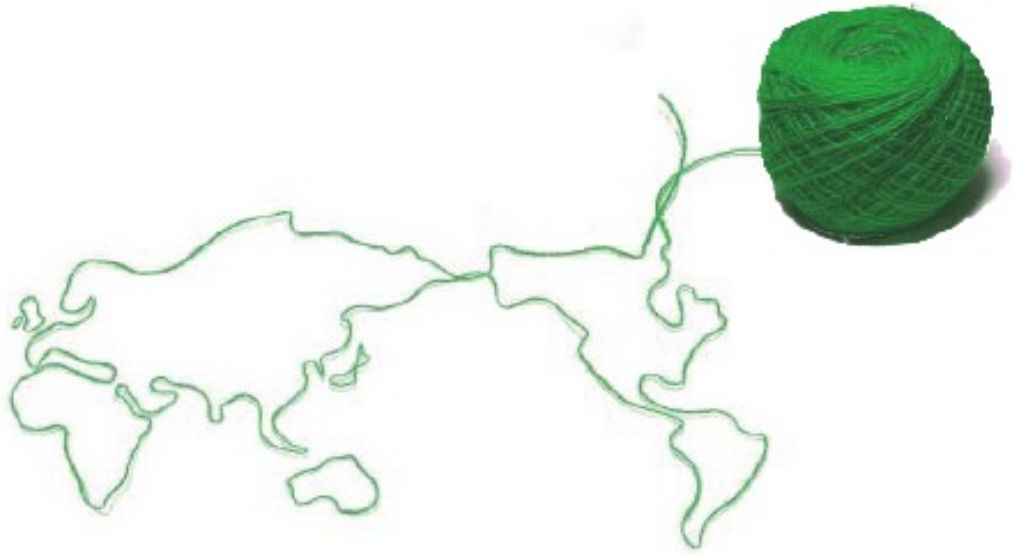


Corporate Social Responsibility in the Global Garment Supply Chain

Analysing German approaches towards CSR



Master thesis
Environmental Management and Sustainability Science

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Abstract

The global garment supply chain includes various production steps with high usage of chemicals, pesticides and water, which can easily be polluted. The different national laws for labour rights make it difficult to find a standardised system. High standard settings from European companies are exceeding national requirements in the production countries, and compliance is difficult to measure. Thus companies need to be aware of environmental and social issues and need to have transparent monitor schemes to address violation of requirements.

In the last decades “Corporate Social Responsibility (CSR) has become a key issue when considering the regulation of globalisation” (France Diplomatie 2012). Governmental bodies, non-governmental organisations and companies are struggling how to stimulate companies’ social responsibility practice to respond to garment workers exploitation and environmental problems in the textile industry.

Companies developed various strategies to approach CSR work. In this report, three selected German garment companies are analysed in order to compare their strategy according key elements of CSR. Comparison is made between companies’ approaches and relevant governmental and non-governmental organisations. It is investigated that a collective approach can benefit companies by sharing experience and knowledge. The overload of certification and the lack of transparency in monitoring CSR performance push companies to join multi-stakeholder initiatives to work reliable and trustworthy. Multi-stakeholder initiatives are enabling a broader perspective to create new strategies, products and systems.

Keywords:

Corporate Social Responsibility, Apparel, Supply Chain Management, Multi-stakeholder initiatives, environmental impacts, social impacts, Creating shared value, partnerships

Picture front-page: http://www.rosalux.de/fileadmin/ls_ni/bilder/rundreise.jpg

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Abbreviations

BMZ	German federal ministry for economic cooperation and development
CSR	Corporate Social Responsibility
CSV	Creating Shared Value
EU	European union
ISO	International organisation for standardisation
NBS	Network for business sustainability
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
RSL	Restricted Substances List
ILO	International labour organisation

Glossary

Better Work	Cooperation of trade unions, companies and experts to secure safe and healthy working environment (Better Work 2014).
Bluesign	Organisation focusing on chemical use in textile production and in close cooperation with an auditing body certifications can be made (Bluesign 2013)
BSCI	Business Social Compliance Initiative, developed by the Foreign Trade Association, work with around 1500 companies to build an ethical supply chain (BSCI n.d.)
Clean Clothes Campaign	Alliance of more than 200 NGOs and trade unions, in 16 countries to improve working conditions (Clean Clothes Campaign n.d.)
EMAS	Eco-Management and Audit-Scheme, developed by the European commission (EMAS 2015).
EP+L	Environmental Profit and Loss Account, a tool to measure, analyse, and monitor environmental profit, developed by Kering Group (see chapter 4.3. PUMA).
FLA	Fair Labour Association, collective of companies, universities and civil society, which works to improve working conditions with developing tools for different sectors (FLA 2012)
FWF	Fair Wear Foundation (see chapter 5.3)
GOTS	Global Organic Textile Standard, an international working group, certifies organic fibre production (GOTS 2013)

GRI	Global Reporting Initiative, publish guidelines of how companies easily can report sustainable performance, GRI is an international non-profit organisation with partnership with ISO, UN etc. (GRI n.d.)
Higg-Index	Developed by Sustainable Apparel Coalition, a self-assessment tool to identify environmental and social issues in the supply chain (SustainableApparelCoalition 2015)
ILO Conventions	Based on a tri-partite structure (workers, employees, government) to promote decent work (ILO n.d.)
ISO 14000	Certification for environmental management, provides tools to manage responsibility (ISO n.d.).
ISO 26000	ISO for Social responsibility, provides a guidance for business to perform responsible –no certification (ISO n.d.)
Rana Plaza	The factory building collapsed in 2013 and around 1100 workers died while working for many European and American brands (Clean Clothes Campaign n.d.)
REACH	Registration, Authorisation and Restriction of Chemicals, a regulation by the European union to protect human and environment from risks that expose from chemicals (REACH n.d.)
SA8000	Social Accountability, certification on social responsibility, decent workplace based on ILO and UN global compact (SAI n.d.)
Sustainable Apparel Coalition	A trade organisation of brands, retailer, manufacturer, government, NGOs, academic representatives and many more to reduce environmental and social impacts in the supply chain and developed the HiggIndex (SustainableApparelCoalition 2015)
UN Global Compact	Policy initiative for business based on 10 principles, concerning human rights, labour, environment and anti-corruption aspects (UN global compact n.d.)

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Marie Oldopp

10.06.2016

“Once we know and are aware, we are responsible for our action and our inaction. We can do something about it or ignore it. Either way, we are still responsible.”

Jean Paul Sartre¹

1 Introduction

In the past hundred years the garment industry shifted from a production with focus on detailed workmanship, handicraft and custom-made clothing to a mass production with standardised sizes and fixed prices which are mainly produced in many different countries and internationally distributed (Wedel-Parlow 2015, p.68). 90% of clothing distributed in Germany, is imported from mainly Asian production countries (Umweltbundesamt 2014). This is a result of globalisation and price pressure, thus the complexity of the supply chain and the internationalisation are key aspects of the garment industry (BMZ 2014a).

Many countries rely on clothing production; 79% of Bangladesh's economy is textile production (ILO 2014, p.8).

In the raw material production monocultures are increasing the cotton production, high water use is needed for polyester production and workers handle the substances without any protection or safety equipment. While processing the raw material to textiles, chemicals are used to smooth the fibres, dyestuff for colouring and workers are exposed to noises and dust in the weaving and knitting factories. Finishing the textiles and stitch the garments is labour intense and the high competition and low prices force factories to subcontract cheaper factories and workers, where even higher exploitation takes place (BMZ 2014b, p.13). Working hours are exceeding international labour rights and occupational health and safety standards are mostly violated. Main rights like freedom of joining association or insurances are not implemented. These issues are throughout the whole garment supply chain but differ in the different steps.

Consequently the responsibility for labour rights violation and environmental harm is pushed from one company to another.

¹ Source: <http://icologie.com/about-us/our-team/>

Introduction

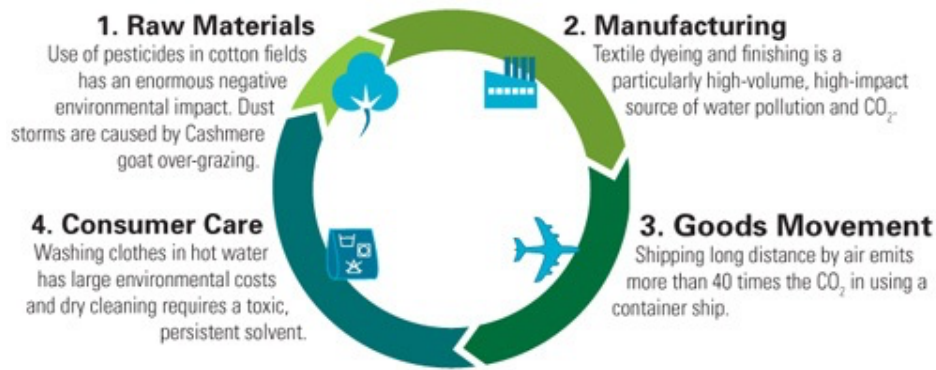


Fig. 1: Excerpt of impacts in the garment supply chain

Source: (NRDC n.d.)

Figure 1 shows the garment life cycle and examples of impacts. This report will focus on the social and environmental impacts during the raw material production until the manufacturing phase.

The collapse of Rana Plaza building in 2013 in Bangladesh, where around 1100 workers died and even more got injured, brought social problems in the clothing supply chain into international focus. Even though the issues were part of the supply chain since shifting the production from European countries to Asian production sites, no attention was given to labour rights violation. After that incident in Bangladesh, the Clean Clothes Campaign pressured international companies to pay compensation for the affected families and actions were taken to address labour rights in production countries (Clean Clothes Campaign n.d.). The 'Accord on Fire and Building Safety' in Bangladesh was launched to pressure companies to sign up for supporting occupational safety in Bangladeshi garment factories. Consequently around 190 international brands and 16000 factories signed the legally binding accord (bangladeshaccord 2015b). This ambitious agreement led to remediate factories and after two years the results are that two 'safe' garment factories are announced in 2015 (bangladeshaccord 2015a)

Additionally, Greenpeace focuses on environmental problems with its 'detox' campaign in 2011 and asks fashion companies to reduce and eliminate hazardous chemical use (Greenpeace n.d.). "No standard currently exists that can guarantee the clothes we wear were not made using toxic chemicals." (Greenpeace 2014a). Timelines and restrictions are set for the members joining the campaign, and brands like adidas, H+M, Nike and Puma agreed on a 'roadmap for zero discharge of hazardous chemicals' (Greenpeace 2014b).

These non-governmental organisations (NGOs) push environmental and social issues in public focus and demand companies to take responsibility along the supply chain.

Introduction

Even the German chancellor Angela Merkel addresses transparent supply chains and states on the annual meeting (3rd June 2015) of the council for sustainable development (RNE) that “we need to make it more transparent where the products are from and in which circumstances they are produced” (Csr-news.net 2015a) and referred to the coming G7 meeting where measures will be taken to prevent labour and environmental exploitation².

Thus companies need to focus to reduce and prevent environmental and social harm. These aspects should be connected to their core business activity to reach higher success. The concept of corporate social responsibility (CSR) address environmental, social and economic challenges.

Most companies are beginning to work with CSR with the help of tools and guidelines concerning environmental management practice of certification bodies like Eco-management and audit scheme (EMAS), International organisation for standardisation (ISO) norms and global reporting initiative (GRI) and social issues with the help of the Fair Wear Foundation (FWF), Fair Labour Association (FLA) or Business Social Compliance Initiative (BSCI). The many different standards and guidelines lead to an overload of tools and certificates and confuse the brands and consumers.

As an additional challenge various definitions of CSR exist and different strategies can be used to integrate social and environmental responsibility in business activities.

This report focuses on CSR performance of German garment companies.

The international widespread production creates difficulties in complying with certain standards due to the different laws and knowledge, but in best cases it is based on mutual understanding to build sustainable production.

² The G7 meeting will be held from 7th to 8th June 2015 in Germany (participating countries: Germany, France, Japan, United Kingdom, Italy, Canada and United States of America)

1.1 Problem Formulation

In regard of the global textile supply chain, CSR performance is complex and due to the activities across borders difficult to realise. High standard settings from European companies are exceeding national requirements in the production countries, and compliance is difficult to measure. The complex garment supply chain includes various steps with usage of chemicals, pesticides and water, which can be easily polluted. Labour rights are due to the different legislations implemented and adhered in diverse ways. Thus companies need to be aware of these issues and have transparent monitor schemes to address violation of requirements.

In the last decades “Corporate Social Responsibility (CSR) has become a key issue when considering the regulation of globalisation” (France Diplomatie 2012). Governmental and non-governmental bodies as well as companies are struggling how to stimulate companies’ social responsibility practice to respond to garment workers exploitation and environmental problems in the textile industry.

The challenge is to combine economic profit and ethical behaviour, which can be addressed by either a set of criteria for corporate social responsibility or the shared value creation model by Porter (2011).

Various approaches are taken by companies, institutions and governments to address the challenge of CSR practice in the production countries. Consequently different certifications and monitoring systems evolved with diverse requirements and verification bodies. Non-compliance and green washing is the result of unreliable standards and systems, which are not verified by a third party.

Parallel development of CSR strategies by companies and governmental and non-governmental initiatives create lack of transparency and clarity and an overload of certificates. Thus there is a gap between these initiatives and currently no connection. Analysis of the approaches can illustrate the CSR development and creates the thesis statement that

companies and other initiatives can mutually profit from each other.

For investigating this, companies and governmental and non-governmental strategies are compared and discussed on the basis of key elements of CSR.

1.2 Research Questions

The problem formulation leads to the first research question regarding the companies' CSR performance:

1. *How selected German garment companies approach CSR and what are the key elements in their strategy?*

To analyse the strengths and weaknesses of the approaches of the companies, governmental and non-governmental initiatives will be investigated in comparison. Thus the following sub question is asked:

- 1.1. *How do governmental and multi-stakeholder initiatives address these key elements?*

The comparison of the companies and governmental and non-governmental initiatives enable analysis of how companies and governmental and NGOs can work together and what will their benefits be.

- 1.2 *How can companies benefit from strengths of governmental and NGOs CSR work?*

2 Conceptual Framework

This section gives an overview of the structure by saying how the data is collected and describes the use of theoretical data from articles, books, webpages, company reports and empirical data through interviews³.

2.1 Data Collection

For developing reliable and understandable answers to the research question, qualitative research was done. Bryman stated in the book of Social Research Methods that “in qualitative research the approach is invariably unstructured, so that the possibility of getting an actors’ meanings and of concepts emerging out of data collection is enhanced” (2012, p.408).

For developing the report according to qualitative research methods, a general research question was developed while further a literature was conducted. The collection of data took part parallel to the begin of writing and current articles and research publications were taken to tighten the problem formulation during the process of writing, which enabled an up-to-date report including very recent articles and press releases published until May 2015.

The qualitative research method allows the researcher to dig deeper into the social reality and interactions, which is very crucial for this report (Bryman 2012, p.408).

2.2 Theoretical and Empirical Research

In order to examine the research question and solve the problem stated in the problem formulation both theoretical and empirical research methods were followed.

For theoretical data a research literature review was conducted. This helped to build knowledge about the recent development and challenges concerning the topic of this report. Information was gathered from articles and books, to identify the main aspects and focuses; from CSR reports, to understand the drivers of the companies and strategies of different countries and at the EU-level, and from webpages to get a broad overview of the current state of art.

The literature review shows that many publications exist about CSR. Researchers investigate in CSR along the supply chain, in the apparel industry, with the focus on Europe and in the global perspective. Recent reports investigate thoroughly in the financial parts of business performance in combination with CSR. Especially in the last years critical investigations were

³ The diagram of the conceptual framework is attached in appendix A.

Conceptual Framework

done to examine companies' performance on CSR and raise the question about multi-stakeholder initiatives or global governance (Idowu & Louche 2011a; Fransen & Kolk 2007; Banz 2015; Meier 2014; Saeidi et al. 2014; Turker & Altuntas 2014). It appeals after the literature review that there is a gap between two different understandings and applications of CSR. On one side there are ambitious companies, successfully working with reliable and transparent CSR strategies arguing that more regulations should be set by governmental bodies to increase CSR practice (Patzwall 2015). On the other side, companies argue that CSR and business practice is not possible to combine due to the complexity of the supply chain (Wollenschläger 2015).

This literature review asked for a critical analysis with objective dispute about the facts and an interpretation of the outcomes of the different approaches.

Consequently empirical data is needed to investigate the theoretical data.

Selected companies, governmental and NGO initiatives are examined. The selected companies reflect different strategies towards CSR:

- Hessnatur
- VAUDE
- PUMA

Additionally governmental initiatives show approaches from the regulatory perspective:

- OECD guidelines

Finally multi-stakeholder initiatives can show a different approach towards CSR including various stakeholders:

- Textilbündnis (initiated by the German government)
- Fair Wear Foundation (non-governmental initiative)

The selection of the different approaches reflects the various understandings and possibilities of working with CSR and represents the development of garment companies in Germany.

For better insight knowledge of the two advanced companies in CSR integration, interviews were conducted:

- Hessnatur – Sven Bergmann, Communication department
- VAUDE – Hilke Patzwall, CSR manager

Interviews are a main part of qualitative research method. To understand the different relations between the stakeholders in the supply chain involved in garment production will help to make sound investigations about future development.

The interviews were conducted via Email and on phone. VAUDE answered the questions via Email. HessNatur answered first questions via email and a short phone call was done to clarify the responses. The phone call was done in German and the notes are translated into English.

Consequently the interviews were structured and questions were developed based on the previous data collection. During the interview on the phone new questions appeared.

The relations of and to the Textilbündnis (Partnership for sustainable textiles) were analysed and questions were asked about their understanding of the importance of the Partnership and the companies' understanding of CSR.

Thus the interviews were built to firstly understand their thinking and their approach to CSR, followed by their understanding of the Partnership and influences of the different stakeholder (in the appendix the whole interviews are attached). The interviews will be mentioned in the company's description chapters as well as in the discussion part.

2.3 Chapter content

First the companies will be described with its focuses and their performances will be illustrated with the frame of the six criteria for CSR development. Thus the first research question (How do garment companies approach CSR?) will be answered in this section. Additionally the key elements according to CSR or creating shared value (CSV) will be investigated to answer the second part of the research question.

This is followed by governmental and multi-stakeholder initiatives for investigating if certain criteria are differently approached. This section answers the first sub question about how these initiatives address the strengths and weaknesses.

The results of the comparison will be discussed in the chapter of comparison, with highlighting the key aspects, crucial issues.

Finally the results will be concluded in reference to the introduction and future research possibilities will be recommended together with possible future developments of the current topic and the profits for companies working with governmental or NGO initiatives (2nd sub question).

3 Literature review

The chapter of the literature review will give an overview of the CSR development and the model of sustainable development. This will be used as background knowledge to analyse the different approaches of companies and governmental and non-governmental approaches.

3.1 CSR and sustainable development

The CSR development is starting from the 'triple bottom line', to the EU 2001 and 2011 definition. The relation to creating shared value (CSV) and the sustainable development model by the Network for Business Sustainability (NBS) will be described.

Further the author stress the points from the comparison of CSR and CSV (from Porter) as reference to the sustainable development model as points to categorise the CSR practices of the companies, governmental and multi-stakeholder initiatives.

Corporate Social Responsibility (CSR) has developed over the past decades, but „[...] there is no universally accepted definition of CSR [...]“ (Vena 2013, p.5).

In 1970 Friedman stated that „there is one and only one social responsibility of business – (...) to increase its profits“, where he referred to job creation as social responsibility (Mikalsen 2014, p.5).

In contrast to that Elkington developed the 'triple bottom line' of "People, Planet, Profit" in 1994, with the need "that the social and economic dimensions of the agenda [...] would have to be addressed in a more integrated way if real environmental progress was to be made." (Elkington 2001, p.1) (the concept is also called the '3P model').



Fig. 2: Triple Bottom Line - People, Planet, Profit

Source:(www.hatachnola.com 2014)

Consequently many guidelines developed, to name a few: ILO⁴ (1998), the UN global compact⁵ (1999), SA8000⁶ (2001), ISO 26000⁷ (2010), OECD guidelines⁸ (2011). However, these guidelines address environmental and social challenges in a reactive way.

Next to that, the EU commission defined CSR in 2001 “as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” (European Commission 2001, p.6).

And the UN human rights council published the framework for human rights “protect, respect and remedy” (Ruggie 2008, p.5), which ask for remedy and not new strategies for innovation.

The definition of the EU was revised in the new strategy in 2011 to “the responsibility of enterprises for their impacts on society” with the focus on “maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large; identifying, preventing and mitigating their possible adverse impacts” (European Commission 2011a, p.6). Whereas the first definition highlights the social and environmental and social concerns, the second definition stresses the responsibility of the enterprises and the creation of shared value among stakeholder, which shows a change in the development.

During this development of CSR in the last decade companies started to work with CSR as a response to “direct stakeholder pressure, peer pressure,” and “investor pressure” (Idowu & Louche 2011b, p.XV) and referring to Porter and Cramer as a “moral obligation, sustainability, license to operate, and reputation” (Porter & Kramer 2006, p.3). “A growing number of companies participate, make progress, show good financial results and become ever more convinced of the benefits of CSR for all stakeholders [...]” (Yperen 2006, p.2), which results from a “*dialogue with a multiplicity of stakeholders and CSR initiatives connected to core business*” (Rinaldi & Testa 2015, p.31). Thus the change showed that “image and reputation are part of the old ideas of CSR” (Rinaldi & Testa 2015, p.30). New issues of CSR are arising concerning “sustainable innovation”, “competitive advantage” and “creation of shared value” and “integral to profit maximization” in a multi-stakeholder context (Rinaldi & Testa 2015, p.31; Porter & Kramer 2011, p.25).

Consequently “CSR is a continuous improvement and development process” (Schneider 2012, p.37).

To distinguish the different development steps of CSR, researcher developed models to

⁴ International Labour Organisation, is promoting social justice and established labour standards to create decent work (ILO 2015).

⁵ Policy initiative for business based on 10 principles, concerning human rights, labour, environment and anti-corruption aspects (UN global compact n.d.)

⁶ Social Accountability, certification on social responsibility, decent workplace based on ILO and UN global compact (SAI n.d.)

⁷ ISO for Social responsibility, provides a guidance for business to perform responsible –no certification (ISO n.d.)

⁸ Organisation for Economic Co-operation and Development, see chapter 5.1

categorise the CSR implementation in relation to sustainable development (Schneider 2012; Network for Business Sustainability 2012).

The model can be connected to the different CSR developments and will define how this report understands CSR. Additionally the model is used to identify the stages of the investigated approaches of companies, governmental organisations and NGOs.

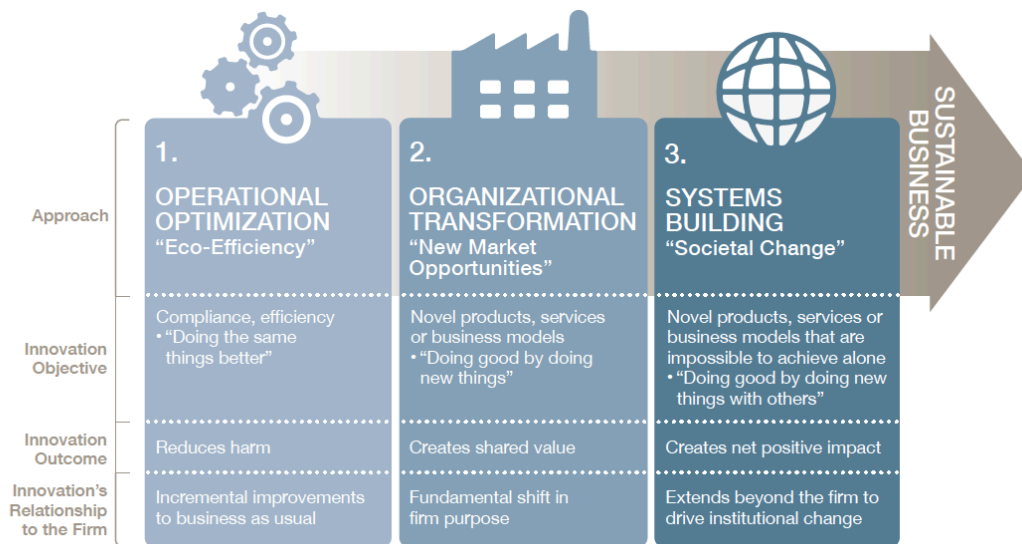


Fig. 3: Sustainable Business

Source: (Network for Business Sustainability 2012)

The first step can be closely connected to the first definition of CSR, where companies "add environmental and social criteria to existing quality or profit criteria" (Network for Business Sustainability 2012, p.6) with "limited connection to business" and "focus on reputation" (Porter & Kramer 2011, p.25) This could refer to the responsibility of business to do profit and for reducing harm the ISO26000 and UN global compact agenda with the reduction instead of developing new strategies.

The second step refers to the "creation of disruptive new products and services by viewing sustainability as a market opportunity" (Network for Business Sustainability 2012, p.9) and creates shared value among the supply chain and can be connected to the definition of the EU commission 2011, where CSR "concerns actions by companies over and above their legal obligations towards society and the environment." (European Commission 2011a, p.3). Companies follow a visionary development, with integrated management and reflective strategy of CSR in their core business activities (Schneider 2012, p.33) where CSR is "integral to a company's profitability and competitive position" (Porter & Kramer 2011, p.25).

The third step goes beyond boundaries of companies and builds systems, which are involving many disparate organisations to profit from each other and “exist to benefit and change society”, an examples can be circular economy (Network for Business Sustainability 2012, p.10). In this stage the corporations work in networks towards new sustainable and progressive economic models which balance all aspects of the ‘triple bottom line’ (Schneider 2012; Network for Business Sustainability 2012).

The development of CSR reflects the focus from individual operating corporations towards integrated sustainable management within a collective. “First, they pit business against society, when clearly the two are interdependent. Second, they pressure companies to think of corporate social responsibility in generic ways instead of in the way most appropriate to each firm’s strategy.” (Porter & Kramer 2006, p.1). Both referred to CSR as social pressure, which the companies respond to with marketing strategies and public reports.



Fig. 4: CSR to CSV

Source: (Porter & Kramer 2011, p.25)

As the sustainable development model can show development steps the picture illustrates the development by Porter (2011, p.25).

While Porter distinguishes between CSR and Creating shared value (CSV), in this report the term CSR is used during the whole development. Value creation is part of the second step in the sustainable development model. Porter highlights main differences from the first to second step of CSR development. In the research the Network for business sustainability

(NBS) investigated that around 70% of the companies analysed are in the first stage of sustainable development and only 30% (Network for Business Sustainability 2012, p.7) are in the second state of the model therefore “some companies have begun to track various social impacts, few have yet tied them to their economic interests at the business level” (Porter & Kramer 2011, p.21).

The criteria describing CSR and CSV in the figure will be used in the discussion to categorise the companies, governmental organisations and NGOs according to their performance.

These criteria are describing the performance precisely and in the discussion part I will refer to them as:

- Value
- Value creation
- Competition integration
- Profit integration
- Agenda setting
- Company impact

The companies with their CSR performance will be investigated according to the six criteria to analyse in which step of sustainable development they are.

Governmental organisations and NGOs will be investigated as well according to the criteria and examined to find out if missing parts of the companies can be covered by the other approaches.

In reference to the sustainable development model it can be seen that in the first step the companies' CSR strategy is internal and responding to pressure, whereas in the second and third step the involvement of external aspects and more stakeholder involvement is needed to implement a progressive CSR practice. “Consider the needs of all stakeholders, rather than just those who hold shares and treat nature as a stakeholder” (Network for Business Sustainability 2012, p.12).

Consequently a short excursion on stakeholder analysis is done to understand the push and pulls on companies CSR performance and the development from one-driven company towards stakeholder integration.

“Stakeholder analysis is a process of systematically gathering and analyzing qualitative information to determine whose interests should be taken into account”(Schmeer 2000, p.4).

For this report the four aspects of stakeholder theory by Donaldson and Preston are used. Donaldson and Preston determine the different corporate approaches towards stakeholder

analysis and differentiate between stakeholder model and the common input-output model (1995, p.66).

They describe the theses as followed:

1. Stakeholder theory is descriptive – “it describes the corporation as a constellation of cooperative and competitive interests possessing intrinsic value”
2. Stakeholder theory is instrumental – “establishes a framework for examining the connections [...] between the practice of stakeholder management and the achievement of various corporate performance goals”
3. Stakeholder theory is normative – a. Stakeholders are persons or groups with interests in procedures, identified by their interests. b. Stakeholder merits consideration of its own sake with a intrinsic value
4. Stakeholder theory is managerial – recommends attitudes, structures and practices with a simultaneous attention to the legitimate interests; not meaning all stakeholders should be equally involved. (Donaldson & Preston 1995, p.66+67).

As Donaldson concludes, the management aspect is very important; to consider the stakeholders in the process and not only as interest groups but consider their value and potential participation. Donaldson compare the input-output model to the stakeholder theory model and show the many more groups involved.

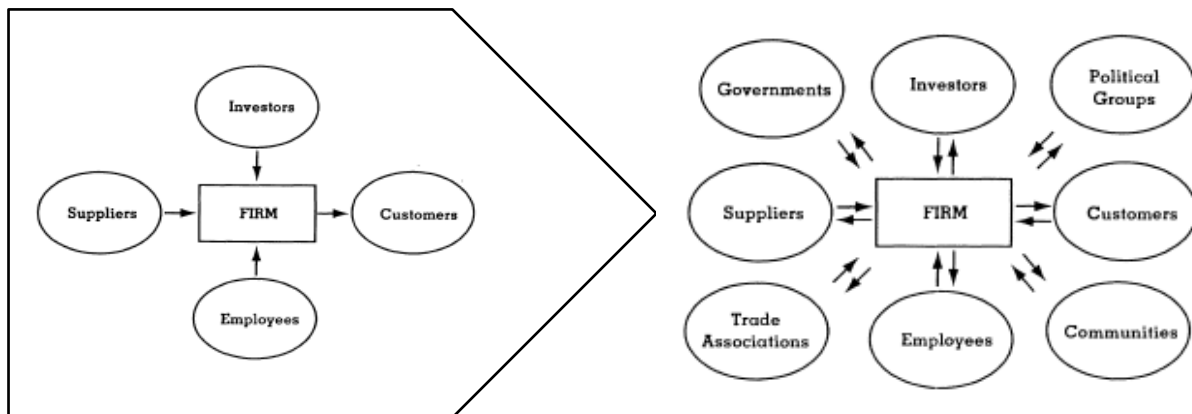


Fig. 5: Input-Output model and stakeholder theory

Source: (Donaldson & Preston 1995, p.68+69)

In the input-output model the arrows are pointing in one direction and finally to the costumer, whereas in the stakeholder theory model are the arrows pointing in both directions and stress the interaction between the stakeholders. “Stakeholder analysts argue that *all* persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no *prima facie* priority of one set of interests and benefits over another.” (Donaldson & Preston 1995, p.68). Arne Remmen highlights that the “focus must not be just on the

players who are to be involved, but also just as much on the relationships which must be made to function differently.”(2003, p.27).

Sustainable development is based on mutual understanding and a collective approach. Further “[t]he stakeholder theory posits that sustainable success rests, to a great extent, with a systematic consideration of the needs and goals of all key stakeholders” (Fraser & Zarkada-Fraser 2003).

Linking this analysis to the before mentioned sustainable development model it can be stressed that the input-output model refers to the first stage of the development (Operational optimization). In this level the firm operates as usual and tries to find possibilities to create less harm. Moving from the input-output model to the stakeholder theory model misses one step in between. The stakeholder model can refer to the third step of the sustainable development model, integrating disparate stakeholder (Systems building).

To understand which stakeholders are relevant for CSR, the following figure can be adapted to sustainable development.

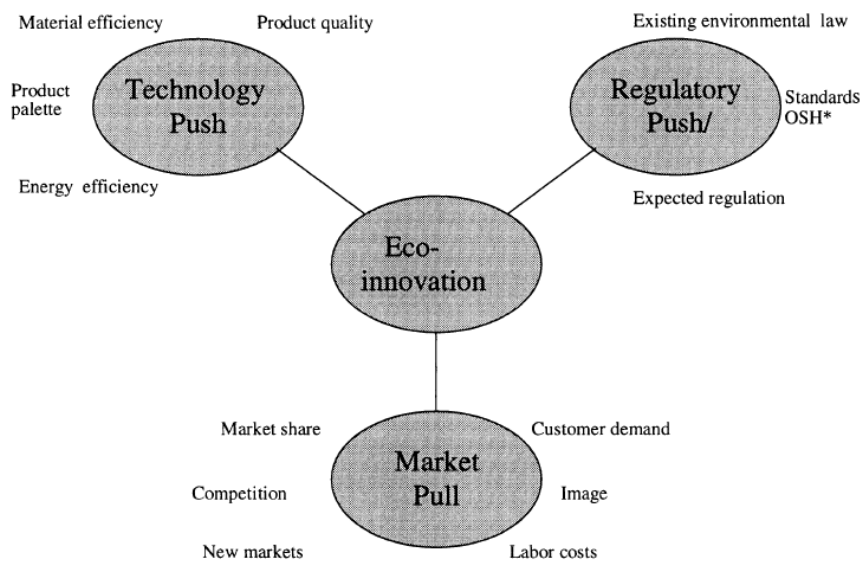


Fig. 6: Determinants for eco-innovation

Source: (Rennings 2000, p.326)

Even though this figure is created for eco-innovation it can be used to refer to CSR development. Rennings argue that “[...] factors of technology push and market pull alone do not seem to be strong enough, eco-innovations need specific regulatory support.” (Rennings 2000, p.326).

The following figure adapts the pushes and pulls from the figure of Rennings. Most of the actors are the same, additionally added are the national governments and EU-level regulations

Different procedures exist to approach CSR and from different perspectives. Related to the figure of Rennings, different perspectives need to be looked at.

The technology push is based on fibre innovation, alternative production methods and will be on going. REACH⁹ is a measure to keep track of the development; to register, evaluate, assess chemicals to define to which level and criteria these chemicals can be used to prevent human and environmental harm.

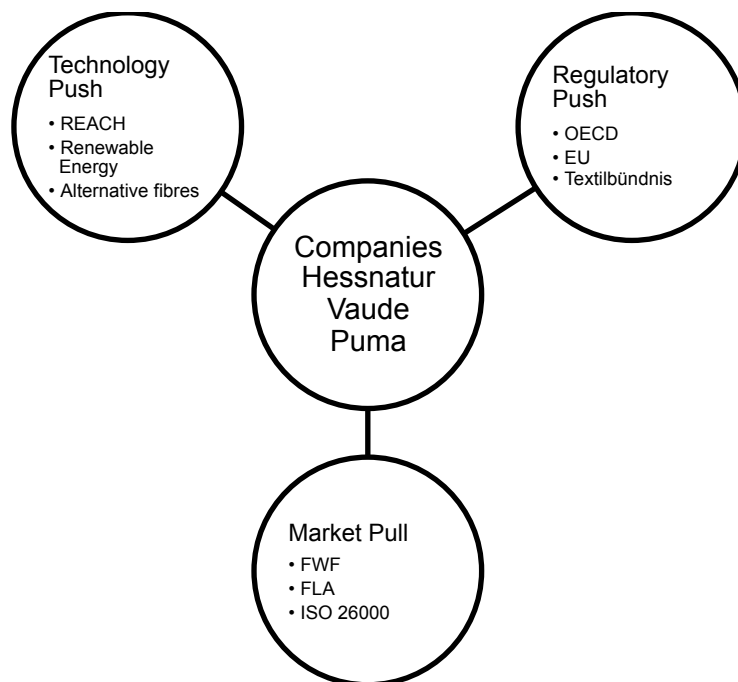


Fig. 7: Determinants for eco-inventions adapted to CSR performance
Source: adapted from (Rennings 2000)

Further on, the regulatory push is based on laws and guidelines emerging in recent years and currently. The OECD guidelines (developed in 1961) set basic criteria for responsible business practice as a voluntary guideline across-sector and is adapted by the EU in the non-financial disclosure regulation (in 2014) to monitor across sector the environmental and social impacts of corporations. Furthermore the innovative approach by the German government for a Partnership for sustainable textiles focuses on the garment industry and its environmental and social challenges.

⁹ More information: <http://echa.europa.eu/regulations/reach>

Literature review

Referring to the market pull, non-governmental and non-profit organisations set criteria and work close together with companies to realise a certain level of environmental and social performance along the supply chain. The ISO guideline 26000, is a voluntary approach to evaluate and monitor CSR practice, but is across sector and cannot be certified. In contrast the Fair Wear Foundation (FWF) and other organisations are based on a multi-stakeholder approach to create shared value with the companies along the supply chain and evaluate, monitor, improve and certify corporates social and environmental performances.

From these three different perspectives exemplary initiatives are selected to give an overview of the state of the art of the CSR approaches and to show how the different perspectives are addressing CSR. The technology push will not be explained with an approach due to the various alternatives for sustainable production and the set criteria of REACH.

For the regulatory push the Textilbündnis will be explained as a proactive multi-stakeholder approach, initiated by the German government. Further on short descriptions will show the aspects of the OECD guidelines to reflect on an existing and implemented set of requirements.

The market pull is described with the example of the Fair Wear Foundation (FWF) as an existing, successful strategy of a non-profit and non-governmental stakeholder approach.

4 Companies CSR approach

This chapter will give descriptions of the CSR performances of HessNatur, VAUDE and PUMA. The general description enables analysing the strengths and weaknesses of the CSR performance and will be followed by a comparison according to the six key elements (from chapter 3) in chapter 6.

During the whole production of clothing, from harvesting cotton until the finished garment, the use phase of consumer and the recycling or reuse, labour conditions and environmental protection needs to be considered.

Regarding CSR in the garment industry: “[c]ompanies must aim for economic profits, but making sure that their products are produced in a social and environmentally respectful way“ (Vena 2013, p.17).

Focusing on a linear supply chain „[e]nvironmental problems associated with the textile industry are typically those associated with water pollution caused by the discharge of untreated effluents“ (Yperen 2006, p.11) but many more issues occur.

The following figure shows an excerpt of environmental (planet) and social issues (people), occurring in the garment supply chain in relation to the triple bottom line of Elkington.

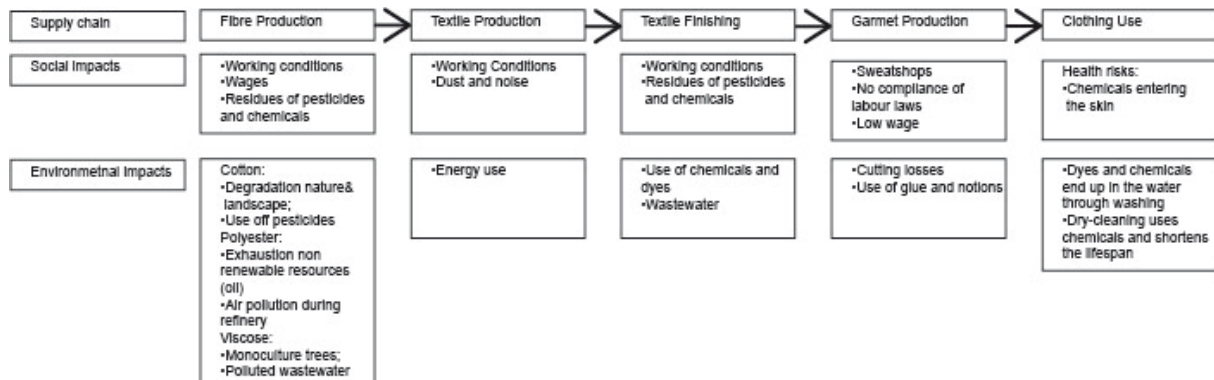


Fig. 8: Excerpt of environmental and social issues in the garment supply chain

Source: adapted by (Yperen 2006, p.7+11)¹⁰

While working conditions are crucial through the whole supply chain, the environmental issues differ in each production step, but can be summarised to high hazardous chemical use, which harm the employees and the environment along the supply chain and at the end the consumer.

¹⁰ The circular life cycle is not considered.

Companies CSR approach

For showing the economic performance (profit) the profits of working with CSR are listed:

- Reduced costs on input materials and energy
- Reduced (wastewater) treatment costs
- Increased production revenues
- Better product quality
- Enhanced reputation and brand value
- Increased efficiency and productivity
- Increased total income
- Increased sales and customer loyalty
- Attracting and retaining quality investors and business partners (Yperen 2006, p.6)

“Textile companies that work out how to drive the market in that direction, and how to ride that wave, will grow faster with lower risk.” (Vena 2013, p.3).

However on one hand garment companies are not progressive in CSR integration and „lacking behind in the CSR process often have a reactive and short-term management perspective.“ (Vena 2013, p.3). On the other hand “[c]ontemporary firms are experimenting with novel practices that extend the idea of sustainable business beyond eco-efficiency to fully integrate sustainability thinking as a core business driver and into all aspects of their operations and relationships.” (Adams et al. 2012, p.12).

Having the environmental and social challenges in mind, following companies' cases will describe three approaches of working with CSR.

4.1 Hessnatur



Established in	1976
Working with CSR since	2002
Employees	376
Product groups	Men, women, kids, homewear
Collaboration with	GOTS ¹¹ , FWF,
Number of Supplier	184 supplier and stitching factories

Table I: Hessnatur company overview

Source: (HessNatur 2014)

HessNatur is one of the oldest sustainable fashion companies in Germany. In 1976 Heinz Hess established the company with the target of only producing with environmental friendly materials and certified products (HessNatur 2014, p.8). Consequently 100% of natural fibres are certified with the GOTS and Hessnatur bans the use of pesticide and hazardous finishing materials like brightening agents or chloric dyestuff (HessNatur 2014, p.10; HessNatur n.d.). In their sustainability report HessNatur shows its focus steps over the whole company history:

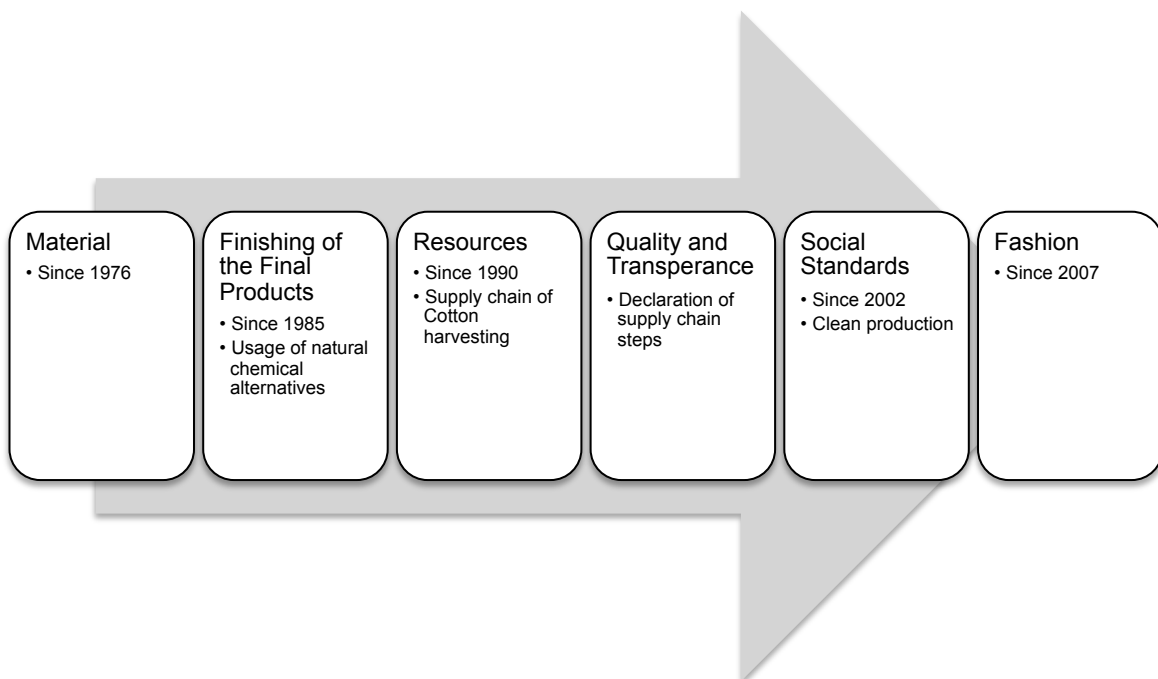


Fig. 9: HessNatur focus points

Source: adopted by (HessNatur 2014, p.9)

¹¹ Global Organic Textile Standard, an international working group, certifies organic fibre production (GOTS 2013)

Companies CSR approach

The figure shows the priorities set by the company to focus on the main challenges at that time. While first developing the environmental friendly material the finishing needed to be adjusted and resources and transparency needed to be guaranteed. In 2002 HessNatur developed an own control system for fair labour conditions, together with the Clean Clothing Campaign (HessNatur 2014, p.9). "Transparency along the whole supply chain for our products is an essential base" (HessNatur 2014, p.3) thus in 2005 Hessnatur joined as the first German company the Fair Wear Foundation (FWF) (ibid, p.9). The FWF sets strict requirements specific for the garment sector (read more in chapter 5.3). Hessnatur strives to work closely together with its suppliers to continuously improve its social standards (HessNatur 2014, p.6), for achieving this, the collaboration with FWF is essential.

HessNatur build their management practice on three pillars

- Communication/Stakeholder dialogue
- Verification and data collection
- Implementation and continuous cooperation (HessNatur 2014, p.12).

This includes close collaboration with the stakeholders and communication about grievance, compliance and mutual understanding. Sustainable activity is the core element of the strategic orientation of hessnatur (HessNatur 2014, p.6).

HessNatur tries to produce mainly in Europe and has around 50% of its production sites situated in Europe, the other 50% are situated globally. In the sustainability report HessNatur publishes their auditing strategy and compliance system for full transparency, where every production step is verified by third-party certification (HessNatur 2014, p.13).

Part of HessNatur's strategy is to support newcomers with the 'Humanity in Fashion Award'. Winners are enabled to design a collection for HessNatur. With the 'Humanity in Fashion Award' HessNatur wants to create a platform for designers to encourage solving the conflict between 'fast fashion' and the longevity of 'fair fashion' (HessNatur n.d.). Additionally to HessNatur's commitment, social projects are established to support garment manufacturers in developing countries. Together with the FWF, worker trainings are established in Turkey and Peru. Further projects are initiated in Bangladesh and for alpaca production in Peru, for organic cotton in Burkina Faso, linen and wool from Germany (HessNatur n.d.).

Additionally workshops are done in cooperation with FWF to educate internally and external stakeholders sustainability and the value of CSR (HessNatur 2014, pp.6–7).

In 2014 Hessnatur joined the German Textilbündnis (Partnership for sustainable textiles) to share their expertise as a best practice example and develop a suitable and realisable standard for the German garment sector (read more in chapter 5.2) (Bergmann 2015).

Working with certified materials in production and verify labour standard compliance by third-parties show Hessnatur's transparent and reliable strategy to work with CSR. The proactive engagement in promoting young designers and perform projects to educate and stimulate sustainable development show the value creation beyond HessNatur firm borders.

4.2 VAUDE



Established in	1974
Working with CSR since	2007
Employees	469
Product groups	Sportswear, accessories
Collaboration with	GRI, FWF, Bluesign, ISO14001, EMAS, HiggIndex, Textilbündnis
Number of supplier	n.d.

Table II: Vaude company overview

Source: (VAUDE 2014)

The family business of VAUDE was found in 1974 and is now in the second generation fully family owned. VAUDE is a leading German brand for sustainable sport equipment. Since 2007 the company works with CSR (Patzwall 2015).

“To contribute in a mind shift for developing an economy for commonweal, we have to introduce actively our values and take corporate responsibility” (VAUDE 2014, p.4), is the statement of VAUDE for integrating CSR in their core business.

After 2007 VAUDE got certified by EMAS¹², ISO 14000¹³ and reports with the guideline of GRI¹⁴. Furthermore membership with the FWF began to integrate sustainability in the corporate strategy, which leads to engagement through all levels of the corporation, like design and product development. (VAUDE 2013b; VAUDE 2014). Working with the FWF foundation for social criteria in the production countries means that the workers standards can be monitored, controlled and while based on long-term relationships it can be ensured to reach to high labour right standard.

The cooperation with Bluesign¹⁵ is central for sportswear due to the high usage of chemicals in finishing outdoor textiles.

The overarching approach of VAUDE integrating human rights reflects not only in monitoring and transparency measures for the production countries but it is also a topic for implementing a work-life-balance in the head office of VAUDE in Germany. Certified

¹² EMAS: Eco-Management and Audit-Scheme, developed by the European commission (EMAS 2015)

¹³ ISO 14000: Certification for environmental management, ISO (international standardisation organisation) is an independent, non-government organisation (ISO n.d.).

¹⁴ GRI: Global reporting initiative, publish guidelines of how companies easily can report sustainable performance, GRI is an international non-profit organisation with partnership with ISO, UN etc. (GRI n.d.).

¹⁵ Bluesign is an organisation focusing on chemical use in textile production and in close cooperation with an auditing body certifications can be made (Bluesign 2013).

Companies CSR approach

cantinas, healthy working environment and childcare in the company owned kindergarten is part of the sustainable strategy. In the sustainability report on the webpage of VAUDE the requirements setting are according to GRI, which shows that VAUDE monitors the required aspects but is not exceeded these (VAUDE 2013a).

An additional measure is the Higg Index¹⁶, which measures the environmental data and can evaluate improvements. This new tool is developed by different international companies and now maintained by the Sustainable Apparel Coalition¹⁷. VAUDE worked actively together with other companies to develop this tool. “Together with other outdoor brands, we can have a much higher impact on our supply chain than if it were every man for himself. As an industry solution, the Higg Index is an important step in making the use of resources in the supply chain transparent and achieving savings.” explains Hilke Patzwall in the sustainability report (VAUDE 2013c).

VAUDE is working with the “Gemeinwohl Ökonomie” (Economy for the common good). It is an economic model for the future as they describe it and the developed tool shows the record measured on the financial activities as well as on the contribution to the common good (B.A.U.M. e.V. 2015). This is a new way of accounting and the tool does not only describe and show transparently the activities of the corporation but shows a qualitative assessment. The record is firstly a self-assessment and gets audited by a third-party auditor of the organisation. After the third-party assessment the companies or NGO get a grade, which can be rated from -2850 to +1000, where VAUDE got the grade of +502 (VAUDE 2014, p.7).

It gives a deeper insight than EMAS or GRI because it takes into account the common good and does not only monitor the practice.

Addressing social challenges by FWF and operating with Bluesign, VAUDE developed their own tool to measure their products. The ‘green shape’ indicates the level of the products according to their performance and production practice. As higher the product gets on the mountain as higher is its environmental status (basecamp: not fulfilled the ‘green shape’ criteria, for example a shirt out of 70% organic cotton; Camp 1: products with minimum of 90% environmental friendly material; Camp 2: combination of environmental friendly materials and bluesign certified fabrics). The “sustainability summit” stands for the highest possible step of resource-efficiency and certified products as illustrated in Fig. 10 (VAUDE 2014, p.9).

¹⁶ Developed by Sustainable Apparel Coalition, a self-assessment tool to identify environmental and social issues in the supply chain (SustainableApparelCoalition 2015)

¹⁷ The sustainable apparel coalition is a network of retailers, manufacturers, brands and non-governmental organisations, working on reducing environmental and social harm in the apparel industry (SustainableApparelCoalition 2015).

Companies CSR approach

On the webpage VAUDE explains the 'green shape' clearly and publish statistics of how much percentage of their apparel is within the Green Shape (52%) (VAUDE 2013b).

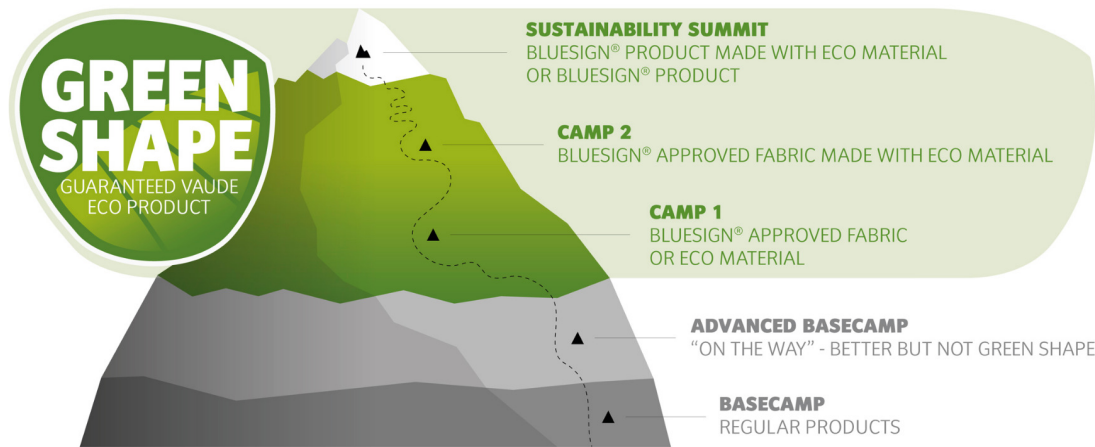


Fig. 10: Green Shape by VAUDE

Source: (VAUDE n.d.)

Especially in "ecological design of the products", by including alternative material in the design development, and "reduction of ecological impacts", by working with Bluesign to phase-out hazardous chemicals, VAUDE is proactively committed. VAUDE contributes to the outdoor sector by increasing the social and ecological standards of the textile industry (B.A.U.M. e.V. 2015).

"We are convinced: sustainable management pays off in the long term." thus VAUDEs activities are oriented on the across sector value creation and long-term profit (2014, p.14).

VAUDE began proactively working with CSR and has many current initiatives to integrate CSR in their core business. The many different initiatives reflect the respond to external pressure and shows no clear management practice towards CSR. However, the coalition with FWF and sustainable apparel coalition highlight Vaude's focus on multi-stakeholder approaches to develop new strategies.

4.3 PUMA



Established in	1924 shoe company, 1967 with sportswear
Working with CSR since	1993 Code of Conduct, 2007 certified by FLA
Employees	10637 (2014)
Product groups	Sportswear, Accessories
Collaboration with	EP+L, GRI, FLA, since may 2015 member in the Textilbündnis
Number of Supplier	309 first tier supplier

Table III: Puma company overview

Source: (PUMA 2014b; PUMA 2014c; PUMA 2014a)

PUMA is producing since more than 65 years innovative and modern sportswear including shoes and accessories, with its headquarter in Germany (PUMA 2014c). By now PUMA is owned by Kering a French luxury, sports and lifestyle group. Kering works also with brands like Alexander McQueen, Gucci and Stella McCartney (Kering 2012).

„Our corporate responsibility does not end at national borders but also affects the well-being of our distant neighbours that are directly or indirectly involved in the production of PUMA products.“ (PUMA 2014b, p.39). PUMAs CSR strategy is based on economic sustainability, environmental sustainability and social sustainability, which refers to the ‘3P model’ of Elkington (PUMA 2014b). Profit calculation is done with the Environmental Profit and Loss Account (EP+L) measure, explained later, the people aspect is covered by monitoring strategies of external bodies and the planet aspect is covered with its goal for zero-discharge of hazardous chemicals, stated in PUMA’s annual report (PUMA 2014b, p.44)

In 1993 PUMA developed a Code of Conduct to frame their performance regarding social behaviour but firstly implemented a compliance strategy in 2007 with the organisation FLA¹⁸ (PUMA 2014b, p.44) On their webpage PUMA publish their factory list and explain thorough their practice for auditing and the key performance indicators of how they evaluate the suppliers. CSR requirements are set for suppliers along the supply chain, including the second, third and fourth tier supplier. This is a difference to other corporations working with the FWF who only focus on the first tier suppliers.

¹⁸ Fair labour organisation (FLA), is a collective of companies, universities and civil society, which works to improve working conditions with developing tools for different sectors (FLA 2012)

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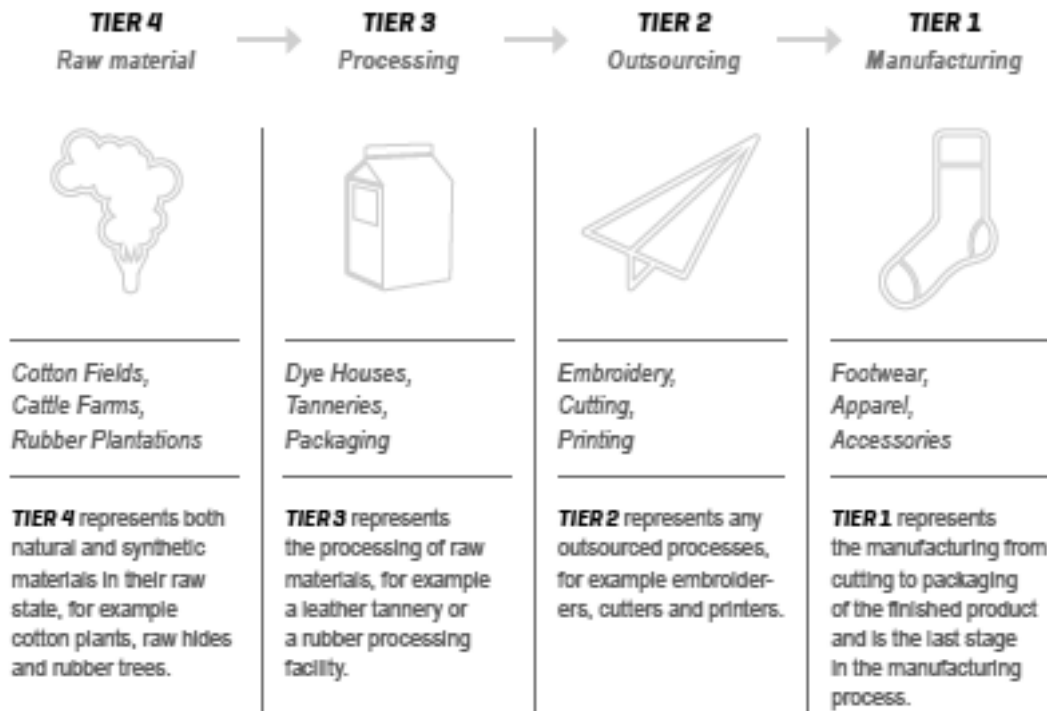


Fig. 11: PUMA supply chain tiers

Source: (PUMA 2014b, p.46)

For third party auditing PUMA cooperates with FLA and Better Work¹⁹ who checks the production facilities about their Code of Conduct principles based on the ILO conventions, GRI and FLA criteria. Additionally PUMA developed its own-regulated verification system, where PUMA audit the supplier itself (PUMA 2014b)

PUMA was the first company who published its environmental profit and loss account (EP+L) (Kering 2011). The EP+L is a tool developed by the Kering group that “facilitate a better way of thinking, it measures the environmental footprint in our own operations and across our entire supply chain and then calculates its monetary value” (Kering n.d.). It measures the carbon emission, water and air pollution, water and land use and report to stakeholders with showing the impacts to know which changes are needed in design processes and decision-making.

The method is based on 7 steps:

1. decide what to measure,
2. map the supply chain
3. identify priority data

¹⁹ Better Work is a cooperation of trade unions, companies and experts to secure safe and healthy working environment (Better Work 2014).

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4. collect primary data
5. collect secondary data
6. determine valuation
7. calculate and analyse your results (Kering 2015).

This tool is a beginning to analyse the impacts and connects CSR with the core business. It makes impacts tangible for the stakeholders not only in a way of explaining and showing the calculations but seeing the monetary impacts. Kering published its EP+L methodology in May 2015 and its freely accessible on their website (Kering n.d.)²⁰.

In 2014 PUMA is in the process to shift the sustainability targets to improve transparency, clarity. For realising this, PUMA has developed a stakeholder matrix in order to prioritize stakeholders' interests and relevant business aspects (PUMA 2014b, p.45,46).

However PUMA sees itself "as a platform for dialogue on critical issues as well as a means to train suppliers on new systems and policies." (PUMA 2014b, p.51).

Additional to the strategy PUMA publishes an annual audit report, where failures and precise auditing results are written. Out of approximately 400 suppliers in Asia, PUMA managed to conduct audits at 366 suppliers, including tier 1 to tier 3 suppliers (PUMA 2014b).

PUMA's annual report reflects the step of the process the company is currently in, of developing monitoring and reporting systems to communicate its CSR performance. Cooperation with third-party bodies show the interest in reliable certification schemes, but the self-assessed verification system of suppliers is not independently verified and can not show transparent and trustworthy auditing.

²⁰ Further information: <http://www.kering.com/en/sustainability/methodology>

5 Governmental and non-governmental initiatives

This section gives examples of governmental organisations and a NGO:

- *The OECD guidelines as voluntary guideline developed by international governmental representatives*
- *Textilbündnis, as a progressive multi-stakeholder approach initiated by the German government*
- *FWF, as a multi-stakeholder approach from a NGOs initiation*

It will give answers to the second research question of how governments and multi-stakeholder initiatives address CSR. The general description will provide background for the following comparison in chapter 6 and discussion in chapter 7.

Governmental organisations and NGOs will be investigated according to their CSR initiatives to be able to analyse if companies can benefit from the strategies.

According to the model of sustainable development, collaborating with disparate stakeholders, can “create positive impacts on people and the planet.” is a step towards system building (Network for Business Sustainability 2012, p.10).

While governmental initiatives focus on the supply chain management approach, NGOs focus on the exchange of experience, sharing value along the supply chain and working on innovation.

5.1 OECD guidelines



Established in	1961
Location	Paris, France
Type of initiative	Multi-governmental organisation
Members	34
Sector	Across sectorial
Active in countries	46 countries (guideline for multinational enterprises)

Table IV: OECD overview

Source: (OECD 2015b)

The OECD (organisation for economic co-operation and development) was established in 1961 “to promote policies that will improve economic and social well-being of people and around the world” and currently has 34 country members (OECD 2015b).

The guidelines for multinational companies were developed in 1976 and were revised five times “to ensure that they remain at the forefront of the global responsible business conduct agenda and a leading tool in the ever-changing landscape of the global economy.”(OECD n.d.). Consequently the guideline was developed cross sector and implemented in different sectors over the time.

In general, 46 countries adhere to the global guidelines for “business ethics, including human rights, disclosure, employment and industrial relations, environment, combatting bribery, and consumer interests” (OECD 2015a, p.3).

One year after the Rana Plaza collapse, in 2014, the members of OECD decided to adapt the guideline for the apparel and footwear industry.

The guidelines are based on the ILO conventions and the UN global compact principles. It is developed as a multi-stakeholder initiative to reach as many governments and corporations as possible. Roundtables are held to discuss the most relevant aspects and to create the guideline as a possible measure to implement and apply in business practice.

The guidelines are structured into the general policy requirements and two additional parts.

The first part includes

- disclosure,
- human rights,
- employment and industrial relations,
- environment,

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- combating bribery,
- bribe solicitation and extortion,
- consumer interests,
- science and technology,
- competition and taxation.

To each chapter a comment text is added to explain the main challenges and possible occurring problems. The second part is about the implementation phase. It includes national contact points, investment committee and review of the decisions (OECD 2011).

The guideline is followed up by an implementation platform, where the companies first build up capacity, then monitor the effectiveness and later create remedy (OECD 2015a, p.7). Furthermore the OECD invited to develop an action plan for successful implementation, applying a multi-stakeholder approach. This can be helpful for collaborations between the different actors and for developing a realisable plan.



Fig. 12: Countries adhering the OECD guidelines

Source: adapted from (stepmap n.d.)

The guidelines are an effective measure to set minimum requirements cross sector. Including specific challenges occurring in the garment supply chain can improve the appropriateness and implementation for companies. However the tool is voluntary, but still many countries adhere and work with it.

5.2 Textilbündnis



Established in	2014
Location	Germany
Type of initiative	Governmental initiative with multi-stakeholder approach
Members	Around 100
Sector	Garment industry
Active in countries	Germany

Table V: Textilbündnis overview

Source: (Textilbündnis.com 2015b)

The Textilbündnis (Partnership for Sustainable Textiles) was established in October 2014 in reaction of the collapse of the Rana Plaza building. The Partnership is a voluntary standard initiated by the German ministry for economic cooperation and development with the need of “decent work worldwide” (BMZ 2014b, p.2).

Gerd Müller, the German minister of economic cooperation and development called different stakeholder to get together to approach the issue of “binding minimum social and environmental standards worldwide” (BMZ 2014b, p.2). With the phrase “We all agree that we do not wish to have clothes touching our bodies that have been produced in places where human rights are being trampled underfoot and people are being exploited and poisoned.” Müller published the first agenda of the Partnership for sustainable textiles in October 2014 (BMZ 2014b, p.2).

The Partnership is developed in a multi-stakeholder approach with a steering committee of representatives of:

- Economy (among others VAUDE and Hessnatur)
- Government
- Civil Society
- Trade Unions
- Other groups (like NGOs)

To cover the interests of the different stakeholders, main stakeholders are asked to be involved in the steering group to develop the structure of the action plan, main aspects and the implementation phase.

Important to mention is that the companies VAUDE and Hessnatur are part of the steering committee (Textilbündnis.com 2015)..

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In May 2015 around 30 additional companies and fashion associations joined (Textilbündnis.com 2015a) after revising the action plan and agree on compromises. Most of the companies, as Patzwall explained, were not satisfied with the structure of implementation (2015).

Shaping the action plan includes adding a clause about SMEs, to join the Partnership with different criteria to enable SMEs a different implement phase than corporations (EurActiv.de 2015). The main achievement of the new discussion was to decide that third-party auditing should verify the CSR performance (EurActiv.de 2015).

The general content of the action plan remains the same:

- Living wages
- Safety and Health
- Overtime and
- Safety and environmental standards (BMZ 2014b, pp.5–6).

These aspects are based on the ILO conventions and guided by the principles of the UN Global Compact.

Furthermore the plan is based on the overall targets of the Partnership:

- Standards for each production step of the textile supply chain, from raw material to sewing processes, with identified requirements and deadlines
- Improving conditions in the production countries and formulate recommendations for German or EU policies
- Transparent communication enables consumer to identify sustainable textiles
- Establish Platform for a progress review of the partners (BMZ 2014b, p.8).

Improving working conditions in production countries is a difficult aspect due to the transnational performance it is complicated to influence other governments to extent their regulations. Diplomatic relations is necessary to communicate with the relevant actors in the production country to implement standards that exceed the national regulations.

Further transparent communication is a key aspect of sustainable business performance together with publishing sustainability reports and platforms for sustainable textile identification.

The partnership is supported by different projects in the production countries to promote the idea of a globally recognised standard. Projects are collaborations between the German Federal Ministry for Economic Cooperation and Development (BMZ) and the countries

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governmental institutions for promoting labour standards or fair trade cotton initiatives (BMZ 2014b, pp.9–10).

Supported by labour inspections and training of the workers, BMZ promotes the requirements set by the Partnership in close dialogue and cooperation with the focus on fair living wage (BMZ 2014b, pp.15–17).

In the beginning most of the companies who joined, were involved already in sustainable production methods and active in CSR, thus it is notable that most of the big industry companies, who represents the German textile market, did not join first. The CSR manager of VAUDE, Hilke Patzwall, explains that with the limited time to deal with the content of the action plan, “due to legal concerns or simply lack of time to read & understand all the paperwork“ (Patzwall 2015).

Ingeborg Neumann, president of the confederation of the German textile and fashion industry, explained that “the requirements are not realizable”, she refers to the unavailable alternatives for chemical treatment and the wages negotiated by the trade unions within the country (Wollenschläger 2015). She explained the need for an EU-wide regulation (Gesamtverband Textil+Mode 2014). The environmental manager of VAUDE explained that the reason of being a member of the Partnership is the need of a governmental initiative for addressing CSR in textile companies (Patzwall 2015). With the increase of membership the Partnership has the possibility to change the market (Csr-news.net 2015b).

Referring to the stakeholder analysis “all parties have an equal right to bargain and, therefore, that a minimal condition for the acceptance of such multi-partite arrangements by each contracting party is a notion of “fair contract,” (Donaldson & Preston 1995, p.79) this argue for the justification of the compromises of the requirements.

As an international reaction the membership of four Bangladeshi garment companies showed the acceptance of the production countries’ representatives in the Partnership. The secretary of the BMZ stated during his visit in Bangladesh that “[w]e strongly believe that these good examples will be followed by many more soon.” High investments are undertaken to support the Partnership and in cooperation with the German Association of International Cooperation (GIZ) projects are launched to introduce and support Bangladeshi companies to implement the Partnership requirements. (fibre2fashion.com 2014).

The multi-stakeholder approach of the ministry to develop the Textilbündnis found acceptance within the German garment industry and can therefore be taken as a role model in bringing different companies together to work on a realisable, suitable and

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ambitious CSR concept. The international reactions show the interest and need to develop a standardised strategy addressing environmental and social challenges.

5.3 Fair Wear Foundation



Established in	1999
Location	Amsterdam, Netherlands
Type of initiative	Non governmental organisation (NGO) and non-profit
Members	80 members (represent 120 brands)
Sector	Garment industry
Active in countries	15 production countries

Table VI: Fair Wear Foundation overview

Source: (Fair Wear Foundation n.d.)

The Fair Wear Foundation (FWF) is a multi-stakeholder organisation with a non-profit approach; based on a board, which is staffed with experts, (NGOs, trade unions and employer organisation), a director and national stakeholder platforms (Fair Wear Foundation n.d.). FWF define labour rights for the first tier suppliers of garment companies, conduct third-party audits and continuously improve working conditions through initiatives like living wage calculator and the tool of wage ladder.

“Through sharing expertise, social dialogue and strengthening industrial relations, FWF increases the effectiveness of the efforts made by companies” and with 80 members FWF is a central certification body (Fair Wear Foundation n.d.).

As mentioned before Hessnatur and VAUDE are members of FWF, and in overall many other garment companies focusing on sustainable are members. FWF developed different kind of memberships, as an ‘affiliate’, where FWF acknowledge existing standards and additionally compliance to the FWF code of conduct has to be ensured, further as an ‘ambassador’, where 40% of the sourcing needs to comply with the code of conduct and finally as factories to develop fair labour rights on-site. A new membership is developed for young designers, where FWF share experience and best practices (Fair Wear Foundation n.d.).

Main principles are:

“**Supply chain responsibility** = realising that the Code can only be fulfilled when sourcing companies, as well as factory management, actively pursue practices that support good working conditions.

Labour standards derived from ILO Conventions and the UN's Declaration on Human Rights = basing FWF's Code on internationally-recognised standards which have been set through tri-partite negotiation.

Multi-stakeholder verification = verification processes developed through multi-stakeholder negotiation, and involving experts from diverse disciplines and perspectives in FWF verification teams.

A process approach to implementation = paying special attention to the means (i.e. building functioning industrial relations systems over time) in order to achieve the end (i.e. sustainable workplace improvements).

Involvement of stakeholders in production countries = engaging local partners in shaping FWF's approach in a given region or country.

Transparency = keeping relevant stakeholders informed of FWF policies, activities, and results; publicly reporting on member company efforts to fulfil FWF requirements."(Fair Wear Foundation n.d.)

Consequently the labour requirements are divided into 8 aspects:



Table VII: Labour standards FWF

Source: (FWF 2010, p.27)

FWF works continuously on new projects to increase labour rights globally and to educate its members about current challenges. The 'living wage road' is a recently developed tool and

Governmental and non-governmental initiatives

pioneering in the sector. The different regulations, circumstances and needs in the different countries complicate the integration of a standardised system. Thus the FWF "realises that the road to living wages may be a long one. This is all the more reason to start the journey right away." (Fair Wear Foundation 2015)

FWF works "to uncover and overcome, one by one, the many obstacles that prevent garment workers from earning a living wage."(Fair Wear Foundation 2015).

The Fair Wear Foundation focuses on close collaboration with its members and raises awareness on challenges, which need to be addressed in a collective. Promoting workers education, strict standards and reliable auditing and monitoring of members' CSR performance are key aspects of FWF.

6 Comparison

This section will investigate the differences of addressing the key elements first from a companies' perspective then comparing the governmental and multi-stakeholder initiatives. Further the different approaches will be categorised into the sustainable development model.

The key elements for comparing the different approaches are:

- *Value*
- *Value creation*
- *Competition integration*
- *Profit integration*
- *Agenda setting*
- *Company impact*

6.1 Company comparison

The companies HessNatur, VAUDE and PUMA are compared according to the key elements to show their CSR performance in relation to the first research question.

HessNatur's clear and simple way to inform consumers about their practice and the implicitness to produce sustainable differs from the approaches of PUMA and VAUDE. While for HessNatur's **value** of doing good is not reflecting the pressure of the civil society, but their own values of "living our ideas with a clear vision" (HessNatur n.d.), VAUDE and PUMA respond to social pressure currently but are in the process of integrating CSR values into their core business. "[W]e are convinced that sustainable management pays off in the long term" (VAUDE 2013a) and "achieving the expected" (PUMA 2014b, p.39).

This shows that the distinction between 'doing good' and 'economic and social benefits relative to cost' as Porter defines it in the key elements (Porter & Kramer 2011, p.25) is not easy to draw. Hessnatur goes beyond doing good in response of civil pressure and economic benefits relative to cost, but working in the sustainable direction because it is their value of promoting fair labour rights globally and produce environmental friendly. This differs to VAUDE and PUMA who both react to civil pressure.

This reflects in the **value creation**, where VAUDE and Hessnatur invest in workshops in the production countries and in achieving work-life-balance in Germany. Additionally both are members in the Textilbündnis to create a standardised CSR concept in collaboration of companies. The challenge of developing a suitable standard is to discuss the implementation

Comparison

and compliance with the companies who approached CSR from different perspectives – as an add-on, as a response to civil pressure or integrated in the core business.

PUMA was one of the first signing the various health and safety agreements in south Asian countries (PUMA 2014b, p.39), yet it happened in response to pressure after the collapse of Rana Plaza and other fire accidents and joined the Textilbündnis after revising the action plan.

So, the companies reflect three different ways to approach CSR:

Hessnatur – see CSR as a natural part of business

VAUDE – approaching CSR to improve working environment in Germany and internationally

PUMA – as a response to international pressure to take responsibility for occupational health and safety in factories

The **competition integration** is assessed by examining how the companies are using the sustainability aspects to compete in the market. Hessnatur began from the beginning with sustainable garment production, thus for them it is part of the business concept (HessNatur 2014, p.8). Whereas VAUDE is marketing the ‘green shape’ and different design solutions (VAUDE 2013b) and move from the conventional sportswear brand to a sustainable sportswear brand. Puma on the contrary began to work thoroughly with sustainability in the last years, published the EP+L as a tool to measure the environmental costs but not to market its products (Kering 2011).

This shows that Hessnatur is competing with different companies on the market than VAUDE and PUMA. While Hessnatur is with its sustainable clothing part of a niche market, VAUDE integrates CSR in its core business and show sustainability as an add-on in its marketing strategy to attract consumer. PUMA in contrast only measures the environmental impact but markets its product not with sustainable addition.

No distinction can be made at Hessnatur about **profit integration**, because Hessnatur's whole company is building on sustainable values. VAUDE refers to profit integration with “making the use of resources in the supply chain transparent and achieving savings.” (VAUDE 2013c) but from the website it can be seen that VAUDE includes in every step sustainable matters, thus it is seen as part of profit maximisation. For PUMA the EP+L indicates very clearly the separation of sustainable practices and profit maximisation. Additionally PUMA stated to use less organic cotton in the last year (2014) due to the increase of prices (PUMA 2014b, p.54).

This shows that depending on the stage of integrating CSR in the core business, profit separated or integrated in CSR performance. Hessnatur's CSR concept, with its fully

Comparison

integrated sustainability concept is directly connected to profit. For VAUDE and PUMA profit maximisation is still separated from CSR and is in the process of connecting, whereas VAUDE is working on the connection since they began working with CSR, PUMA is still in the first steps of integrating CSR in their business.

The **agenda setting** for garment companies is understood as specific requirement settings for the sector of clothing and textiles in contrast to requirements set for management practice cross sector. All three companies are working with requirements specific for the garment sector based on the ILO and UN global compact. Additionally all three companies developed own systems for monitoring (HessNatur 2014, p.9), rating and scoring (PUMA 2014b, p.45) and distinction between the sustainable levels of products (VAUDE 2013b).

This shows that a garment specific agenda setting is required by the company and differs in the compliance and monitoring scheme. Hessnatur and VAUDE work closely with FWF and PUMA with Better work and FLA, but also work with own auditing. Self-assessed auditing cannot guarantee transparent and reliable results due to the missing third-party verification.

Finally the **impact of CSR** on the budget is different to the three companies. PUMA clearly separates the sustainable performance as an add-on to the daily business activities but is working to include it from now on (PUMA 2014b, p.67). VAUDE states that a positive brand image leads to higher sales (Patzwall 2015) and integrates sustainability performance into their core activities. For HessNatur the entire company budget is affected by the CSR practice.

This shows again the connection of integrating CSR into the core business. Integrating CSR in the core business activities is based on long-term production and has stable production quality and is therefore not dependent to the fast changing market. PUMA and VAUDE are working with CSR still as an add-on, which results in not considering natural fibres or hazardous chemical use as key aspects.

This comparison shows that there are different ways to integrate CSR in companies. Comparing the companies according to the set of criteria gave an overview of the approaches and can evaluate their activities according to the model of sustainable development.

Comparison

Key Elements	Hessnatur	Vaude	Puma
Value	Going beyond economic benefit and doing good	Responding to civil pressure	Responding civil pressure
Value creation	Natural part of company	Improve German and international work	Responding civil pressure
Competition integration	Competing integrated but in the niche market	As an add-on	Not integrated
Profit integration	Profit integrated	Separate to profit maximisation	Separate to profit maximisation
Agenda setting	Sector specific external agenda setting in collaboration	Sector specific external agenda setting	Sector specific external agenda setting, own standard
Company budget	Affecting whole budget	Limited impact	Limited impact

Table VIII: Summary of key elements for selected companies

The table shows an abstracted comparison of the companies according to the six key elements, with highlighted main strengths and weaknesses (bold).

Considering the key words mentioned for the different companies strengths and weaknesses can be identified.

Hessnatur as a pioneer in sustainable production integrated CSR successfully and overarching in its core business. Strengths are seen in the entire company profile regarding transparency, reliability and trustworthiness. Main differences are in the competition integration aspect. Hessnatur integrates CSR fully in its competition but sale in niche markets of eco-fashion, whereas PUMA and VAUDE are competing with international sportswear brands. While in general the market structure is not considered in this report, it has to be mentioned that the eco-fashion market is still a small niche with 3,7% volume of the whole market (texpertisenetwork n.d.).

VAUDE is in the process of integrating CSR but currently works with CSR as an add-on marketing strategy with many tools to comply with to show verification, compliance, transparency and trustworthiness. Working with this many measures raises the question if there is a straight strategy behind or if the company is responding to the pressure of the civil

Comparison

society to take responsibility and show verification. The measures used are not integrated in the core business and reflect the separation from profit maximisation and budget.

PUMA began recently to focus on CSR, which reflects the focus PUMA set before. The high level of internationality of PUMA, with its suppliers and retailers differ from the other companies and create a more complex supply chain. However, working with a self-assessing tool to audit suppliers can lead into green washing and consumers cannot transparently know how the company is working with environmental and social issues.

Thus it is essential to begin working with CSR and as CSR integration is a process, continuous improvements can increase the CSR work.

6.2 Governmental and non-governmental initiatives

This section will show the comparison of the OECD guidelines, the German Textilbündnis and the Fair Wear Foundation based on the six key elements of chapter 3.

The **values** for the governmental initiative of OECD is supporting companies in doing good by promoting minimum requirements according to ILO, as a response on international pressure on companies. The Textilbündnis also responds to the social pressure after the Rana Plaza collapse. The demands are set by ILO and ask members to fulfil and comply with the requirements (BMZ 2015; OECD 2011). This approach is more reactive than proactive. Only the FWF differ in this section as doing good, FWF works with “sharing expertise, social dialogue and strengthening industrial relations, FWF increases the effectiveness of the efforts made by companies” (Fair Wear Foundation n.d.).

This shows that organisations addressing CSR are responding to civil pressure and reflect the need that companies are not alone responsible for the impacts but governmental organisations need to take action. The FWF foundation reflects even more the civil society as a non-governmental initiative, the organisation is not dependent and can implement their way of ‘doing good’ in benefiting the society apart from cost.

Major differences begin in the **value creation**, where FWF and the Textilbündnis work intense to create value along the supply chain to improve conditions and benefit the community (BMZ 2014b). The OECD reacts to citizenship and market with sustainable behaviour (OECD 2011).

The Textilbündnis is clearly reacting to civil pressure but addresses CSR as a concept that includes disparate stakeholder and is a collective approach which creates value. FWF approaches CSR differently, while only focusing on labour rights, FWF works with sharing knowledge and creating shared value among its members. OECD is reactive and the goal of the guidelines is improving the working conditions but as a respond on civil pressure.

Consequently can be said that the membership of OECD, the Textilbündnis or FWF can increase **competitiveness** and can put pressure on other companies (Bergmann 2015).

This shows that if the requirements are voluntary the competitiveness increases. By promoting the standards and raising awareness among the consumer, the civil society will know and notice the different requirements of the different standards. Currently the many different certificates confuse the society, thus the Textilbündnis could increase the awareness due to the combination of environmental and social aspects. The strength of the Textilbündnis can be that it is a new standard and involves many conventional and sustainable working

Comparison

companies so the awareness raise and if fast action follow, consumers will be interested, which could lead into higher competitiveness.

None of these initiatives are **integrated in the core business** activities. It is intended of all three approaches, to be considered as a core principle, but the three approaches are voluntary and affecting different parts of the company. Where the OECD guidelines are working with the management practice, the framework can be integrated, however the FWF is focused on the social impacts of the company's performances, thus work in one part of the business. The Textilbündnis in contrary works with the environmental and social performance and is with this focus more part of the business and affect more parts of business activity. All in all, there is no measurement to see **profit** impacts from these initiatives, only in reference to competitiveness.

An advantage of FWF is that the membership costs are related to the annual turnover, which enables companies in different sizes to join the foundation.

Compared to the discussion about the companies, the **agenda setting** of the initiatives are similar and mainly based on ILO and the UN global compact. Differences occur in the specification of the requirements. Where the OECD guideline affect multinational companies in general (OECD 2011), the Textilbündnis and FWF work especially with garment companies (BMZ 2014b; Fair Wear Foundation n.d.). Thus the requirements and the level of the requirements differ and the code of conduct of the FWF can be seen as comparably strict and demanding (Fair Wear Foundation n.d.).

This shows that FWF as an independent organisation can set high requirements and companies can voluntarily join. The requirements by FWF can exceed the legal framework and in projects different challenges like living wages can be addressed and the members can get involved. This is a weakness of the Textilbündnis because of the many different levels of CSR integration of the members the requirement level needs to be adjusted to enable implementation for every company. This raised many critiques but also enables companies like Hessnatur to be a role model for integrating sustainability as part of its core business. Strength of the Textilbündnis is on the other side that many companies are seeing the need to commit to a certain level or requirements and see the need to standardise the concept of CSR.

Finally **the impact** of the initiatives on the core business of companies cannot be measured. The OECD guideline is seen as an add-on to the core business activities. The FWF can be used as an add-on from conventional companies to secure their responsible supply chain

Comparison

management but is mostly used by sustainable working companies as part of their core business (reference to VAUDE and HessNatur).

The Textilbündnis is one of the few initiatives that requires environmental and social performance and sets criteria also on the economic dimension, thus it affects more than the CSR department of the company.

This shows that new innovative approaches, which include many stakeholders, can work in different dimensions. The strength of the Textilbündnis is that because of the experts involved in the process different aspects can be considered. Working groups were established for focusing on the different aspects like chemical use in wet processing, and can thoroughly invest the possible and suitable way for the German garment industry. The strength of FWF is that with their expertise they can focus on labour rights and with their members involved in their strategy the impacts can be immediately measured in the production countries due to the factory members for example. The OECD however sets minimum requirements, the companies can introduce them into their core business to the needed extend and can decide themselves how they integrate them.

Key Elements	OECD	Textilbündnis	Fair Wear Foundation
Value	Doing good	Doing good	Doing good
Value creation	Civil pressure	Civil pressure	Civil pressure
Competition integration	Separate from competition	Can lead into competition	Part of competition
Profit integration	Separate of profit maximisation	Can be part of profit maximisation	Part of profit maximisation
Agenda setting	General cross sector agenda setting	Sector specific agenda setting but with low requirements for environmental and social issues	Sector specific agenda with high requirements
Company budget	Limited impact to budget	Limited impact to budget	Limited impact to budget

Table IX: Summary of key elements for selected organisations

The table highlights the key aspects of the selected organisations according to the elements of CSR, with main strengths and weaknesses written in bold. In the table the similarities in approaching CSR as an organisation is shown. Main differences are the agenda settings,

Comparison

where FWF developed a strength by requiring a high standard of criteria for labour rights. This differs from the Textilbündnis where the standards are comparably low but integrate environmental and social issues. Integration of the three different dimensions of people, planet and profit in the Textilbündnis is a strength and the involvement of many actors can create a competition.

In this comparison OECD guidelines are different because of the cross sector agenda setting.

7 Discussion

The discussion chapter will analyse and discuss the findings from the comparison. The third research question, if companies can benefit from NGOs or governmental initiatives, will be investigated.

While comparing the different approaches, the value of working with CSR and the separation from CSR to the core business has been highlighted.

It can be seen that the governmental organisations and the NGO addressing the upcoming challenges of more transparent communication and verification systems, but due to the cross-sectorial approaches and the voluntary measure there is no or only few connection to the core business activities or profit integration. The upcoming challenges are reflected in the many different measures VAUDE works with to communicate and shows its performance. However companies start to include CSR in their core business and include this issue in their goals.

Relating the comparison of the companies to the stakeholder analysis model by Rennings (2000) (Figure 7, page 16), the companies are seen as part of the competitive market, with the push of regulations, the technological pull and market pull.

The civil society asks companies to take responsibility and the raising awareness of governmental approaches regarding CSR supports the civil society to raise higher demands. The **regulatory push** is evolving at EU and national level to consider CSR in business activities. Regulations are developing on EU level about reporting of non-financial disclosure, but will be implemented in the national governments by 2016²¹. Additional regulation is developing in France, with the law for 'due diligence' to address exploitation in the production countries and address ethical behaviour regarding environmental protection and social rights²². For completing the overview of the current development the French law needs to be mentioned but is not included in investigations or comparison due to its recent development and unfinished stage.

Regulations "highlight a societal objective and create a level playing field to encourage companies to invest in shared value rather than maximize short-term profit" states Porter (2011, p.22) and refers with that also to the need of companies who ask for mandatory CSR standards (Patzwall 2015) or at least a combination of voluntary and regulations (Bergmann

²¹ More information about the EU non-financial disclosure in the Appendix D

²² Information about the French Law for due diligence in the Appendix E

2015). Standardising the concept of CSR would increase the action to include environmental and social concerns in the business strategy. Governments as independent and as representatives of the civil society should encourage these actions and can develop reliable standards (Bergmann 2015). The diplomatic relations and the interest the German government is representing of “doing good” and asking for “decent work” can promote the CSR standard beyond German borders (BMZ 2014b). Further on Porter states, “Regulation is necessary for well-functioning markets” and “would accomplish much more by focusing on measuring environmental performance and introducing standards phase-in periods and support technology that would promote innovation, improve the environment, and increase competitiveness simultaneously” (Porter & Kramer 2011, p.21,22).

The **market pull** has impact on the CSR performance of companies. Consumers decide what they like to buy and can pull the companies to work in a certain direction. FWF is representing part of the civil society, and work close with companies to support and promote labour rights along the supply chain. Thus FWF can raise awareness, educate consumer and in close collaboration FWF can bring companies and consumer together. “We would like to give the consumer the decision to buy the ‘good’ or ‘bad’”(Bergmann 2015), explained Sven Bergman from Hessnatur and refer to the communication process to the consumer. If the consumer is aware of what happens in the supply chain and what are the choices, and more essential understand the value and the requirements of the certificates, the consumer can decide what he would like to buy. For this process the Textilbündnis developed a webpage, clarifying the different certificates and educate the consumer (www.siegelklarheit.de).

The **technological push** is mainly offering alternatives to consider for product development than pushing into a certain direction. Bluesign can be taken as an example, which supports companies in reducing hazardous chemicals and shift to alternatives. The REACH evaluation of chemicals is technological and regulation push together, because of the adaption to the current development of chemicals, and assesses and evaluates its substance according to hazardous impacts. REACH is mandatory to comply with for every company working with chemicals throughout Europe.

The three push and pulls are dependent on certified verification of compliance, monitoring processes and integration into the core business. Addressing these issues needs to be a combination of mandatory measures to prevent the crucial challenges like child labour and hazardous chemical use, with voluntary measures to increase competitiveness of the front-runner companies.

Discussion

The German ministry for economic cooperation and development stated in the beginning of the Textilbündnis, that a voluntary approach will be tested but if the conventional companies refuse to join, regulatory measures will be taken (Bergmann 2015). The latest development of the Textilbündnis showed the increase of members and that the members could compromise their interest can be summarised as a success. The connection of the different companies in Germany can be seen as progressive due to the different behaviours towards CSR and towards environmental and social concerns in general. While trade unions and companies appreciate the new content of the requirements, critiques occur about the loose restriction on chemicals, missing timelines and too many compromises with the conventional companies (EurActiv.de & Samardi 2015; Triesch & Tagesspiegel 2015).

In the following figure, the author categorised the approaches in the model of sustainable development to illustrate their state of development.

From the comparative analysis it can be summarised that PUMA and the OECD can be allocated to the first step of the sustainable development model of operating by reducing harm. This can be seen in the table of summarising the key aspects, where PUMA and OECD fulfil the minimum demands and responding to the civil pressure, the first step of the sustainable business development is “doing less harm” (Network for Business Sustainability 2012, p.8).

VAUDE can be seen as in-between the two steps as they are on the way of integrating CSR management in their core business, collaborate with disparate partners and are developing “new things” (Network for Business Sustainability 2012, p.9).

Hessnatur, FWF and the Textilbündnis can be related to the second step of the model, as they are integrating CSR in their core business and including disparate stakeholders. Hessnatur work with the Textilbündnis and approach development through a supply chain management perspective together with the FWF and the Clean Clothing Campaign to even go beyond the firm borders to develop “new market opportunities” (Network for Business Sustainability 2012, p.10).

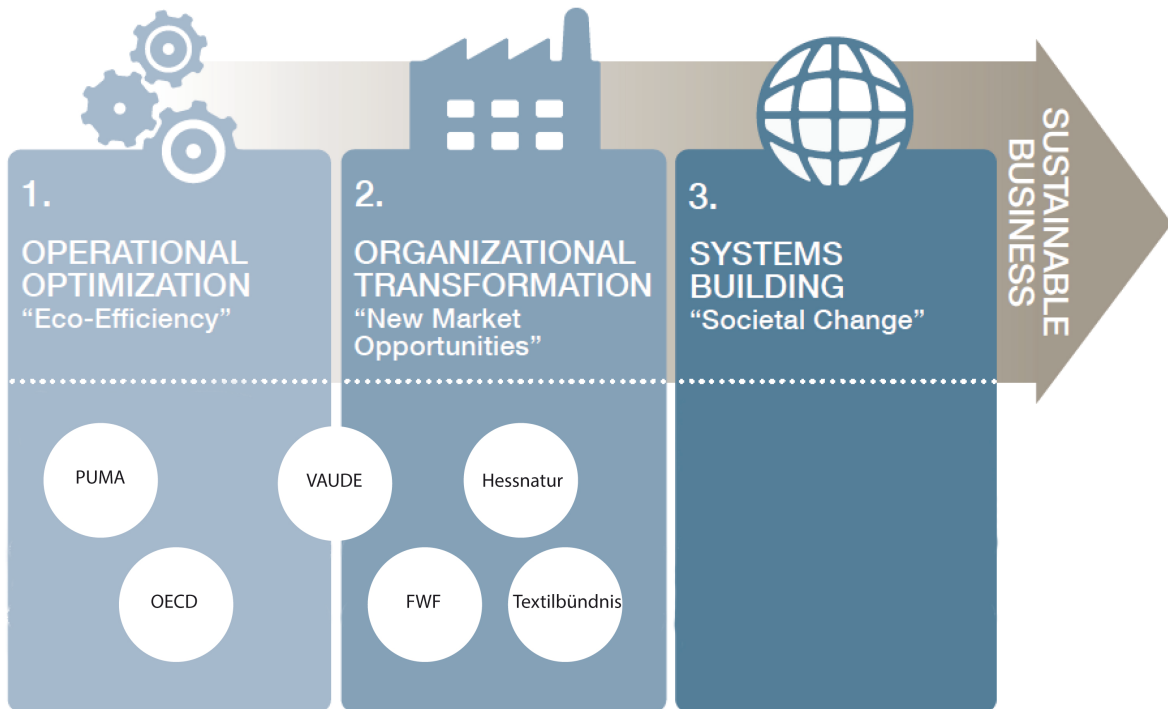


Fig. 13: Sustainable development model - categorisation
 Source: adapted from (Network for Business Sustainability 2012, p.6)

Concluding the analysis of the different approaches, Hessnatur and VAUDE are developing in a proactive way towards system building and sustainable development. Thus currently the companies can benefit from multi-stakeholder initiatives like the Textilbündnis to share experience and address international issues in a collective. Because “business cannot be expected to solve all society’s problems” (Galbreath 2011, p.89), a multi-stakeholder approach “can sustain” involved actors (Network for Business Sustainability 2012, p.10)

To reach the next step collaboration with various stakeholders to enable discussion, experience sharing is needed to develop new systems.

Thus a development from the supply chain management approach towards stakeholders to the integration of stakeholders into a functioning system is needed. This is developing in the Textilbündnis. Additionally to the Textilbündnis and its procedure, the approach can be expanded to include companies to close the circle of the clothing life cycle. Currently the linear model of garment supply chain is considered and could be opened to the life cycle model of clothing to include recycling or reuse aspects and include relevant stakeholders.

The FWF has illustrated the jungle of connections between the actors involved in a garment supply chain.

This illustration shows that the stakeholders are more connected than just linear and

exchange is needed to share experience, knowledge and to share value. The connection between the stakeholder are not as in the 'input-output model' in one direction and the development goes even beyond the stakeholder model to interconnect the different actors to work together on CSR, to "think beyond the firm", a system taken as a collective "can sustain each other" (Network for Business Sustainability 2012, p.10).

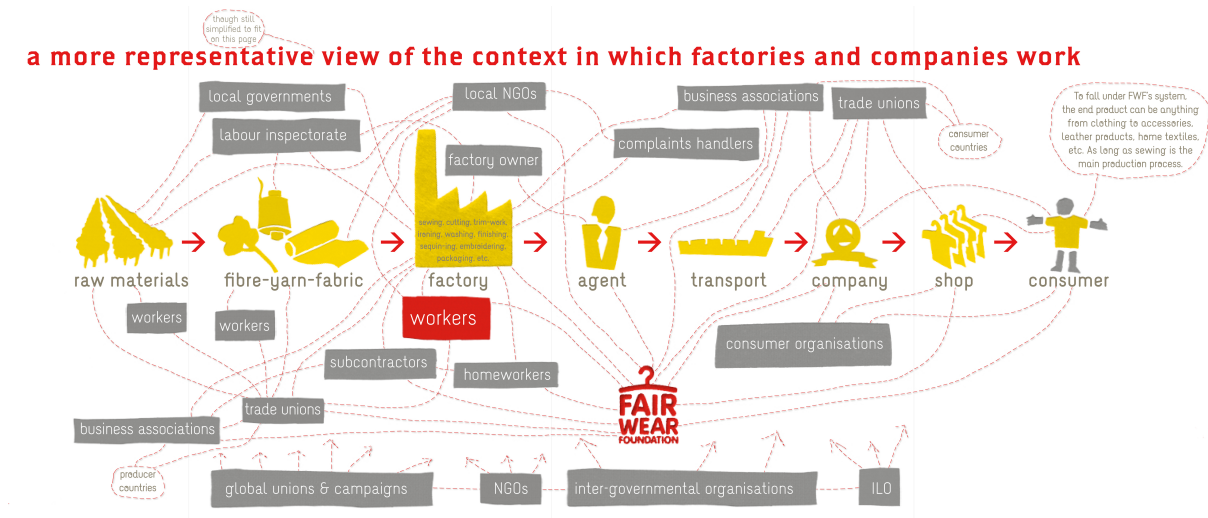


Fig. 14: Fair Wear Foundation view on factories and companies work
 Source: (FWF 2010, p.15)

The stakeholder thinking is one part of the system building and the moving towards the third step in the model of sustainable business development.

As mentioned before moving on to a more overarching approach of CSR, different models already exist like the circular economy. Progressive examples can be taken as role models for the Textilbündnis to learn from their experience and broaden the perspective to include more than the German textile industry.

This progressive approach of working with not only disparate stakeholders within the textile sector but overarching stakeholders to develop a system where the stakeholders can profit from each other and "sustain each other" can move the current development to a "societal change" (Network for Business Sustainability 2012, p.10).

7.1 Recommendations

This section will include recommendations based on the proceeding discussions as well as a look into future research possibilities

Discussing the different approaches enabled an overview of the current CSR performance of the selected companies. Additionally governmental and NGO initiatives were investigated to understand their approach and how the companies can benefit from governmental and NGO initiatives. Consequently recommendations are made for companies of how to improve their CSR work based on the findings.

The recommendations vary for the different types of companies. In this report selected companies are described and reflect high-level sustainable companies (Hessnatur), sustainable working companies (VAUDE) and on the way of integrating CSR in their core business companies (PUMA). Analysing the companies according to the elements of CSR it can be seen that all companies developed own criteria in monitoring (HessNatur 2014, p.9), rating and scoring (PUMA 2014b, p.45) and in the sustainable levels of products (VAUDE 2013b). As described in the introduction the many different certificates are confusing for the consumers (Bergmann 2015), and as long as no third-party verifies the performance, the activities are not fully reliable and trustworthy for consumers. This creates mistrust and the risk of green washing.

The recommendations differ for the different stages the companies are working with CSR. Firstly very small changes can improve working with CSR and further recommendations are suitable for the certain stages the companies are in, but can be adapted by companies in the different stages as well.

Consequently it can be recommended to conventional companies to work together with a **sector specific standard setting**, like FWF, to verify and monitor reliable the CSR performance. The FWF is working actively to improve labour conditions in the first tier (Fair Wear Foundation n.d.). Additionally Bluesign works in continuous improvement to reduce hazardous chemicals. Their approach is to not ban chemicals from the beginning but start to phase them out by using alternatives (Bluesign 2013). Thus working with CSR is based on a process and can prevent green washing by certifying the performance and work close with experts. This is referred to the first step of the model for sustainable business development of "Doing the Same Things Better" (Network for Business Sustainability 2012, p.8).

For companies working already with CSR it can be recommended to **improve and deepen** their work with CSR. It is important to understand the connection between the social and

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environmental impacts of production steps to the core management process. Thus product development and product design is closely connected to chemical and material use. Integrating sustainable thinking and environmental concerns into the design phase and in the core business practice can reduce the use hazardous chemical, and address issues like fair living wages and working hours by developing long-term and stable relationships with the supplier. Again Bluesign can support this development but also other certificates for parts of the supply chain for example raw materials can improve the production transparency. Building partnership can be helpful for knowledge sharing and stakeholders can benefit from each other's experience to broaden the perspective. This can be referred to the second step of the model for sustainable business development by "doing good things by doing new things" (Network for Business Sustainability 2012, p.9).

Moving from the second stage onwards in the direction of more sustainable integration in the companies, companies integrating CSR into their **core business** can still improve their work. Companies still not achieved the elimination of all harmful chemicals, and fully certified supply chains can result in more transparency and reliability for the consumers. Reliable standards exist and are evolving like the Textilbündnis. This is a progressive approach to proactively support development of reliable standards. The Textilbündnis benefits from its high level sustainable working companies as best-practice examples and to share their knowledge to support other companies. Additionally, companies can engage in projects addressing crucial issues, which are still not internationally solved like the fair living wage or freedom of joining associations. It is a problem, however, that there are various standards for different aspects but not many address environmental and social aspects together. Chemical use can be measured and is addressed by REACH and regulations can restrict chemical use, but social aspects are depending on national circumstances and cannot be globally standardised (Bergmann 2015). Thus engaging in problem solving together with different actors can result in realisable and specific requirements to address labour rights in different countries with consideration of its specific cases. This can be referred to the third step of the model for sustainable business development "doing good by doing new things with others" (Network for Business Sustainability 2012, p.10).

FUTURE RESEARCH POSSIBILITIES

Considering the approach of the Textilbündnis, questions remain unanswered due to the recent development and the impossibility to measure impacts. Thus future research can investigate the development of the German Textilbündnis and its impacts on the German garment industry. The current participation of many companies changed the content of the requirements, thus it can be examined how the structural changes of the Textilbündnis affect the implementation phase.

Additionally the development of integrating CSR in the core business by different companies can be analysed and garment companies' CSR approach can be evaluated in an international perspective to analyse the position of German companies in comparison to other countries.

8 Conclusion

This section concludes the findings and analysis of the report and states the outcome in relation to the research questions.

The CSR approaches of the individual companies, governments and NGOs were analysed using Porters definition of CSR and the concept of creating shared value, focusing on the following six dimensions:

- **Value** of working with CSR
- **Value creation**
- **Competition integration** companies' CSR strategy
- **Profit integration** of the CSR approach in the company
- **Agenda setting** – sector specific or cross sector
- **Company budget affect**

Three companies were analysed, Hessnatur, PUMA and VAUDE. OECD and the German Textilbündnis (Partnership for sustainable textiles) and the NGO Fair Wear Foundation (FWF) were chosen to enable comparison, and to reflect the regulatory push of the government and the market pull of the NGO.

Based on these key elements comparison could be made and the analysis showed that the companies work in a proactive way, whereas the governmental initiatives reacted mainly on the social pressure and set minimum requirements to tackle the crucial issues occurring in the supply chain regarding child labour and toxic chemicals for example. Companies are involved in project to raise awareness.

While analysing the companies and governmental and NGO approaches towards CSR, it can be seen that working with CSR is a process from using CSR as an add-on towards a shared value concept. Thus companies need to adapt to the process and address environmental and social issues proactively to gain results beyond doing good to value creation. The movement goes from self-assessed audits towards reliable third-party certification to transparently and clearly state the performance.

The selected initiatives are reflecting the different levels of approaches and enabled a categorisation according to the chosen key elements in the model for sustainable business development.

The model categorises the development into three steps starting with CSR as an add-on, and developing CSR towards a concept, which creates shared value.

In the report the first step reflects the individual firm behaviour focusing on profit

Conclusion

maximisation, which was analysed by the performance of PUMA and set minimum requirements, which relates to the OECD guidelines.

The next step is the integration of CSR in the core practice and involves external stakeholders to share value, where VAUDE is on the way to and HessNatur and the FWF create new ideas and systems and thinking beyond firm boundaries. The Textilbündnis enables an even more progressive view on development. Integrating disparate stakeholders like more sustainable companies and conventional companies, and collaborate to develop a suitable standard with involving all interest is on the border of the second step towards the third step of the sustainable development model.

The third step is creating systems by working with disparate stakeholders to generate a societal change. Analysing the approaches could conclude that this step was not achieved by any of the strategies.

Concluding the analysis the report showed that Hessnatur and the Textilbündnis are pioneering the German garment market. The company Hessnatur integrated CSR work in their core business from the beginning on and develop together with other stakeholders the Textilbündnis.

The Textilbündnis is a multi-stakeholder approach, which address as one of the first partnerships environmental and social aspects and include the economic side as well. The partnership work with conventional companies, can learn from experiences from companies like Hessnatur as best practice examples and can set suitable requirements for the members to comply with based on mutual understanding.

While all mentioned initiatives are voluntary, the selected companies concern the expectations from the consumer and work together with verification bodies to monitor and certify their activities.

Thus it can be said that the companies are more progressive in integrating CSR in the core business. Governmental initiatives set minimum requirements but can in close work with disparate stakeholders develop standards for garment companies to comply with.

Showing the advantages that companies, governmental organisations and NGOs have by working together in Partnerships like the Textilbündnis showed that *companies and other initiatives can mutually profit from each other*, as stated in the thesis in chapter 1.

Governmental organisations and NGOs can learn from companies' expertise about specific challenges to address. This was the case with the Textilbündnis, where the dialogue between the stakeholders enabled small companies to achieves the requirements and set a realisable timeframe.

Conclusion

Furthermore companies can profit from other initiatives by exchanging experience, knowledge and compliance systems broaden the perspective, to integrate CSR successfully in their core business. Understanding the value of responsible performance along the whole supply chain can move from an add-on approach of CSR to creating shared value.

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