report of MQ was issued in 2010 and MQ acknowledges that its CR covers both Sweden and the parts of the world where its suppliers operate (www, MQ, 2011b).

The sustainability policy is a central document and the general strategic decisions about CR are taken by the board of directors and the top management. The CR managers and the CR team have the responsibility for setting goals and plan the implementation of the strategic

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decisions, and the environmental groups in turn have the responsibility for implementation of the goals and plans in day-to-day operations (www, MQ, 2011b). The aim of the organisation is to integrate the sustainability aspects through the organisation, reach the established targets and bring change within the apparel industry. According to MQ, working with sustainability leads to decreased business risks and increases the business conditions for profitability, development of the organisation and strengthening of the brand (MQ, 2009).

5.4.1 The supply chain

MQ strives for long-term relationships with a smaller number of suppliers, with focus on larger orders. According to MQ this strategy facilitates the dialogue with suppliers and leads to larger possibilities for improvements where clear guidelines and training are important components (MQ, 2009). In Table 9 a summary of the initiatives and performance measures in the supply chain is presented.

Raw materials

Sustainable materials are part of MQ's commitment of responsible production, where sustainable materials are the main strategy for minimising the environmental impacts of the supply chain. As part of the strategy, MQ strives towards decreasing the share of cotton, increase the share of organic cotton and increase the share of sustainable materials. MQ acknowledges its responsibility for animal rights through the supply chain and continuously assess actions for improvements in this area (MQ, 2009).

Social responsibility in the supply chain

The code of conduct is the document that MQ's suppliers are obliged to follow and is also applicable for external brands. At the head office, MQ has developed a department that works full-time with labour conditions and environmental impacts. Routines are in place for purchasing decisions, to make sure that suppliers contracted for long-term production have signed and been assessed on their compliance with the code of conduct. The critical violation policy is a document used to communicate to suppliers which violations that cannot be accepted in the areas of human rights, environmental crimes, corruption or other factors that undermine the relationship between MQ and its suppliers (MQ, 2009). Compliance with the code of conduct is controlled by MQ and by external, independent auditors, and both announced and unannounced audits take place. A grading system, 0-2, for supplier auditing is used, where level 0 means that the supplier does not manage to live up to 50% of the code of conduct or does not comply with critical issues in the code, level 1indicates that the supplier is complying with at least 50% of the requirements and all critical factors, and level 2 shows that the supplier only has no or only a few non-compliance. A supplier that has reached level 2 is by MQ encouraged to take a step further and aim for a SA8000 certification. The audit is followed by an action plan which specifies what further needs to be improved. A time frame of maximum 12 months per category of non-compliance is part of the action plan. The supplier receives help from MQ to improve its performance, which is followed-up by a second audit (MQ, 2009). BSCI is the major cooperation in MQ's strategy for improved working conditions. The BSCI provides a common code of conduct for companies in the sector, a system, conducts external audits and offers worker training (MQ, 2009).

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Environmental responsibility in the supply chain

Environment is one of the 13 categories included in the code of conduct. Chemical restrictions are set up to make sure that products do not contain prohibited substances or exceed threshold values. The chemical restrictions are used to limit the health impacts on workers at the production site and to limit the impacts on the environment. MQ inspects the production assortment and conducts extra tests in some product groups. If chemical substances are found, MQ initiates a dialogue with the supplier regarding where in the production it has been used and how this could be avoided in future production. If the tests show that there is health issues associated with the garment, the product will be withdrawn from stores (MQ, 2009). The Sweden Textile Water Initiative (STWI) is a joint sector project providing guidelines regarding water management in global supply chains. The CSR manager at MQ has a position in the steering group of STWI and MQ is committed to minimise water use and work for cleaner water (MQ, 2009).

Table 9. Summary of CR in the supply chain of MQ

Area	Policy	System, programme, action	Performance measure
Raw materials			% cotton products sold
			% organic cotton
	Statement about animal rights		
Social responsibility	Code of conduct	Audits by MQ	% of factories with SA8000 certification
	Critical violation policy	Audits by BSCI	% of factories at level 1 or 2
		Follow-up audits	Number of factories with SA800 certification
		Training by BSCI	Number of factories at level 1 and 2
		Grading system (0-2)	% of deviations from requirements
			% of improvement required
			% of no deviations from requirements
			Number of 1st time audits (internal)
			Number of 1st time audits (external)
			Total number of audits
			Number of factories level 0
			% of factories at level 0

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Environmental responsibility	Sustainability policy	
	STWI	
	Restriction list	Product tests

Source: www, MQ, 2011a; www, MQ, 2011b; MQ, 2009

Table 9 summarises the initiatives and performance measures for raw materials, and social and environmental responsibility in the supply chain.

5.2.2 Offices, stores and distribution

The initiatives and performance measures in the area of offices, stores and distribution are summarised in Table 10.

Environmental responsibility

Sustainable workplaces refer to the goal that all MQ's workplaces should have received an environmental diploma by 2015. The environmental diploma is a certificate on the implementation of an environmental management system. The environmental performance focuses on sourcing energy from renewable sources, minimising the energy consumption, recycling and decreasing the paper use. Waste management is part of the certification and recycling is in place at the head office. Excess clothes are sold to the Salvation Army's second-hand organisation, Myrorna, for export. By assessing the modes of transportation used in shipping of goods from Asia, MQ aims at replacing air freight with boat shipping. To order air freight an approval from the CEO, the design or the purchasing manager is required. In Sweden the distribution centres have been re-organised to more efficiently plan the transportation of goods from warehouses to stores. A travel policy has been established, which aims at decreasing the CO_2 emissions for business travels. The travel policy states, for example, that train should be used between Stockholm and Gothenburg, and that all new company cars should be environmentally certified by 2010 (MQ, 2009).

Employees

MQ has the goal that each employee annually should take part in a career development discussion. The discussion should lead to a plan of development and reveal competence training needs. Continuous training in sustainability issues is provided to purchase and design staff. MQ has also established a policy for business ethics covering bribes and corruption. The Satisfied Employee Index is an annual survey conducted by MQ in eight categories related to employee relations. The categories include: enjoyment, motivation, leadership, communication, safety; development, equality of opportunity and observance of core values. The results of the survey are used as a basis for improvement. The managers at each department are responsible for suggesting improvements in the areas relevant for each department (MQ, 2009).

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Table 10. Summary of CR for stores, offices, distribution and community support of MQ.

Area	Policy	System, programme, action	Performance measure
Environmental responsibility		Measures for energy efficiency, recycling etc.	Number of offices/stores with environmental diploma
	Travel policy	Change of modes of transport	Number of transportations by air
		Re-organisation of distribution centres	Number of transports by boat and land
			Total number and total share (%) of transportations
			Total CO_2 emissions (tonne) from transportation
			CO_2 emissions (tonne) from air transport (own brands)
			CO_2 emissions (tonne) from land transport (own brands)
			CO_2 emissions (tonne) from boat transport (own brands)
			% of transport by air, boat and land transportation
Employees	Policy for business ethics	Plan of development	Employees having a career development discussion (%)
	Equality policy		Wage differential (%), M/W head office
	Equality plan		Wage differential (%), M/W in stores +
	Ethics policy		Internal recruitment for management positions (%)
		SEI	Value 1-6 in eight areas + average value + response rate (% store managers, HO and store staff)
			Equality of opportunity (%), M/W head office
			Equality of opportunity (%), M/W stores
			Managerial posts (%), M/W at the head office
			Managerial posts (%), M/W in stores

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	Management group (%), M/W	
	Board of directors (%), M/W	
	Employee turnover (%)	
	Sick leave (%)	
Community support	Donations of clothes	

Source: www, MQ, 2011c; MQ, 2009

The systems, programmes and actions, and performance measures for MQ in stores, offices and distribution are summarised in Table 10.

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6 Analysis

This chapter aims at analysing the empirical findings in the case study of H&M, Lindex, KappAhl and MQ. The analysis is introduced by looking at the apparel retailers' corporate responsibility in the light of Carroll's (1991) CSR pyramid. Next, Epstein's (2008) Corporate sustainability model is used to analyse the companies' corporate responsibility initiatives.

6.1 Corporate responsibility in the light of the CSR pyramid

The areas of CR identified and the companies' views of why and how CR is part of their business can be viewed in the light of Carroll's (1991) CSR pyramid. H&M, KappAhl and MQ express CR as a business case in their strategy, either as a way of appealing to employees, responding to stakeholder pressure, avoiding value-destruction of the brand or as a way of market positioning (Hennes & Mauritz, 2009; MQ, 2009; KappAhl, 2008). This is a way of identifying the benefits associated with CR and the costs it would imply to not work with CR (Sprinkle & Maines, 2010), and can hence be seen as an economic responsibility (Carroll, 1991). The case companies' perceived benefits of working with CR have been pointed out in earlier studies (Arvidsson, 2010; Heikkurinen, 2010; Portney, 2008; Epstein, 2008).

H&M, Lindex, KappAhl and MQ acknowledge moral obligations for the production of the clothes that are sold in their stores. However, in line with Laudal (2010) the supplier auditing has a focus on enforcing the legal requirements in the production countries, rather than on aspects that go beyond what is regulated by law. The codes of conduct focus on issues regulated by law and the training programmes initiated by the retailers are aimed at informing workers and suppliers about legal rights, and hence improve the compliance results. In the light of Carroll's (1991) CSR pyramid, the initiative of the apparel retailers are not their legal responsibility but their moral obligations. The legal responsibility falls on the factory owners that run the factories in the production countries.

Moral obligations towards the people and the communities where the retailers operate were not acknowledged until the mid-1990's, when stakeholder pressure made Swedish companies to start working with CR in the supply chain (Ählström & Egels-Zandén, 2007). As pointed out in the ISO 26000 standard for social responsibility, organisations' responsibility is not a static concept but will change in relation to society's expectations. Today society expects, to a larger extent than before, that producers within different kinds of areas take responsibility for how products are manufactured, even though it takes place at independent contractors at distant geographical locations (Grafström et al., 2008; Portney, 2008).

H&M, Lindex and KappAhl report on several programmes and actions in the area of community support. Carroll (1991) refers to philanthropy as the top of the CSR pyramid

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and can be interpreted as CR that goes beyond what is covered by economic, legal and moral responsibilities. The philanthropy undertaken by H&M, Lindex and KappAhl are closely related to the retailers' core business, such as education programmes for women and children, support to cancer campaigns and clothes donations. Lindex and H&M are the companies that disclose how much financial support that they have given to different charitable organisations. To some extent H&M also reports on how many people that have benefited or taken part in the projects. This shows a high level of transparency and a willingness to show where and how corporate money is used. Halme and Laurila (2008) argue that philanthropy as part of CR can have more direct positive societal outcomes than other CR actions, but that it is also a CR programme that is less sustained as these actions are often not incorporated in the business of the company. Philanthropy is rather like Carroll (1991, p. 42) has expressed it "the icing of the cake", and can more easily be withdrawn (Halme & Laurila, 2008). CR that relates to the companies' core businesses, such as introduction of organic cotton, decreased use of chemicals and environmental management systems, have larger possibilities to lead to long-term social and financial performances than a philanthropic approach (Porter & Kramer, 2010; Epstein, 2008; Halme & Laurila, 2008).

6.2 Systems, programmes and actions for CR

CR is acknowledged by H&M, Lindex, KappAhl and MQ in a total of eight areas including: raw materials, social responsibility in the supply chain, environmental responsibility in the supply chain, environmental responsibility for stores, offices and distribution, employees, quality, marketing and community support. A CR structure is developed at each case company in form of a CR department, with the role of supporting individual departments in their work and to make sure that CR is incorporated through the organisation.

H&M has the most extensive reporting about how they are working with CR in the supply chain and in their own operations, and disclose a large number of performance measures in all areas besides animal rights, waste management and marketing. H&M reports on CR actions and programmes aimed at second-tier suppliers and involve sub-contractors in the auditing system. Lindex discloses performance measures in all areas besides raw materials and animal rights, but is not as detailed with performance measures as H&M. KappAhl does not disclose performance measures for animal rights, waste management, quality or community support, and have less detailed reporting in the areas of social and environmental responsibility in the supply chain than H&M and Lindex. MQ does not report performance measures on animal rights, waste management, marketing or community support, and has less detailed reporting in the area of environmental responsibility of suppliers than H&M, Lindex and KappAhl.

Burritt and Schaltegger (2010) express that internal systems, programmes and actions are what undergird CR communication and enables transparency towards stakeholders. Each company has developed systems, programmes and taken actions within most of the areas, but all initiatives are not linked to performance measures. Within the area of animal rights no performance measures are disclosed by any of the companies, and for community

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support (H&M and Lindex) and waste management (Lindex) only some of the companies disclose performance measures, which unable an assessment in these areas (Epstein, 2008).

6.2.1 Organic and conventional cotton

H&M, Lindex, KappAhl and MQ are acknowledging CR through the supply chain. In the area of raw materials, the focus of systems, programmes and actions and performance measures are mainly related to cotton. The actions in this area are undertaken in cooperation with external organisations, the BCI or Organic Exchange, and the performance measures disclosed are not linked to environmental and social responsibility of the actual cotton production. Instead, the number of pieces of clothing produced or sold containing organic cotton is disclosed. The external programmes the retailers are part of can be seen as actions taken to improve the work conditions for cotton farmers, while the internal systems are developed to measure and monitor how much organic cotton that is purchased, how many different labels that are available for customers and the number of designs made from alternative materials. This in combination with cooperation and membership with NGOs can be seen as a more indirect way of expressing CR in the very first step of the supply chain (Roberts, 2003).

6.2.2 Animal rights policy

Animal rights can be seen as an area of responsibility of raw materials, as the companies have policies guiding the use of leather, fur and wool among other materials. The policies are not combined with systems and programmes for working with animal rights, which is pointed out as necessary by Epstein (2008) to be able to fulfil commitments in a policy. However, a policy can have different functions and be aimed to either describe what is not allowed (e.g. that fur is not sold in the stores) or to guide purchasing (e.g. only leather as a bi-product from meat production is allowed). Depending on what the function is and what is stated in the policy, the need for systems to follow-up purchasing decisions will vary. Membership with the Fur Free Alliance Programme and the Leather Working Group are actions taken by H&M that show that the organisation is acknowledging responsibility for animal rights, however in a more indirect way.

6.2.3 Codes of conduct and management systems

H&M, Lindex, KappAhl and MQ are using a code of conduct and an auditing system for supplier compliance that is well known in the sector (Welford & Frost, 2006; Mamic, 2005). A code of conduct together with a social auditing system is an established assessment method not only in the apparel and textile industry, but also for other kinds of consumer goods (Wingborg, 2009; Egels-Zandén, 2007; Pruett, 2005). The auditing systems are structured in the same way, starting with an initial audit when the supplier is newly contracted to make sure that the basic requirements in the code of conduct are complied with. Next, regular audits take place and action plans for improvements are set up and followed up. A grading system is used to provide the purchasing departments with information about suppliers' compliance with the code of conduct. H&M uses a management system score card where the results from the audits are summarised, while Lindex and KappAhl have internal systems for handling the results. MQ does not report what kind of internal system that is used, but as a member of BSCI MQ has access to a

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data base with the results. The audit results from H&M's suppliers that are externally audited by FLA are publicly available at FLA's website.

Performance measures of suppliers' compliance with the code of conduct is disclosed by H&M, Lindex and MQ while KappAhl is not disclosing performance measures that show the suppliers' performance in relation to the code of conduct (Pruett, 2005). All companies are communicating how many inspections that have been done, and how many of these that were first time audits and how many were follow-up audits. H&M, Lindex and MQ specify whether the audits were conducted by the company itself or by external organisations, and the compliance of suppliers. H&M has the most detailed reporting including performance measures of how many audits that have been done per country, division of the performance measures in announced and unannounced audits, and as well as the results of the 90 questions which are part of the audit document.

H&M, Lindex and MQ have linked the internal system for working with social responsibility in the supply chain with a large number of performance measures. The performance measures can in turn be used for further decision making, strategies and to monitor that goals and targets are reached (Epstein & Buhovac, 2010; Durden, 2008; Walker et al., 2007; Ballou et al., 2006; Burritt et al., 2002). The performance measures generated from the internal systems and programmes are also parts of communication to stakeholders (Isaksson & Steimle, 2009; Kotonen, 2009; Mamic, 2005; Linnanen et al., 1999). The suppliers of H&M and MQ are encouraged to implement management systems. According to H&M a management system facilitates assessment of issues that are difficult to determine with audits, such as freedom of association and discrimination. MQ encourages the suppliers that have high compliance with the code of conduct to implement a management system in accordance with SA8000 and receive a third party certification, which is a way of guaranteeing that minimum legal requirements are complied with (Stigzelius & Mark-Herbert, 2009).

6.2.4 Training programmes for suppliers and factory workers

Besides controls of compliance, training programmes are used for education of suppliers and workers, which according to Welford and Frost (2006) is important to address issues that cannot be revealed in an audit. The training programmes focus on education about human rights, workers' rights, and health and safety. H&M, Lindex, MQ and KappAhl all report that this is part of their CR in the area of social responsibility of the supply chain. The training programmes undertaken is a way of increasing the compliance result of the code of conduct, i.e., the results of training programmes will be mirrored in the result of the supplier auditing.

The cooperation with FLA and BSCI can be seen as a way of facilitating the organisations of assessments and as a way of verifying the companies' audit systems and training programmes by a third party. The code of conduct and the audit system provided by BSCI is used by the smaller actors in the study, Lindex, KappAhl and MQ; while H&M has its own code of conduct. Welford and Frost (2006) have criticised the use of several different codes of conduct, as it makes it hard for suppliers to live up to the varying requirements. However, the content of the codes of conduct provided by H&M and that by BSCI are

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very similar. A difference between BSCI and FLA, which has implications when it comes to transparency towards stakeholders, is that the results from the external audits conducted by FLA are available for the public. The database where the results from BSCI are available can exclusively be accessed by member companies. Here a dilemma occurs for the companies, where the advantages of being transparent towards stakeholders are weighted with the importance of keeping business information within the organisation (Veleva, 2010; Mamic, 2005).

6.2.5 Environmental aspects in the code of conduct

H&M reports that the environmental aspects including waste, water and chemical management are part of H&M's FAP, while Lindex and KappAhl have developed separate environmental codes. Lindex environmental code includes a grading system and the company discloses the per cent of the suppliers that have signed the code that live up to the different levels. KappAhl does not report about the suppliers' compliance with the environmental code, but reports how many suppliers that are part of the programme. MQ does not report on environmental responsibility as a specific area, but as a member of BSCI environmental aspects are part of the code of conduct which as well applies for Lindex and KappAhl. The system for working with environmental issues is similar to the system for social responsibility, and it is in some areas complicated to separate social issues from environmental. The environmental issues in the apparel and textile industry (chemicals and water) also have large negative social aspects. Water pollution can harm local communities and freshwater wells, chemicals can spread to local ecosystems and have severe health impacts for people exposed to the chemicals (Soth et al., 1999).

6.2.6 Water assessment and supplier assessment

H&M has taken a number of additional actions such as guidelines for water use in stores and distribution centres and the CEO Water Mandate. H&M has also, as a more temporary programme, assessed the water footprint of production and mapped suppliers that have factories in water scarce areas. As part of the CEO Water Mandate, assessments of suppliers' waste water quality are conducted and the results of the tests disclosed. A pilot project aiming at decreasing water use in the production is part of H&M's water management as well as financial support to the NGO Water Aid. The supplier audit can be seen as the basic system for making sure those local environmental laws and regulations are complied with, while additional programmes and actions aim at increasing understanding among workers and suppliers. The performance measures can also be used for further development of actions. Lindex, KappAhl and MQ do not report any additional programmes in the area of water management, except the membership in STWI (MQ and KappAhl).

H&M has voluntary programmes that aim at improving the environmental conditions for second-tier suppliers. As part of these programmes, H&M discloses how many factories and/or suppliers that have participated. Lindex has a programme aimed at addressing the negative environmental impacts of wet-processing of their own suppliers, and which also aims at being able to address second-tier suppliers.

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6.2.7 Chemical restriction list and garment tests

H&M, Lindex, KappAhl and MQ are using a chemical restriction lists and garment tests as a system for chemical management. Lindex and H&M are transparent with the number of tests that are conducted each year, and also disclose how many products that are recalled or not approved annually. KappAhl and H&M report training programmes as part of chemical management. The programmes also aim at getting information about the use of chemicals by subcontractors, and thereby attempting to work further down the supply chain where several of the chemical demanding processes are taking place (de Verdier et al., 2010; Engwall, 2008). This assessment method is rather reactive than proactive, i.e., measures are taken if products containing the prohibited or restricted chemicals are found in clothing and not proactive, i.e., using less chemicals in the first place. However, H&M in its FAP and Lindex and KappAhl with their environmental codes are working in a proactive manner with these issues, while MQ acts through its code of conduct. The garment tests hence become the assessment of whether the proactive measures taken in the supply chain have given results or not. The aspect of quality is closely linked to chemical use. Beside the inspections and tests of chemical content, additional quality tests and inspections are conducted by H&M and Lindex.

6.2.8 Environmental management systems and certifications

H&M, Lindex, KappAhl and MQ have guidelines or policies that have a general approach towards environmental aspects at offices, stores and distribution centres. H&M has internal guidelines that are used by all H&M's stores around the world, KappAhl works with the SAM system that covers both environmental aspects and work environment and linked to an external ISO 14001-certification. MQ and Lindex work with certifications and diplomas for their stores, which have similarities with the environmental auditing system offered by the International Organization for Standardization (ISO). Management systems have the aim of making information available for decision making and assessments of programmes and actions (Epstein & Buhovac, 2010; Durden, 2007; Walker et al., 2007; Ballou et al., 2006; Buritt et al., 2002). The systems that lead to certifications can also have a symbolic function, as the implementation of a standardised management system can create legitimacy (Schwarts & Tilling, 2009; Brunsson & Jacobsson, 1998).

6.2.9 Measurement and monitoring of CO_2

Regarding CO_2 emissions H&M, Lindex and MQ have travel policies that guide business traveling. KappAhl is the only case company that climate compensate for business travels and discloses information about the amount of CO_2 and SEK climate compensation per year. Lindex has the programme the "Energy hunt", which is a way of assessing stores and encourage individual stores to compete against each other in order to increase energy efficiency. H&M has an additional guiding document, the GHG Protocol Guidelines which are followed in H&M's reporting on CO_2 emissions. Lindex has in turn a "Hot list" which does not provide a formal policy, but advices for energy efficiency in stores. H&M, Lindex and KappAhl have also criteria for freight transportation.

The Clean Shipping Project is used by H&M, Lindex and KappAhl to assess the environmental performance of boat shippers. H&M also uses the SmartWay certification

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for providers in North America to assess their environmental performance. These are external systems that have been developed in collaboration with other actors to reduce the environmental impact from transportation. The performance measures in this area relate to the number of certifications or the number of shippers registered in the Clean Shipping Initiative's data base.

MQ, KappAhl and H&M are working with distribution planning and changes of mode of transport as a way of decreasing CO_2 emissions. Performance measures in the area of CO_2 emissions and energy include for example reduction in CO_2 per mode of transportation (boat, road, air and train). The performance measures have minor differences, where some companies report CO_2 emissions from different sources, the decrease of CO_2 emissions and number of goods transportations done with a specified mode of transport. Epstein (2008) points out the importance of measuring and having performance measures in areas where improvements are necessary. CO_2 emissions are relatively easy to assess and the performance measures can be quantified, which can explain the detailed reporting. Quantification is also important as a reduced consumption of energy and reduction of CO_2 emissions can be linked to positive results in the bottom line (Veleva, 2010; Epstein, 2008; Burritt et al., 2002) hence leading to long-term improvement in financial performance. H&M and KappAhl have taken the quantitative aspects further by assessing the CO_2 emissions from their products, and to identify where in the life cycle the largest emissions appear. This assessment and the performance measures make it possible for KappAhl and H&M to focus on the areas where they have the largest possibility to make a change and develop future initiatives.

6.2.10 Life cycle assessment, paper analysis and recycling

In the area of waste management little information is disclosed besides for Lindex that disclose the recycling categories from a number of its stores. H&M reports LCA on consumer bags and paper analysis as assessment methods in this area. KappAhl reports on actions at the distribution centre to decrease waste, such as re-use of hangers, wooden-boxes for transportation and recycling of packaging material. These are all internal systems and programmes that are used for waste management; however few or no performance measures are disclosed in this area. Adams and McNicholas (2007) argue that companies have to make a trade-off for information disclosed in CR communication and Kotonen (2009) argue that information can even be too detailed and too complex. Waste management is in relation to other aspects of CR for apparel retailers not the major CR issue which could explain the sparse information provided.

6.2.11 Code of ethics and whistleblowing procedure

H&M, Lindex and MQ have ethics policies setting guidelines and requirements in the areas of bribery and anti-corruption. Lindex and H&M also have procedures for training employees and follow-up the compliance with the ethics code. Lindex has annual training in the code of ethics and H&M and Lindex has in addition to training developed routines for how breaches should be reported. H&M and Lindex show that they have not only set up a policy that states what is acceptable and not, but they have developed internal systems for how these issues should be minimised and followed up. The routines for whistle

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blowing can be seen as feedback loops that reveal how effective training programmes and communication of the ethics code has been (Epstein, 2008). As a member of BSCI it is also required in the code of conduct that policies for anti-bribery and anti-corruption should be implemented (Business Social Compliance Initiative, 2009).

6.2.12 Competence training and equality

The systems, programmes and actions related to employees undertaken by the four companies are similar and only minor differences can be noticed. The systems and programmes include policies for discrimination, equality and work environment. Lindex, KappAhl and MQ are using annual employee surveys to assess the employees' perceptions of their work place and job satisfaction. H&M, Lindex, KappAhl and MQ have a similar reporting focus and a large number of performance measures linked the systems, programmes and actions within the area for example covering hours of competence training per employee/year, the ratio between men and women at different positions, sick leave, internal recruitment etcetera. Equal opportunities, competence training and anti-discrimiantion are labour issues that have been pointed out as CR challenges in a Scandinavian and European context (Visser & Tolhurts, 2010).

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7 Discussion

In this chapter the empirical findings of the study are discussed in a larger context, both related to corporate responsibility in general and assessment of corporate responsibility in particular.

7.1 Similarities due to industry and stakeholder focus

The areas of CR, the systems, programmes, actions and performance measures are very similar for the four companies, which can be explained by the fact that they also have similarities as companies. H&M, Lindex, KappAhl and MQ are all actors on the Swedish market and they are in the clothes retailing sector. As such, they face similar challenges related to labour conditions, negative environmental impacts from extensive use of water and chemicals, and CO_2 emissions due to long distances between the production site and the stores where the clothes are sold. The companies have also been scrutinized by media, NGOs and consumers for their lack of social and environmental responsibility in the supply chain since the mid 1990's (de Verdier et al., 2010; Engwall, 2008; Pruett, 2005; Klein, 2004). The use of standardised management systems (ISO 14001 and environmental diploma) and reporting standards (Global Reporting Initiative) is an additional explanation as to why the reporting of it is similar.

Performance measures in the supply chain have a large focus which can be explained by the fact that the largest challenges for the apparel and textile industry can be found here. These are also the areas that stakeholders have expressed most interest in (Arvidsson, 2010; Burritt & Schaltegger, 2010; Ballou et al., 2006, Mamic, 2005; Miles et al., 2004). Prior to the 1990's neither consumers nor apparel retailers had considered CR with regard to the supply chains of clothes bought by Swedish consumers (Ählström & Egels-Zandén, 2008). The expectations from society have changed since and today some of the studied companies express a CR "from the moment a cotton seed is planted" (Hennes & Mauritz, 2009, p.5). CR has for many larger companies become a hygiene factor (Ihrén, 2011), part of being a fashionable company (Sahlin-Andersson, 2006) and crucial for risk mitigation and brand protection (Arvidsson, 2010; Welford & Frost, 2006; Roberts, 2003). A further extension of CR and more direct systems, programmes and actions could hence be expected in the future. However, it does, depend on which direction stakeholders will pull this development. Consumers have an especially large responsibility in demanding apparel retailers to take responsibility and to be willing to pay for the price for it (Röhne, 2010).

7.2 Corporate responsibility – where and how?

The further down the supply chain, the more indirect are the CR initiatives. For cotton production collaboration with BCI and Organic Exchange is central and, with beside of H&M and to some extent Lindex, few programmes are in place to deal with second-tier suppliers and subcontractors. The apparel retailers often only have business contracts with

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the first supplier who finishes the garment. The lack of contractual engagement with subcontractors and second-tier suppliers means that the apparel retailers have little power to put demands on other actors in the supply chain (Hennes & Mauritz, 2009; Lindex, 2009). The majority of measures are taken with the objective of addressing social and environmental challenges of first-tier suppliers, even though a supply chain can contain up to eight actors (Björklund, 2010). This means that even though CR is expressed throughout the full supply chain, a majority of initiatives only address one eight of the supply chain. The apparel retailers here express that there are difficulties in assessing the sub-contractors and second-tier suppliers, as they do not have contractual agreements with these actors. The issue can be argued to be both of corporate and political character. As Carroll (1991) has argued, the social and environmental considerations of the retailers are their moral obligations, while the legal responsibility is the factory owners'. However, it is a fact that legal structures have flaws in many of the countries where the production is outsourced (Prevodnik, 2008; Bremer & Udovich, 2001). Roberts (2003) argues that the brand owners and the brand retailers have a large power in the relationship between buyers and suppliers, and Miles *et al.* (2008) and Beschorner and Müller (2006) argue that corporations often have the possibility of complementing the systems that due to political reasons are not working. On the other hand it is a political issue, as labour laws and environmental laws often are in place but are too low and has weak legal enforcement (Prevdonik, 2008; Bremen & Urdovoch, 2001) and the question is in what extent corporations should replace the function of nation states.

7.2.1 Assessing performance in the supply chain

Corporations have large power to require suppliers to implement systems and programmes to improve working conditions for factory workers and minimise the negative environmental impact from production. H&M, Lindex, KappAhl and MQ have a number of initiatives that partly are driven by stakeholder pressure but that are also criticised by stakeholders for lacking in effectiveness. Supplier auditing has been criticised both by academics and NGOs for being insufficient in addressing issues such as right to collective bargaining, discrimination and forced labour (Wingborg, 2009; Welford & Frost, 2006). Additional measures, such as involving suppliers and factory workers have been suggested (de Verdier et al., 2010). Based on the results of this study additional measures such as training, supplier dialogue and communication are used as complements to the more control focused assessment through supplier auditing. Supporting and encouraging suppliers to implement management systems is a way of introducing a more systematic way of working with social responsibility. It might as well be a way for retailers to more easily follow the suppliers work and to assess available information, as management systems are argued to be an effective way of working with social and environmental issues at an organisational level (Walker et al., 2007; Epstein & Buhovac, 2008).

The use of a formal management system, which is for example part of the SA8000 standard, does not guarantee a higher compliance with codes of conduct as shown in Egels-Zandén's (2007) study. As Walker et al. (2007) establish, a management system in itself does not guarantee an improved performance. Indeed, leadership and corporate culture may form important aspects in the implementation and successful use of a management system (Epstein, 2008). Creating an understanding of why codes of conduct

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are important and developing corporate cultures that support the values in the codes represent further challenges for H&M, Lindex, KappAhl and MQ in their relationship with suppliers, sub-contractors and second-tier suppliers (Mamic, 2005).

More recently the environmental aspects in the apparel and textile industry have been highlighted (de Verdier et al. 2010; Engwall, 2008). Just like the assessment of social responsibility in the supply chain is similar for the studied companies; similar patterns can be found for environmental aspects. However, a difference in the case companies' can be noticed as H&M's efforts are not limited to addressing environmental issues for its first-tier suppliers, but involve subcontractors and second-tier suppliers. The supply chains in the textile and garment industry are long and complex (Björklund 2010; Roberts 2003). Therefore, assessing the performance of second-tier suppliers is an important aspect, due to the fact that most of the energy, water and chemical processes are taking place in the processes of second-tier suppliers and subcontractors (de Verdier et al., 2010; Engwall, 2008).

7.2.2 Effects in the bottom line and on the political agenda

CO_2 and energy is given high priority in the CR communication of the studied companies. However, the focus is exclusively on CO_2 and energy consumption in the own operations in offices, stores and for distribution, while no assessment for the supply chain is reported. The same pattern can be noticed for waste management, that even though scarcely reported for stores, offices and distribution centres, is not discussed related to suppliers' operations. The detailed assessment of CO_2 can be explained both by the fact that reduction of CO_2 emissions and energy often has a positive impact in the economic bottom line (Veleva, 2010; Porter & van der Linde, 1995), that this assessment and detailed information is easier to quantify than other, more qualitative aspects of CR, such as labour conditions. Climate change is also an issue that has been high up on the political agenda the last five years and is identified as one of the major environmental challenges (Rockström et al., 2009).

7.2.3 Workers and employees

The apparel retailers have systems and programmes to deal with two groups of employees; the employees of the suppliers and the employees that are working at the offices and stores of the apparel retailers. H&M, Lindex, KappAhl and MQ are taking moral obligations towards the employees that are not employed by the companies themselves, but that produce the clothes. This responsibility is taken due to the fact that labour laws and regulations in the production countries are not complied with and because the companies are afraid of publicised criticism that may harm the brand (Lyon & Mawell, 2008; Roberts, 2003). This reveals that the challenges of labour relations can look very different. In Sweden, the employee programmes focus on competence development and decreased sick-leave. H&M, Lindex, KappAhl and MQ are interested in the employees' perception of the workplace and of the companies as employers. In the production countries the programmes aim at informing factory workers about human rights; and the right to maternal leave and to paid overtime. These differences imply challenges for developing initiatives and assessment methods that are adapted to their particular contexts.

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7.2.4 Linking assessment and negative environmental impact

The focus of assessing negative environmental impact is on chemicals, water use and energy use. However, the reporting is about chemical management and water management, while very little is mentioned about the negative environmental impacts that are addressed, such as ecosystems, biodiversity, lack of freshwater and ocean acidification as pointed out as some of the major environmental challenges (Rockström *et al.*, 2009). For social responsibility, the problems are clearly pointed out while this reporting is found lacking in detail on environmental challenges. An explanation of this might be that the environmental aspects have for a long time been shaded by the large social challenges in the supply chain (de Verdier *et al.*, 2010; Wingborg, 2008) compared to other sectors where the environmental aspects have been the major reporting focus (Frostensson *et al.*, 2010). It might also have to do with rhetoric, and that the companies prefer to focus on positive aspects of their CR rather than negative (Stittle, 2002). Linking the negative environmental impacts for production of clothes with the core environmental problems, would provide a broader picture for consumers and other stakeholders of why assessing these aspects is an important focus for CR initiatives.

7.2 Differences due to corporate resources and brand

The differences between H&M, Lindex, KappAhl and MQ are not so much about *how* they are addressing social and environmental responsibility, but rather how transparent they are in disclosing performance measures. According to Roberts (2003), companies in the apparel and footwear sector have been pioneers when it comes to acknowledging and working with CR in the supply chain. She explains this by the fact that the world's largest consumer brands can be found in this sector and that it has been important with CR as a way of protecting corporate brand and image. H&M is the largest company in this study and has a market with stores in over 38 countries worldwide. This in combination with a large CR organisation and large coverage in media (e.g. Munck, 2007; Rahm, 2000; Beck-Friis & Gerken-Christiansen, 1998) might be one explanation to the organisation's extensive and transparent CR communication. Lindex, KappAhl and MQ on the other hand are smaller actors with more limited resources and are not in the same extent acting on a global market, neither have they had as much media publicity as H&M. It is also interesting to notice that MQ published its first sustainability report in 2010, which could be interpreted as if there has not been interest for such stakeholder dialogue until recently.

7.3 Transparency versus business information

This study is based on external reporting and hence it is important to keep in mind that the findings do not necessarily reflect all CR assessment methods the studied companies use. CR communication is argued to be driven by stakeholder interests (Bowers, 2010; Burritt & Schaltegger, 2010; Ballou *et al.*, 2006). This implies that the areas that stakeholders are mostly concerned with in the companies' accountability will also have the largest focus in

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external reporting. It is expected that apparel retailers that have acknowledged a responsibility through the supply chain and are striving to be accountable for its actions have systems, programmes and actions to tackle these challenges. Even though stakeholders, and especially in the fashion industry, are demanding accountability, companies might not want to reveal and be transparent about everything as a conflict between transparency and confidential business information occurs (Veleva, 2010; Mamic, 2005). External reporting in the form of a sustainability report as well requires large resources from a company (Miljörapporten, 2011) and hence a balance has to be made of what can fit within the reporting format and the issues that are judged to be most important to communicate (Adams & McNicholas, 2007). The company has to decide what kind of information that leads to competitive advantage (Ballou *et al.*, 2006) and what information that is crucial to keep within the company (Veleva, 2010).

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8 Conclusion

This chapter aims at answering the aim of the study, namely to describe how H&M, Lindex, KappAhl and MQ assess corporate responsibility initiatives. This chapter also aims at opening up for future research questions in the area of corporate responsibility.

Several areas are identified as CR by H&M, Lindex, KappAhl and MQ, including: raw materials, social and environmental responsibility in the supply chain, environmental responsibility for offices, stores and distribution, employees, marketing, quality and community support. Even though the companies report on several systems, programmes and actions used to work with CR, an assessment is not apparent until a system, programme or action is linked with performance measures (Epstein, 2008). According to Epstein (2008) it is crucial to measure CR to be able to assess its societal outcomes and the long-term financial performance.

This seems true in the case of H&M, Lindex, KappAhl and MQ as several performance measures are linked to a majority of the companies' initiatives. The performance measures have different characteristics and include for example number of participants in a training programme, CO_2 emissions in tonnes and percent of turnover, SEK donated to community support or percent of suppliers that live up to different levels in the code of conduct. Some aspects, such as CO_2 emissions, might be easier to measure, while the outcome of a training programme needs to be assessed differently. Assessing how many participants the programme had and linking that to the results of the code of conduct, might give an idea of the outcome of the training programme. The performance measures are also used in different ways for different initiatives. Performance measures from the social audits are used to make sure that the code of conduct is complied with, but is also used for targeting training programmes. The performance measures from temporary actions, such as LCAs and water footprint, are instead used to develop additional initiatives to address the issues. It is again important to keep in mind that this study reflects assessment of CR performances as disclosed in external CR communication. CR communication does certainly not cover all the different ways the companies measure, evaluate and follow-up initiatives within the area of CR.

Future studies could therefore focus on how corporations develop the internal organisation to work with assessment of CR initiatives, as this would give an additional perspective of assessment methods. A follow-up study of assessment methods, like this study, would give answers to whether the initiatives directed towards second-tier suppliers and subcontractors have developed further. Hence, giving interesting answers to whether and how the apparel retailers' corporate responsibility has developed over time. Even though the assessment methods for the studied companies are very similar, the transparency of suppliers' performance measures differs. Here the question of the role of the sustainability report could be raised in future research. How should the sustainability report be designed to not be classified as a *"public relations exercise"* (Epstein, 2008, p. 226)? Is the role of CR communication to provide stakeholders with information or to communicate what the company wants stakeholders to know? Is there information that should not be revealed to

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stakeholders (Veleva, 2010) in a business world where transparency and accountability have become catch phrases?

Another interesting discussion is that of apparel retailers acknowledging CR through the supply chain. Systems, programmes and actions are important for suppliers where no formal business contract exists, such as second-tier suppliers and subcontractors. Rather than asking the question of *where* in the production and consumption of clothes the apparel retailers have a responsibility, the question of *what* responsibility should be raised. In the context of this study, *where* and *what kinds* of assessments of environmental and social responsibility in the supply chain are Swedish apparel retailers obliged to carry out? This question traces back to the very basic question on the agenda of corporations and academics. That is the question of what CR is. How far can or should the moral obligations towards society go without risking the economic responsibility of a corporation (Carroll, 1991)? Or is active CR a prerequisite for avoiding value destruction (Arvidsson, 2010)? A historical review of how society's expectations on corporations have developed since the more formal CR reporting started might give insights in this area. The organisational field of Swedish apparel retailers is extensive. Their operations and relationships with regulatory agencies, suppliers, subcontractors, consumers and communities is not limited to one geographical market, but stretches over geographical and institutional borders. To further study the interactions between these actors and the retailers' role in a globalised world would be an interesting departure in future research, which could provide insights into how an organisational field depicts the rule of the game related to corporations' responsibility.

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