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## Master Thesis

### MSc Sustainable Business and Innovation

*Employment quality in supply chains of circular fashion - a comparison of standards and practices of circular fashion enterprises & social sustainability targeting apparel players*



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## Abbreviation

SS	Social Sustainability
CE	Circular Economy
CAP	Corrective Action Plan
SSC	Sustainable Supply Chain
SSCM	Sustainable Supply Chain Management
FWF	Fair Wear Foundation
GFAC	Global Fashion Agenda Commitment

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## Abstract

Resource depletion, environmental degradation and long-standing social challenges in apparel supply chains call for systemic change in the fashion industry. Among practitioners and academia, the emerging concept of the Circular Economy has been discussed to fulfil this promise. However, the discourse mostly evolves around environmental benefits. The social pillar of the Circular Economy remains largely unexplored with some attention paid to employment creation. How the Circular Economy can also benefit employment quality remains unclear. The aim of the present research was, therefore, to examine whether sustainable supply chain strategies in the apparel industry differ in their *practices* and *standards* for employment quality as a result of their orientation towards circularity or social sustainability. Thus, the theoretical architecture of the research was situated within sustainable supply chain management (SSCM), adapting the framework of (Seuring & Müller, 2008) and its extension by (Köksal, Strähle, Müller, & Freise, 2017). A qualitative, research design with inductive and deductive elements was employed. To respond to the research question, the supply chain strategies of 36 apparel companies publicly committing to a circular target initiative, and 63 members of a social compliance initiative were deductively compared through document analysis. Additional thematic analysis based on 14 in-depth interviews and 17 short questionnaire responses inductively delivered potential hypotheses for the results of the document analysis. The findings of the document analysis show that the strategies do not considerably differ beyond a minimum set of current best practice *standards* and *practices* as found among members of the leading social compliance initiative *Fair Wear Foundation*. *Barriers* and *enablers* were identified that potentially produce this industry-specific outcome. The circular strategic orientation was also found to trigger additional, yet isolated efforts for environmental sustainability. The results of this research overall reflect and confirm the underlying confusion of academia and practitioners about the link of the Circular Economy and employment quality. However, the findings suggest that the Circular Economy implicitly and unintentionally leads to a more holistic implementation. Yet, the environmental and social sphere are kept as separate functional units within the supply chain strategies. These findings contribute to the academic discourse by describing how the link between the Circular Economy and employment quality is currently translated and envisioned in apparel supply chains. Moreover, indications are given, which barriers have to be overcome to help define the social pillar of the Circular Economy for this industry.

**Keywords:** employment quality, social sustainability, Circular Economy, Sustainable supply chain management (SSCM)



# Introduction

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# 1. Introduction

The aim of this thesis is to contribute knowledge to the research gap on the link of Circular Economy (CE) to social sustainability (SS) in general, and employment quality specifically. The concept of CE is defined as a “regenerative system in which resource input and waste, emission, and energy leakage are minimised by slowing, closing, and narrowing material and energy loops” (Geissdoerfer, Morioka, de Carvalho, & Evans, 2018, p. 759). The concept is thereby “restorative or regenerative by intention and design”(Ellen MacArthur Foundation, 2017). For this reason, the CE has also been embraced as a “tool” (Millar, McLaughlin, & Börger, 2019a; Schroeder, Anggraeni, & Weber, 2019a; Suárez-Eiroa, Fernández, Méndez-Martínez, & Soto-Oñate, 2019a) or alternative model for the Sustainable Development Goals (Millar et al., 2019a), aligning all three pillars of sustainability (see Figure 1).

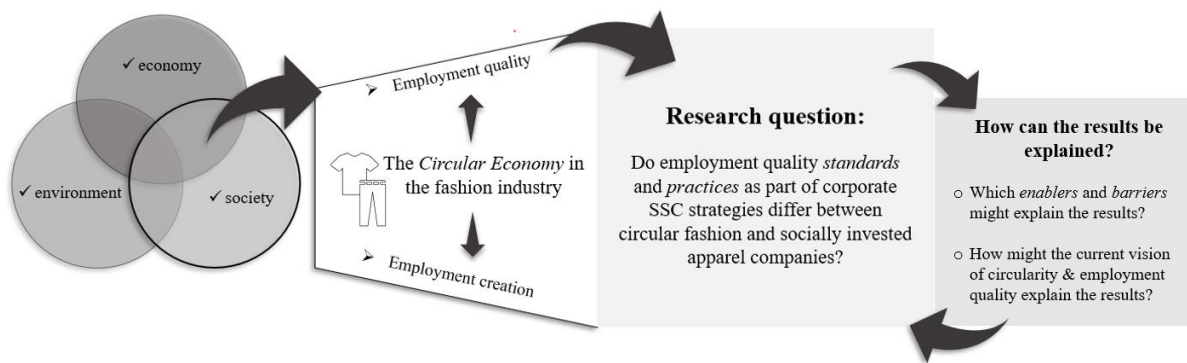


Figure 1 Research context and questions, own illustration

The concept of the CE attempts to, directly and indirectly, contribute to the Sustainable Development Goals (Homrich, Galvão, Abadia, & Carvalho, 2018; Schroeder, Anggraeni, & Weber, 2019b). However, promoting sustainability requires the equal pursuit of all the pillars of the triple bottom line: a positive environmental, economic and social performance (see Figure 1). Despite the interest in the potential of the CE for promoting sustainable development and a paradigm shift from the linear economy, the concept has not been academically acknowledged for the pillar of SS (Kirchherr, Reike, & Hekkert, 2017; Merli, Preziosi, & Acampora, 2018). In a review of 114 definitions on the CE, (Kirchherr et al., 2017) discovered that only 13% included all three dimensions of sustainable development. Likewise, comprehensive literature reviews by (Merli et al., 2018) and (Homrich et al., 2018) showed a lack of the social dimension in academic research. Accordingly, the relevance of the concept for the pursuit of SS is unclear and deserves the attention of scholars and practitioners alike. For this reason, this thesis is going to focus on the link between CE and SS. For instance, developed as guidance for economic actors, a comprehensive working definition on social sustainability (SS) by the ISO 26000 standard<sup>1</sup> reads as follows:

“Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society; takes into account the expectations

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<sup>1</sup> ISO 26000 Guidelines on Social Responsibility

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of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour, and is integrated throughout the organization and practiced in its relationships.” (Benoît et al., 2013, p. 27)

A promising case for research on SS is the apparel industry with its wide supply chain ramifications and notorious reputation for precarious working conditions (Radhakrishnan, n.d.; Sluiter, 2009), whilst lately striving for the adoption of circular practices. Due to complex supply chain relations with various actors from the production of the raw material, to fabric production, treatment, sewing and finishing, ensuring socially responsible work relationships remains a challenge for fashion brands and garment manufacturers (Boström & Micheletti, 2016; Radhakrishnan, n.d.). Moreover, “ferocious competition, low prices, short lead times, lax governmental regulations and poor law enforcement” (Abländer, Roloff, & Nayır, 2016, p. 662) are among the reasons exacerbating social conditions in the apparel supply chain. As evident from these examples, employment quality plays a vital role within the social pillar of sustainability. It is therefore chosen as the focus of this thesis (see Figure 1).

Globally, over 300 million jobs are related to the textile value chain (Ellen MacArthur Foundation, 2017). This strong economic relevance is coupled with social responsibility for a significant number of a global workforce distributed across the textile supply chain (Grace Annapoorani, 2017). Given the social impacts of the apparel industry, the pursuit of SS ranks high on the business agenda. As a response to the medial outcry over poor working conditions (Anguelov, n.d.; Abländer et al., 2016; Smestad, 2009) and incidents such as the collapse of the Rana Plaza building in 2013 (Barraud de Lagerie, 2016; Reza Khan & Rodrigues, 2015; Taplin, 2014), various companies attempt to improve their business conduct through different *practices* and *standards* as part of their supply chain strategy.

Different internal and external factors impact the realisation and achievement of such sustainable supply chain strategies (Köksal, Strähle, & Müller, 2018). Common *enablers* of employment quality are *standards*, such as codes of conduct (Asif, Jajja, & Searcy, 2019; Jenkins, Pearson, & Seyfang, 2002; Lindholm, Egels-Zandén, & Rudén, 2016; Vadicherla & Saravanan, 2015) and memberships in multi-stakeholder initiatives specifically targeting social responsibility (Abländer et al., 2016; Jastram & Schneider, 2015; Reza Khan & Rodrigues, 2015). Organizations, such as the Fair Wear Foundation (Egels-Zandén & Lindholm, 2015) and the Clean Clothes Campaign (Sluiter, 2009), are attracting industry players in the quest for greater SS in the supply chain, particularly regarding working conditions. However, those can “predominantly and paradoxically” (Köksal et al., 2017, p. 21) also act as a barrier towards sustainable supply chain strategies. For this reason, the contextualization of the *standards* and *practices* with *enablers* and *barriers* has been considered (see Figure 1).

Importantly though, too little academic attention has up to now been paid to how the apparel industry is translating the emerging concept of the CE into social practice. Sustainability initiatives, for example, the *Global Fashion Agenda 2020* and the *Fair Wear Foundation* show a separation in the corporate pursuit of SS and circularity. This implies that SS is not yet understood as part of the CE. (Stål & Corvellec, 2018a) noted in a case study on apparel business that CE is, in fact, added to business models as a separate function and therefore does not trigger systemic change. (Lozano & Huisinigh, 2011) observed that corporate sustainability

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reports exhibit a separation of the social, environmental and economic pillar. These examples confirm the interesting research gap on the holistic integration of CE in business operations. To this the thesis will bring some clarification by also looking at the vision of companies on the topic (see Figure 1).

In sum, there is currently no rigorous qualitative research on bridging the separation of the social and circular sustainability discourse in the apparel industry. This proves particularly relevant for the dimensions of employment quality being targeted in this thesis (see Figure 3). Furthermore, manifold reports of poor conduct in apparel production warrant to examine the potential of the CE in this field (Anguelov, n.d.). Hence, this thesis adds knowledge to help clarify the translation of circularity for better employment quality in apparel supply chains. This will be done by researching sustainable supply chain strategies for employment quality, as being executed through *standards* and *practices*. To respond to the outlined research gap, the following research question will, therefore, guide the research (see Figure 1):

*Do employment quality standards and practices as part of corporate SSC strategies differ between circular fashion and socially invested apparel companies?*

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## 2. Background

### 2.1 Relevance for society and environment

Humanity is “bankrupting” (Wijkman & Rockström, 2013) our natural foundation by crossing planetary boundaries. Surfacing sustainability challenges such as resource depletion and environmental degradation demand for a paradigm shift away from our prevailing, yet unsustainable economic take-make-dispose model (Geissdoerfer et al., 2018). The significant impact of especially the textile industry on the triple bottom line (see figure 1,) demands more sustainable operations.

Resource constraints of our planet and social challenges in textile production are among the imperatives for this transition (Anguelov, n.d.). The main strains inflicted on the environment are energy, water, and chemical usage, CO<sub>2</sub> emissions and solid waste throughout the lifecycle of a piece of clothing (Resta, Gaiardelli, Pinto, & Dotti, 2016). Pollution of ecosystems and rivers, as well as significant land-use mark the footprint of short-lived conventional fashion items (Boström & Micheletti, 2016). For instance, cotton production alone consumes 2.5% of the global arable land, often exacerbating local water scarcity (Ellen MacArthur Foundation, 2017). This threatens the livelihoods of local communities that depend on a healthy environment.

In addition, the social challenges in textile production span different aspects of work, especially dimensions of employment quality. Cost pressures and time demands towards suppliers lead to poor working conditions, including long working hours and low wages (Anguelov, n.d.; Grace Annapoorani, 2017). The lack or impediments of securing worker rights through trade unions add to the weak position of apparel workers in the production process (Anner, 2012; Ghisellini, Cialani, & Ulgiati, 2016a; Oka, 2016). Moreover, insufficient health & safety measures as well as the discharge of polluted wastewater are other aspects affecting the workers in textile production and surrounding communities (Ellen MacArthur Foundation, 2017).

The execution of the CE in its ecological and economic implications is expected to induce desired social benefits such as “innovative employment opportunities” (Ghisellini et al., 2016a, p. 12) through a greener economy (Suárez-Eiroa, Fernández, Méndez-Martínez, & Soto-Oñate, 2019b). This would lead to improvements in all areas of the triple bottom line (see figure 1). According to (Schroeder et al., 2019a) the transition to the CE is expected to elicit benefits of cost savings, employment creation, innovation, productivity, and resource efficiency to the economy. This academic reasoning considers the implementation of CE practices therefore as implicit means to achieve SS through employment creation.

However, there is little understanding of how the CE can directly improve existing employment relations as part of the SS dimension (see Figure 1). A prominent example is poor working conditions in the garment industry (see paragraph above). Apparel companies are invested in addressing sustainability challenges by committing to the concept of the CE, for instance through the *Global Fashion Agenda 2020 commitment* (“Global Fashion Agenda — 2020 Commitment,” n.d.). Gains in supply chain sustainability are expected by translating the circular principles of the 3 R’s (reuse, recycle, reduce) for the apparel industry (Manickam & Duraisamy, 2019). The imperative to move towards a “restorative and regenerative” new

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textiles economy, "providing benefits for business, society, and the environment", (Ellen MacArthur Foundation, 2017, p. 22) is acknowledged by the industry. Major fashion brands, such as the H&M group, ASOS and Adidas, have committed to this goal alongside visionary circular entrepreneurs like MUD Jeans. Yet, the vision outlined by the practitioner's guide of the CE, the Ellen MacArthur Foundation, does not entail clear guidance to address social challenges in apparel supply chain, such as working conditions (Ellen MacArthur Foundation, 2017, p. 23). Likewise, the *Global Fashion Agenda* does not distinctly consider SS in its current 2020 commitment. Supported by 12.5% of the global fashion market, the participants solely strive for the circular principles, of material reuse, recycling and reduction ("Global Fashion Agenda — 2020 Commitment," n.d.).

Thus, the link of CE strategies on the challenge of employment quality in the apparel industry remains ill-defined. The examples show that social benefits are understood to implicitly arise from circular practices of material reduction, reuse, and recycling. This perspective implies that social benefits are not defined as part of a circular strategy. Hence, it remains unclear to what extent the CE is intended to directly address the social pillar of sustainability in the apparel industry (see Figure 1). Without a clear understanding of how social challenges in apparel production can be tackled by the CE, the concept cannot serve as a convincing guide to enhance sustainability in this industry.

This demands research into the question of whether employment quality is addressed differently by the apparel industry within the pursuit of predominantly SS or circular commitments. Examining this question in the thesis will allow insights into how businesses currently integrate SS and circularity. Moreover, it will contribute to determining the relevance of CE for a more sustainable society.

## 2.2 Scientific relevance

Research interest on the concept of the CE has seen a surge in recent years and with it, a plethora of interpretations. Research on the CE has spiked in the last years (Homrich et al., 2018) with over 200 publications being released on the topic (Merli et al., 2018). Since 2013, research output numbers on the CE have more than doubled annually (Homrich et al., 2018). However, there is no consensus on the definition of the CE (Kirchherr et al., 2017), and hence, its interpretation. (Kirchherr et al., 2017) analysed 114 definitions of the CE, concluding that "trending concepts diffuse in their meaning" (Kirchherr et al., 2017, p. 228). This evinces that the concept has not reached a state of conceptual saturation and maturity yet, warranting sustained research interest in the topic.

Existing literature on the CE concept mainly revolves around waste management and the quest to contribute to sustainability through efficiency gains. Bringing together different schools of thought, such as Industrial Ecology and Cradle-to-Cradle, the concept of CE draws on an array of different perspectives. Thus, the CE currently evolves as an "umbrella concept" (Merli et al., 2018) to remediate sustainability pressures by closing material loops. Drawing on its conceptual technical-biological origins, the focus of practitioners and academics has, accordingly, been driven towards the prospect of various environmental and economic sustainability benefits (Homrich et al., 2018). Hence, the concept of CE receives much of its existing conceptual core from environmental and economic angles (see the three pillars of sustainability, figure 1).

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Comprehensive literature reviews confirm a lack of the SS dimension in academic research. (Merli et al., 2018) and (Homrich et al., 2018) analysed 565 and 327 articles, respectively, noting a lack of the social perspective. The reviews show that most studies on the CE are linked to the key term of sustainability but focus predominantly on environmental and economic aspects. Only 5 of the 565 analysed papers specifically examine the social side of the triple bottom line (Merli et al., 2018). Few academic contributions attempt to define what the CE can achieve for the social dimension but remain rather vague. (Korhonen, Honkasalo, & Seppälä, 2018) for example, described the social benefits as “social win”, evinced in new employment opportunities and “an increased sense of community, cooperation, and participation”(Korhonen et al., 2018, p. 40). The coverage and measurement of the social pillar of sustainability are, therefore, still considered insufficient (Millar, McLaughlin, & Börger, 2019b). Research on grasping SS in other domains is more plentiful despite the various interpretations and approaches (Vallance, Perkins, & Dixon, 2011). Hence, more research on the social side of the CE is needed to fulfil the expectations attached to the concept: to serve as a holistic tool for sustainable development and guide for economic actors in the systemic transition.

Since scholars call for more qualitative research on the CE as a shift from purely economic, quantitative attention (Ghisellini et al., 2016a), more qualitative research into the social dimension of circularity in apparel supply chains is warranted. On the socio-economic side, the discussion on the CE has, so far, mostly focused on the quantitative parameter of employment creation. A growing number of studies and institutional reports have begun to examine the employment potential of the CE (Bastein, Roelofs, Rietveld, & Hoogendoorn, 2013; Burger, Stavropoulos, Ramkumar, Dufourmont, & van Oort, 2019; Circle Economy, 2017; Deboutière & Georgeault, 2015; European Commission, 2018; Horbach & Sommerfeld, n.d.; International Labour Organization, 2018; Mitchell, 2015; Morgan & Mitchell, 2015; Stegeman, 2015). Employment quality is a pertinent field of research for this endeavour, given its longstanding debate (Burchell, Sehnbruch, Piasna, & Agloni, 2013; Cazes, Hijzen, & Saint-Martin, 2016) and relevance for SS in apparel production. This justifies the qualitative approach of this thesis in focusing on labour *standards* and *practices* in apparel supply chains for better employment quality.

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### 3. Literature review

The CE has been subject to an increasing amount of research (Homrich et al., 2018; Merli et al., 2018), albeit showing a lack of academic interest in the social perspective. In the following, relevant literature streams will be reviewed. The following literature has two main goals. Firstly, it reviews the knowledge around the subjects of CE, SS and supply chain management. Secondly, it aims at making clear, in what relation SS, circularity and supply chain management have, so far, been discussed.

First, a short reiteration will be given on the lack of clarity the CE shows regarding its social promise. Then, the literature synopsis turns to the underlying separation of corporate environmental and social strategies, perpetuating the split observed in conceptual approximations of the CE. This has been contextualized with a short synopsis of research on barriers and enablers for the implementation of the CE. The focus then turns to a vital part of the implementation in supply chain operations. It is shortly reviewed how CE and SS have been academically discussed against the backdrop of supply chain management. Subsequently, the state of knowledge around SS and its performance measurement in academia are discussed. Finally, it is presented how the topic of employment quality has been approached in academia.

Scholarly contributions on the CE range from research streams of micro to meso and macro level, across product and business model design to supply chain and policy level (Ghisellini, Cialani, & Ulgiati, 2016b; Korhonen et al., 2018; Lieder & Rashid, 2016; Merli et al., 2018). The lens of SS is not a consistent part of these research strands yet (Homrich et al., 2018; Merli et al., 2018; Millar et al., 2019b) but only addressed by few scholars. (Korhonen et al., 2018) specifically attempted to cover the triple bottom line in a review of the CE. However, (Korhonen et al., 2018) derives the social characteristics by drawing on the subordinate, business-model directed *sharing economy*. Subsuming the essence of the current state of research is the core paper by (Kirchherr et al., 2017) on CE definitions. Not only shows the synopsis that the understanding of the CE is essentially blurred but also that this might hinder its implementation.

Research on Circular Fashion has shown a similar focus on mostly environmental trade-offs regarding circular material loops. (Sandin & Peters, 2018a) for example, analyse a total of 41 articles on the environmental impact of textile reuse and recycling. They conclude that the greatest benefit arises from avoided production. This shows that environmental concerns rank high on the CE agenda, yet no holistic or system changing interventions triggered by the CE. A key paper feeding this critique comes from (Niinimäki & Hassi, 2011). The authors emphasize that in the apparel industry, ethics in production and ecological materials are considered change factors in the pursuit of sustainability, contrary to radical, yet necessary, systemic changes in business model design. Particularly relevant for the proposed research is therefore also the key work of (Stål & Corvellec, 2018b), pointing out *decoupling* as a strategy to evade radical transformation. This is evinced in *internal separation* and *outsourcing* of circular initiatives in fashion companies.

Research on barriers and enablers towards the implementation of the CE has been conducted to shed light on its scale of implementation (Ritzén & Sandström, 2017), yet without identifying barriers and enablers for CE and SS concurrently. (Kirchherr et al., 2018) applied the political



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lens of barriers towards circularity in the European Union. On the one hand, research on barriers and enablers for circularity has focused on business model design (Tura et al., 2019; Vermunt, Negro, Verweij, Kuppens, & Hekkert, 2019). Other research has looked at the manufacturing stage and supply chains (Franco, 2017; Govindan & Hasanagic, 2018; Gusmerotti, Testa, Corsini, Pretner, & Iraldo, 2019; Jia, Yin, Chen, & Chen, 2020). (Köksal et al., 2018, 2017; Munny et al., 2019) examined barriers and enablers on SS in supply chains specifically for the textile industry but without incorporating circularity. Notable herein is the paper of (Köksal et al., 2017). The authors identify a set of barriers and enablers for socially sustainable supplier performance in apparel supply chains.

Sustainable supply chain management (SSCM) is therefore an important field of research as it bears the challenge to cover both, social and environmental sustainability simultaneously. Moreover, it covers a crucial part of the conceptual implementation within companies. A prominent paper on Sustainable Supply Chain Management in this field is (Seuring & Müller, 2008). The authors reviewed literature on two supply chain strategies that address external supply chain pressures. Within this research strand, the link of circularity and supply chains is, however, still relatively unexplored (Homrich et al., 2018) despite a growing body of academic output on the subject (Farooque, Zhang, Thürer, Qu, & Huisingh, 2019; Geissdoerfer et al., 2018; Kazancoglu, Kazancoglu, & Sagnak, 2018; Manavalan & Jayakrishna, 2019).

Ample research has been conducted on the social side of supply chains (Bubicz, Barbosa-Póvoa, & Carvalho, 2019; D'Eusanio, Zamagni, & Petti, 2019a; Koberg & Longoni, 2019; Moretto et al., 2018; Winter & Lasch, 2016) and social management tools, such as the SA8000 standards (Asif et al., 2019; Llach, Marimon, & Alonso-Almeida, 2015; Murmura, Bravi, & Palazzi, 2017; Sartor, Orzes, Di Mauro, Ebrahimpour, & Nassimbeni, 2016). Social supply chain management has been of interest mostly regarding challenges and management options (D'Eusanio, Zamagni, & Petti, 2019b; Huq, Chowdhury, & Klassen, 2016; Islam, 2015; Martins & Pato, 2019; Moretto et al., 2018; Munny et al., 2019; Turker & Altuntas, 2014; Winter & Lasch, 2016). (Popovic, Barbosa-Póvoa, Kraslawski, & Carvalho, 2018; Popovic, Carvalho, Kraslawski, & Barbósa-Póvoa, 2016) focused on measurements of supplier performance for socially sustainable supply chains. Still, research on SS in supply chain management is little compared to the focus on environmental supply chain management (Köksal et al., 2017; Martins & Pato, 2019).

SS in the apparel industry as a separate line of research is, however, a well-researched topic given the long-standing social challenges therein. (M. A. Dickson & Eckman, 2006; Grace Annapoorani, 2017; Huq et al., 2016; Köksal et al., 2017; Luque & Herrero-García, 2019; Radhakrishnan, n.d.; Reza Khan & Rodrigues, 2015; Smestad, 2009) have all worked on defining and outlining the social dimension of apparel production. (M. A. Dickson & Eckman, 2006) notably reviewed 87 definitions of SS by scholars in the field of apparel, identifying three major dimensions of orientation, philosophy and outcome. (Köksal et al., 2017), for instance, reviewed supplier's social performance as part of a review on SSCM literature. The authors found that most social performance indicators relate to labour standards, particularly, human rights regarding unions, followed by wages and work hours.

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Extensive literature exists also around the topic of labour standards and their governance mechanisms (Anner, 2012; Barrientos & Smith, 2007; Bartley, 2007; Jenkins et al., 2002; Jiang, 2009; Locke, Qin, & Brause, 2007; Locke, Rissing, & Pal, 2013; O'Rourke, 2006; Taylor, 2011; Wells, 2007). Research on employment quality as a sub-topic evolves around different approaches and intricacies of objectively defining its dimensions. In research, *employment quality* is therefore addressed by the interchangeable and similar concepts of *job satisfaction*, *decent work*, and *job quality* (Burchell et al., 2013). Several authors discussed the measurement of employment quality in general (Eurofound, n.d.; Leschke, Watt, Leschke, & Watt, 2014; Muñ Oz De Bustillo, Ferná Ndez-Macías, Esteve, & Antó, n.d.), of which the paper by (Burchell et al., 2013) is a particularly influential one in the research debate around the underlying measurement dimensions. (Cazes et al., 2016) is another important contribution in this field, comparing characteristics of prominent institutional frameworks about measuring employment quality. They show that most frameworks assess employment quality through quantitative measurements.

Research on employment quality in apparel production has mostly been approached through case studies. Whereas some authors have investigated varying aggregates of employment quality dimensions in different geographical hotspots of textile production, others have looked through the lens of specific dimensions of employment quality. For example, (K. M. Ayatullah Hosne Asif, 2017) researched the state of the Bangladeshi apparel industry with regards to the work environment, specifically looking at health and safety concerns. Other studies focused on employment quality in Indian (Indumathy R & Kamalraj, 2012; Rathamani & Ramchandra, n.d.; Valarmathi & Bhalakarishnan, 2013), Vietnamese (Brown, 2017; Nayak, Akbari, & Maleki Far, 2019), Chinese (Chen, Perry, Yang, & Yang, 2017), Thai (Kittipichai, Arsa, Jirapongsuwan, & Singhakant, 2015), Canadian (Wilcock & Wright, 1991) and Italian (Arvidsson, Malossi, & Naro, 2010; Wu & Sheehan, 2011) textile production. Regarding specific employment quality dimensions, safe and healthy working conditions prevail as the subject of several studies in textile production (Fitch et al., 2017; Lindholm et al., 2016; Prentice, De Neve, Mezzadri, & Ruwanpura, 2018; Sharmin Absar, 2003; Steinisch et al., 2013).

# Framework

## 4. Theoretical framework

Sustainable Supply Chain Management (SSCM) has been chosen as the theoretical foundation for the proposed analysis of employment quality in the apparel industry. (Seuring & Müller, 2008) defined SSCM as “the management of material, information and capital flow as well as cooperation among companies along the supply chain while integrating goals from all three dimensions of sustainable development, i.e., economic, environmental and social, which are derived from customer and stakeholder requirements” (Seuring & Müller, 2008, p. 1700). Different theoretical frameworks exist on the topic, of which especially (Seuring & Müller, 2008) and (C. R. Carter & Easton, 2011) are referred to in the academic discourse (Köksal et al., 2017; Oelze, Brandenburg, Jansen, & Warasthe, 2018; Turker & Altuntas, 2014). As a theoretical backing for this research, the architecture by (Seuring & Müller, 2008) and its extension elements of barriers and enablers by (Köksal et al., 2017) have been selected. Both papers rest their framework on the insight that “social aspects and also the integration of the three dimensions of sustainability are still rare” (Seuring & Müller, 2008, p. 1699) in SSCM. Ten years after the paper by (Seuring & Müller, 2008), (Köksal et al., 2017) still bemoans “an ongoing lack of investigation regarding the social dimension of the triple bottom line in SSCM” (Köksal et al., 2017, p. 1). This reflects the emphasis of the research at hand on exploring dimensions of SS in supply chain contexts.

The theoretical framework (see Figure 2) is based on (Köksal et al., 2017) and (Seuring & Müller, 2008). Adjusted dimensions of *practices* and *standards* are used to adapt the framework to the proposed research<sup>2</sup>. This analytical framework has been developed based on recognized non-profit initiatives on human rights and labour standards (see 4.1). Thereby, the practices and standards are operationalized on a more detailed level for later analysis.

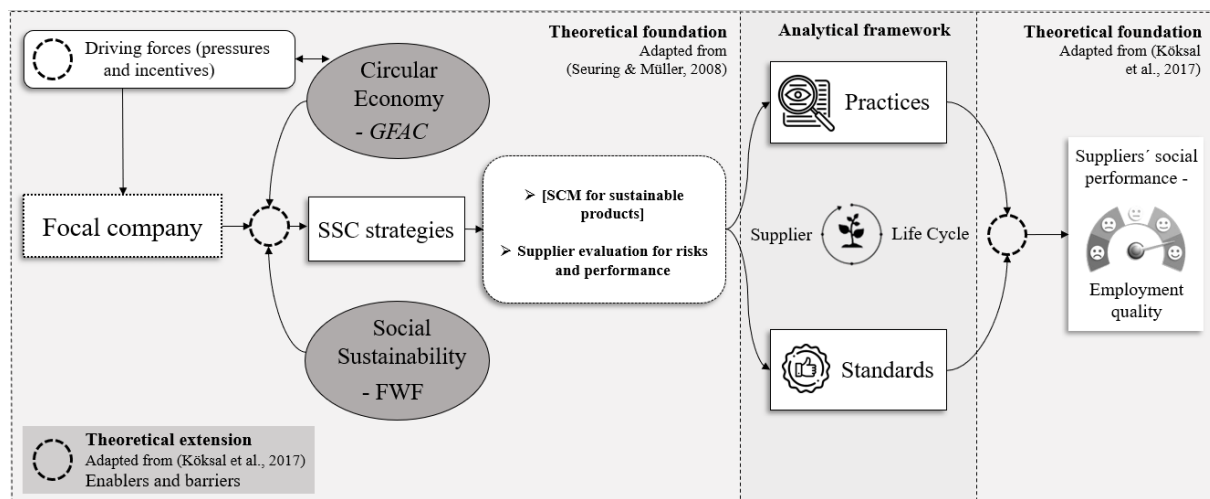


Figure 2 Integrated theoretical framework on SSCM and adjusted analytical levels, own illustration

(Seuring & Müller, 2008) have developed their framework as a response to their review of 191 papers on SSCM published between 1994 -2007 (Oelze et al., 2018). The framework reflects on empirical triggers (pressures and incentives) for SSCM and identifies two interlinked

<sup>2</sup> See Annexe chapter 10.12 for an overview of the frameworks and adapted elements.

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strategies to address those. Pressures are understood as, for instance, legal demands and regulation, stakeholders and customer demands, competitive advantage, risk of reputation loss, and social and environmental concerns (Seuring & Müller, 2008). These pressures are passed on to suppliers and impact the quality of employment. The emerging concept of the CE can also serve as a pressure or incentive (driving force), as understood for this thesis. (Seuring & Müller, 2008) then identify *supplier management for risks and performance*, and *supply chain management for sustainable products* as common strategies for more sustainable supply chain operations to respond to such pressures. For the first strategy, the risk evaluation of suppliers, standards play an important role, such as the SA8000. The second strategy is connected to the first strategy because the pursuit of sustainable products requires the monitoring and measurement of social impacts. This refers to “lifecycle-based standards” for product sustainability (Köksal et al., 2017, p. 1706) to ensure an “improved environmental and social quality” (Köksal et al., 2017, p. 1705) across the whole supply chain from raw material to the end product. This is necessary to make justified claims on the sustainability of a product. For the scope of this research, the strategy of *supplier management for risks and performance* has been put to the fore. In business practice, both strategies are framed by the relationship management of a supplier (Wagner, 2011), henceforth referred to as *supplier life cycle* (see also Figure 28 for an in-depth explanation).

(Köksal et al., 2017) used the framework of (Seuring & Müller, 2008) as a foundation for their review of 45 articles in SSCM. Contrary to the more generic framework of (Seuring & Müller, 2008), (Köksal et al., 2017) specifically focus on the apparel industry. The authors also exclusively look at the SSCM strategy for *supplier management for risks and performance*, omitting the product perspective. The main contribution to the framework is the extension of triggers (pressures and incentives) for SSCM. (Köksal et al., 2017) posit that “each actor of the sustainable supply chain can perceive pressures and incentives differently, and based on this, they [...] differ in their enablers, drivers, and barriers for a successful implementation of social risk management within the whole supply chain”(Köksal et al., 2017, p. 7). Hence, the authors redefine and specify *pressures* and *incentives* as *enablers*, *drivers* and *barriers* for different actors. (Seuring & Müller, 2008) also define barriers and supporting factors for the strategy of *supplier management for risks and performance*, but to a limited extent and only for internal management of the focal firm. (Köksal et al., 2017) extend this for stakeholders having an *external* impact, whilst the focal firm’s SSCM and also suppliers being impacted by these factors. For this thesis, the analytical category of different *barriers* and *enablers* informing the SSCM strategy by (Köksal et al., 2017) is used to find explanations for interpreting the results of the research question. This will later help to explain what shaped the respective supply chain strategy.

(Köksal et al., 2017) also goes one step further by clearly referring to the outcome of SSCM as a varying degree of the supplier’s social performance. Most indicators in their review refer to a broad mixture of employment quality indicators and human rights. For this research the outcome of SSCM shall simply be defined with the understanding of SS in employment by the Fair Wear Foundation. The social compliance initiative aims at improving employment quality in apparel supply chains. The Fair Wear Foundation’s vision for employment quality, dubbed *theory of change*, is defined as: “a world where workers in the garment industry see their rights

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to safe, dignified, properly paid employment realised” (“About us – Fair Wear,” n.d.). This is to be achieved through *enablers* on various levels, such as improvements in internal mechanisms, i.e. purchasing practices. Moreover, the definition demands systematic prevention, mitigation and remediation of risks and violations of labour rights throughout the supply chain, thus *supplier management for risks and performance*. Furthermore, a regulatory enabling environment for the effective enforcement of labour rights is deemed beneficial (“About us – Fair Wear,” n.d.).

Hence, for the purpose of this research, the core structure of (Seuring & Müller, 2008) has been selected to give the research a clear, process-oriented architecture. The proposed strategy of *supplier management for risks and performance* have been specified with the operational *standards* and *practices* embedded in the management of the supplier relationship (*supplier life cycle*). The configuration of *standards* and their operationalization through different kinds of *practices* then impact the quality of employment. The positioning of the focal firm towards circular or socially oriented sustainability drives the supply chain strategies and thereby the employment quality. Using the lens of *barrier* and *enabler* categories on different levels by (Köksal et al., 2017) helps to explain how the supply chain strategies are shaped. The *drivers*’ category is, for this research, narrowed down to the discourse around the adoption of the CE as an emergent sustainability concept. Furthermore, the *supplier life cycle*, *standards* and *practices* also correspond to the empiric framework elements of (Köksal et al., 2017) (see Annexe chapter 10.12 for a depiction). However, for these parts, a practical foundation has been chosen for analysis (see analytical framework)<sup>3</sup>. Overall, this theoretical architecture allows targeted conclusions on how CE is understood and implemented regarding the improvement of social challenges in the apparel supply chain. The results of this thesis are discussed against this theoretical architecture.

## 4.1 Analytical framework

The analytical framework (see Figure 3) has been developed based on recognized non-profit initiatives and practical approaches from industry players. This is important to ensure that the analysis is application-oriented and that it reflects business realities. Moreover, by using applied input material, the development of more nuanced categories of analysis is made possible. Lastly, the triangulation of input categories from different industry initiatives strengthens the validity of the categories used for the analysis.




The process underlying the analytical framework was based on 4 steps (see process, Figure 3): first, coding categories were selected from company benchmarks (policies, code of conduct, collaboration, purchasing practices, transparency, leverage). Then, those categories were defined and explained. In order to operationalize the analysis, core questions were developed as targeted guidance to what the analysis should respond to. Finally, indicators were developed for the coding (see coding framework Annexe chapter 10.5, 10.6 and 10.74). These comprised

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<sup>3</sup> The structuring by (Köksal et al., 2017) is not rigorously organized around its functional content, i.e. purchasing practices and sourcing relationships. Nonetheless, many of the categories presented in their paper are (implicitly) part of the analytical framework (see Figure 3).

<sup>4</sup> This coding framework was used to gather additional, necessary information on the company backgrounds to better contextualize the results of the research question

a specification of coding attributes and respective references.

<b>Analytical framework</b>		
 <span style="font-size: 1.2em; font-weight: bold;"><i>Supplier Life Cycle</i></span>		(Adidas, n.a.)
<b>Coding categories</b>	 <p style="text-align: center;"><i>Standards</i></p> <ol style="list-style-type: none"> <li>1. Policies for workplace standards</li> <li>2. Code of Conduct: labour &amp; environment</li> <li>3. Collaboration: membership for standards</li> </ol>	<p style="text-align: center;"><i>Process</i></p> <ol style="list-style-type: none"> <li>1) Selection of coding categories from company benchmarks</li> <li>2) Definition of coding category</li> <li>3) Definition of core questions per category</li> <li>4) Selection of indicators based on core questions</li> </ol>
	 <p style="text-align: center;"><i>Practices</i></p> <ol style="list-style-type: none"> <li>1. Purchasing practices</li> <li>2. Transparency</li> <li>3. Leverage – sourcing relationships</li> </ol>	

**Figure 3 Analytical framework, own illustration**

For the overarching context of supplier management (*supplier life cycle*) (see Figure 28), the analytical framework is based on the *Adidas framework on supply chain management*. Adidas has developed a supply chain management framework focused on 3 concurrent pillars: the process of supplier management in a relationship lifecycle, sourcing decisions such as the unilateral impact of the buyer company, and the parameter of long-term commitment as a mutual driver for sustainability improvements. Adidas’ management of human rights, employment quality and relationships throughout the supply chain is considered a best-practice example. Adidas leads the field in various benchmarks on social business conduct across various parameters<sup>5</sup>, such as in the Corporate Human Rights Benchmark (CHRB) analysis.

This is then substantiated with the coding categories of *standards* and *practices* for the research question. *Standards* determine the rules and procedures of supplier management, whereas *practices* inform the quality of implementation. The selection of *standard* and *practices* categories draws from a cross-section of parameters from internationally recognized benchmarking initiatives on labour issues in apparel supply chains, such as the holistic Corporate Human Rights Benchmark (CHRB)<sup>6</sup> and others (see Annexe chapter 10.1) with a

<sup>5</sup> Adidas leads the field in the KnowTheChain Benchmark 2018 against 43 of the largest global apparel and footwear companies, spearheads the renowned CHRB benchmark 2019 in the apparel sector against 53 companies, scores highest in the Fashion Transparency Index for 2017, 2018 and 2019 against 200 of the biggest fashion brands, and scores the highest category in the 2019 Ethical Fashion Report by the Baptist World Aid Australia. Moreover, Adidas fully aligns and participates in the *Transparency Pledge* set up by trade unions and human rights organizations such as Human Rights Watch and the Clean Clothes Campaign

<sup>6</sup> The CHRB index<sup>6</sup> specifically incorporates and references a wide range of internationally recognized standards for its benchmark indicators. The incorporated standards span ILO Conventions, the Global Reporting Initiative (GRI), the Fair Labor Association (FLA) Code of Conduct and Compliance Benchmarks, the Ethical Trading Initiative (ETI) Base Code, the SA8000 Standard and the Fair Wear Foundation Labour Standards (FWF) among others. Furthermore, the overlap of indicators between the CHRB and the Know the Chain benchmark on forced labour is outlined in detail in the document. Therefore, the indicators

comparison of benchmark categories). Other incorporated industry benchmarks in the field of apparel have specifically focused on certain aspects of employment quality and human rights, such as eradicating forced labour (KnowTheChain) or the Fashion Transparency Index from *Fashion Revolution*, focusing on disclosure.

### 4.1.1 Analytical framework standards

The analytical framework for *standards* is segmented by *policies*, *code of conduct* and *collaboration* (see Table 1). Following, the selection of the categories with respective benchmarks will be elaborated.

Analytical framework standards	Core questions	Benchmark reference
<i>Policies</i>	<ul style="list-style-type: none"> <li>➤ What publicly available policies are in place? What topics do they cover?</li> </ul>	Ethical Fashion Report 2019, Corporate Human Rights Benchmark (CHRB), Fashion Transparency Index
<i>Code of Conduct</i>	<ul style="list-style-type: none"> <li>➤ Do the companies cover the FWF benchmark code of labour practice categories?</li> <li>➤ On which benchmark is the code of conduct of sample group 1 based on?</li> <li>➤ Are companies exceeding the FWF benchmark with additional categories?</li> <li>➤ To what extent are environmental requirements part of the code of conduct?</li> </ul>	<i>Code of Labour Practices</i> by the Fair Wear Foundation, Ethical Fashion Report 2019, (Corporate Human Rights Benchmark (CHRB))
<i>Collaboration</i>	<ul style="list-style-type: none"> <li>➤ What memberships do the sample groups adhere to in order to improve aspects of employment quality and enabling conditions?</li> <li>➤ Do they seek other forms of collaboration?</li> <li>➤ Do the comparison groups differ in their collaboration patterns?</li> </ul>	Ethical Fashion Report 2019, As You Sow Report 2010

of the analytical framework that align with the CHRB indicators are verified, both for quality as well as being coherent with the FWF sample group requirements.



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Table 1 Analytical framework standards, own illustration

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#### 4.1.1.1 Policies

*Definition:* “Policies are rules and guidelines that define and limit action and indicate the relevant procedures to follow”.  
(Heery & Noon, 2017)

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Policies are an important complement to the code of conduct as they detail selected standard components of the code of conduct in greater detail. Moreover, they serve the implementation by associated supporting tools, such as guidelines and procedures. Some companies, such as *Reformation* require the signature of their policies by the supplier, whereas others use them as internal documents.

Policies are an indicator of the Ethical Fashion Report 2019, Corporate Human Rights Benchmark (CHRB) and the Fashion Transparency Index.

#### 4.1.1.2 Code of Conduct

*Definition:* “A set of desirable labour standards or employment practices that are adopted by corporations to regulate management practice in supplier companies, particularly those based in developing countries”.  
(Heery & Noon, 2017)

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The proposed *benchmark standard* on the category of employment quality is the *Code of Labour Practices* by the Fair Wear Foundation (“About us – Fair Wear,” n.d.). The Fair Wear Foundation is a multi-stakeholder initiative established in 1999 that independently audits the social performance of textile companies in line with its code of conduct (Lindholm et al., 2016). This code of conduct, the *Code of Labour Practices*, is derived from the framework on labour standards of the International Labour Organization (ILO) and the UN Declaration of Human Rights (“About us – Fair Wear,” n.d.). Importantly, research on various aspects of employment quality is not consistent in the coverage of dimensions due to different terminologies (Burchell et al., 2013). However, most private labour standards in apparel employ the term of employment quality as defined by the ILO (Fransen, 2011b).

Given its origin, the dimensions of the Fair Wear Foundation’s framework coincide with the ILO dimensions on labour standards, as well as other important frameworks in this field, such as the Fair Labour Association’s code of conduct (“Code of Conduct | Fair Labor Association,” n.d.) and the UNEP categories of S-LCA (Social Life Cycle assessment) (Benoît et al., 2013) (see also ) (Fransen, 2011a). This theory triangulation (N. Carter, Bryant-Lukosius, Dicenso, Blythe, & Neville, 2014) enhances the representativeness.

The choice of the code of labour practices by the Fair wear Foundation is justified because the initiative is specifically focused on the textile industry, thus, it is most pertinent to the research

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focus. Moreover, the provision of the member list of apparel companies adhering to the framework ensures a homogeneous sample group for SS. The dimensions of the *Code of Labour Practices* can be found in Annexe chapter 10.4.

Another side aspect is the question to what extent environmental requirements are incorporated in the code of conduct. Adding environmental concerns to the benchmark has been exemplified in the 2019 Ethical Fashion Report. As explained in the report: "a "truly ethical" company not only ensures their supply chain empowers workers and pays them a living wage, it also understands its impact on the environment and manages its footprint to keep waterways, the earth, and the atmosphere healthy. Correspondingly, it is the workers in the fashion supply chain that most acutely feel the detrimental effects of poor environmental management" (Tatzenko, Hart, & Hollister-Jones, 2019, p. 22). This is also important to respond to the question to what extent the CE is prevalent in labour standards. Mostly understood in terms of environmental impacts, its implicit incorporation in labour standards is therefore of great interest.

#### 4.1.1.3 Collaboration

Collaboration is a necessity for the CE in closing fragmented material loops within and between different industries, moreover, to alleviate the scale-up of enabling technologies. Collaboration is, however, equally important for improving social supply chain performance. For this reason, it has found its way in industry benchmarks and Adidas' partnership approach<sup>7</sup>.

For example, the Ethical Fashion Report 2019 and the As You Sow Report 2010 on compliance practices incorporate the dimension of collaboration. Especially the latter report distinguishes between collaboration on various levels, such as *facilities*, *audits* and *standards*, to name a few. Collaboration, especially on shared audits and training, was found to be crucial for geographical contexts of lenient law enforcement. The Ethical Fashion Report 2019 praises the collaboration in the context of the *Accord on Fire and Building Safety* in Bangladesh as a best-practice example.

KnowTheChain is a collaborative partnership of organizations with the goal to tackle forced labour and rate companies on their efforts to do so. It compiles a benchmark methodology with seven criteria of *Commitment and Governance*, *Traceability and Risk Assessment*, *Purchasing Practices*, *Recruitment*, *Worker Voice*, *Monitoring*, *Remedy*. These criteria stretching various fields show that one aspect of employment quality, such as QW3 – no forced labour, requires a variety of interventions across the supply chain and practices. Standards and memberships specific to these challenges then respond to the formalization of tackling these issues in a (collaborative) way. This is also underlined by the Pulse of Fashion Industry Report 2019, pointing out that "Given the knowledge building and collaborative nature of associations like [example], joining them can strongly contribute to a company's ability to set targets, define strategies and build governance foundations" (Lehmann et al., 2019, p. 5).

Collaboration as a key indicator is gauged by the level of engagement of apparel companies in different memberships and organizations. For this research, collaboration is assessed by the

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<sup>7</sup> <https://www.adidas-group.com/en/sustainability/managing-sustainability/partnership-approach/>

adherence to memberships and standards for aspects of employment quality.

#### 4.1.2 Analytical framework *practices*

The analytical framework categories of *practices* are comprised of *purchasing practices*, *transparency*, and *leverage* (sourcing relationships) (see Table 2). Hereafter, the selection of these categories will be explained.

<b>Analytical framework <i>practices</i></b>	<b>Core questions</b>	<b>Benchmark reference</b>
<i>Purchasing practices</i>	<ul style="list-style-type: none"> <li>➤ What “sustainable” purchasing practices are named?</li> <li>➤ Do the sample groups differ in the purchasing practices they employ?</li> </ul>	Ethical Fashion Report 2019, As You Sow 2010 Report, KnowTheChain benchmark, Corporate (Human Rights Benchmark (CHRB))
<i>Transparency</i>	<ul style="list-style-type: none"> <li>➤ Do the companies openly publish their supplier lists to enable collaboration?</li> <li>➤ Do they have knowledge of their supply chain beyond tier 1?</li> </ul>	Ethical Fashion Report 2019, As You Sow 2010 Report, KnowTheChain benchmark, Fashion Transparency Index, Corporate Human Rights Benchmark (CHRB)
<i>Leverage - Sourcing relationships</i>	<ul style="list-style-type: none"> <li>➤ Do the sample groups differ in their leverage structures?</li> <li>➤ Do sample groups employ different strategies to increase leverage?</li> </ul>	Fair Wear Foundation brand performance check, Ethical Fashion Report 2019

**Table 2 Analytical framework practices, own illustration**

##### 4.1.2.1 Purchasing practices

*Definition:* “Purchasing practices are the way that global retailers & brands interact and do business with the manufacturers that supply their products. Purchasing practices encompass strategic planning, sourcing, development, purchasing (buying) and the underlying behaviours, values and principles which impact workers.” (“Purchasing practices - ACT,” n.d.)

Purchasing practices ostensibly seem to be separated from employment quality but are, in fact, highly interrelated: “[...] factory conditions cannot be separated from the purchasing practices of brands” (*Brand performance check guide*, 2018, p. 6). This statement from the FWF has also been confirmed by research findings, pointing out the importance of this lever (Early, 2017; Ethical Trading Initiative, 2007; Galland & Jurewicz, 2010; Starmanns, 2017). Purchasing

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practices are therefore also the focus of industry benchmarks as a tool to directly improve employment quality, especially wages and overtime (Galland & Jurewicz, 2010). For instance, in 2010, the Clean Clothes *AsYouSow* initiative defined best practice impact categories for purchasing in apparel threefold as forecasting, product management (product life cycle management, capacity management, scorecards) and pricing (costing, wages and overtime) as most relevant levers next to company culture (Galland & Jurewicz, 2010). Another report from 2010, in which the organisation assessed apparel companies' compliance programs for labour quality, included purchasing practices (Galland & Mackerron, 2010). Also, the Fair Wear Foundation assesses purchasing practices in their *brand performance checks* as well as the KnowTheChain benchmark.

Moreover, purchasing practices are implicitly covered in the indicator of supplier relationships in the Ethical Fashion Report 2019 and the As You Sow 2010 Report on compliance programs. In those benchmarks, preferred supplier programs are considered. According to the stick-and-carrot principle, suppliers are rewarded for their performance by greater order numbers or other purchasing levers. This in parts also corresponds to the assessment stage in the supplier life cycle (see Figure 28).

#### 4.1.2.2 Transparency

*Definition:* “credible, comprehensive and comparable public disclosure of data and information about fashion’s supply chains, business practices and the impacts of these practices on workers, communities and the environment”. (Ditty, 2019, p. 16)

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Transparency is a key indicator in all examined benchmarks, either phrased as traceability or transparency. Transparency as such, is the broader term, whereas traceability refers to the knowledge on the supplier base across various tiers. The two terms coincide with this assessment, as the analysis of transparency will be limited to the knowledge and disclosure of supplier information. Transparency is an important driver as it enables collaboration and leverage. Moreover, transparency is inevitable for the proliferation of circular practices in terms of material safety for product cascading and connecting material loops.

#### 4.1.2.3 Leverage – Sourcing relationships

*Definition:* “Leverage is partly defined by the share of the production volume the brand buys from a factory and the length of the business relation but is not a static concept. It can be influenced by a range of mechanisms, including [...] through collaboration with other customers or parties”. (*Brand performance check guide*, 2018, p. 116)

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Leverage refers to the control that companies have over their suppliers. The more leverage a company has, the easier it is to enforce and shape standards of employment quality. This depends on the sourcing relationships: a company can either own their own production facilities

(investee company), source through agents, have production facilities with high leverage or *tail end* sourcing (order volume <2%<sup>8</sup>). These sourcing hierarchies are also integrated into the Adidas supplier relationship overview (see Figure 28). Leverage can be improved by collaboration (Tatzenko et al., 2019), i.e. through shared audits or facilities. This is particularly important for smaller brands with small order volume. Another option is to cultivate a set of key suppliers and to actively reduce *tail end* production.

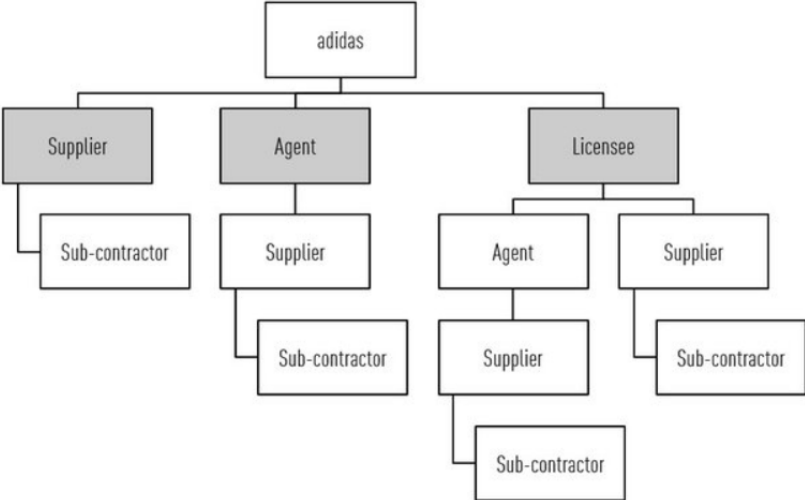


Figure 4 Complexity of supplier relationships, (Adidas, n.a.)

Leverage is assessed in detail by the Fair Wear Foundation brand performance check. The Ethical Fashion Report 2019 also evaluates leverage, pointing out that “increasing leverage [...] improves the capacity for a company to advance positive change in the facilities it sources from” (Tatzenko et al., 2019, p. 35). The Ethical Fashion Report 2019 then also highlights a best practice example for sourcing relationships, in which a brand opened its own production facilities (investee company). This way, high employment standards were safeguarded, and the company could offer a range of additional employment benefits.

<sup>8</sup> See definition by FWF

# Methodology

# 5. Methodology

## 5.1 Research design

The research applies a qualitative, comparative design with mixed deductive and inductive methodological steps (see Figure 5 and Figure 6). First, corporate reports and information available on the web presence of apparel entrepreneurs invested in SS and circularity were deductively compared (see Figure 5, analysis of status quo). The comparison was performed against a set of criteria of quality of employment *standards* and *practices* (“How do the companies act”). Secondly, inductively designed interviews were conducted to develop potential hypotheses explaining the results of the research question (see Figure 5, *barriers* and *enablers*) (“What might impact the action of the companies”). Thirdly, a commentary on two conclusive questions was requested by relevant actors (see Figure 5, vision on the link) (“How would the companies like to act”). This served to also help find hypotheses in order to explain results of the research question. However, the focus of the questionnaire was placed on the vision of the link between employment quality and the CE. The overall intention was to dissect differences between social and circular commitments regarding their impact on employment quality. The goal was to thereby help fill the conceptual gap of how CE impacts employment quality and by which factors the link is informed.

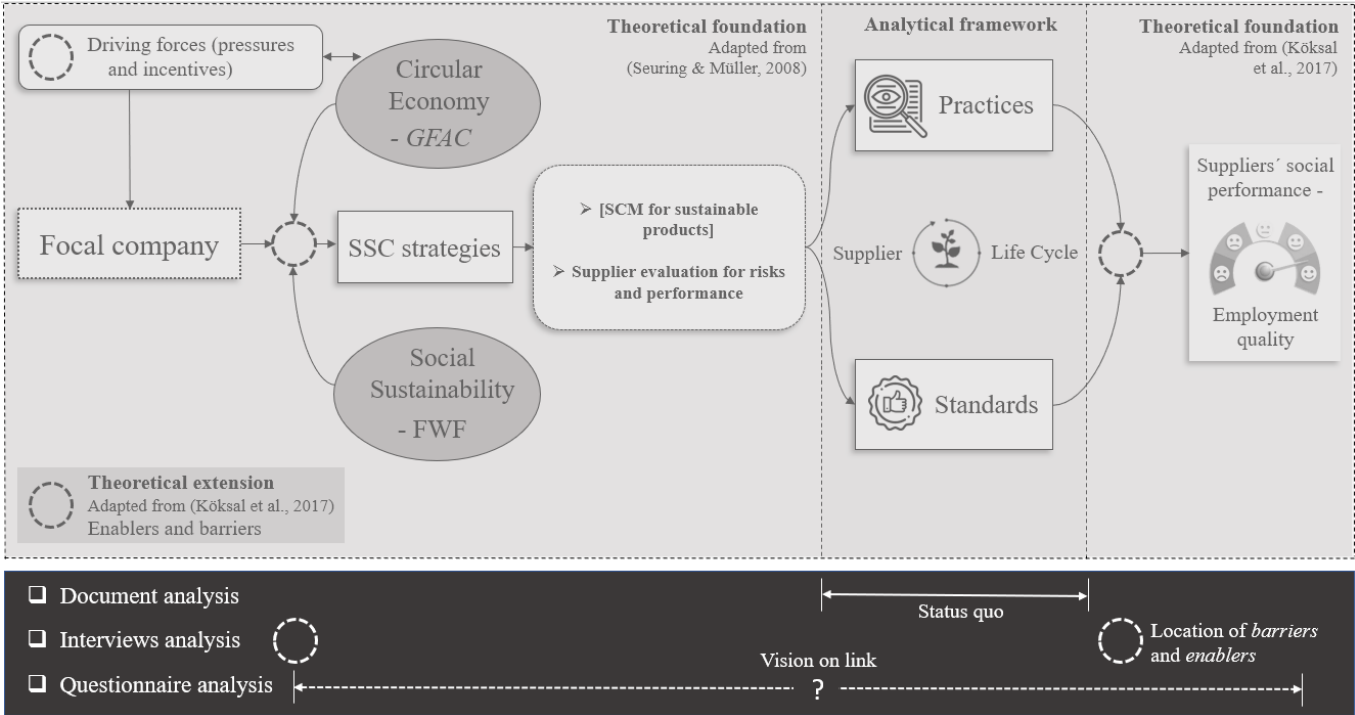


Figure 5 Connection of the theoretical framework and methodology, own illustration

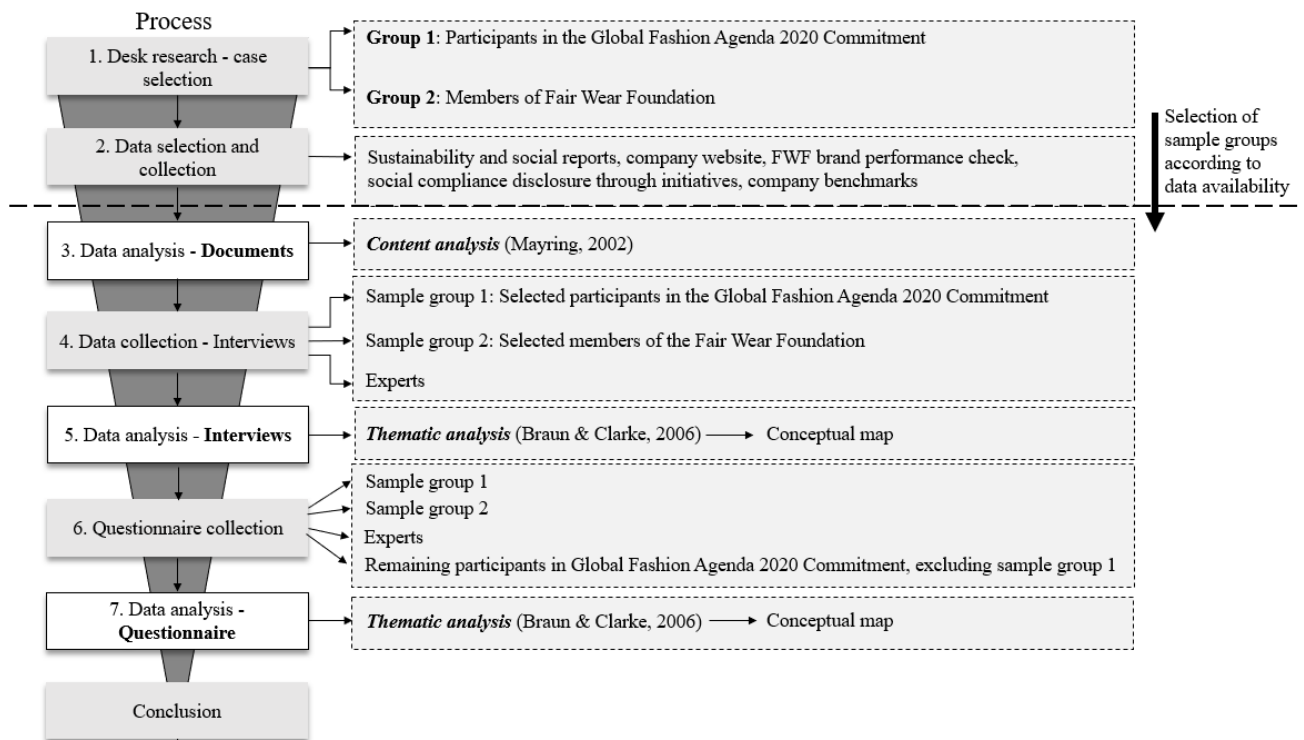


Figure 6 Methodological process, own illustration

## 5.2 Data collection

The data collection was divided into three parts, complementing each other (see Figure 6 for a depiction of the methodological process). A triadic, stepwise procedure for data collection was employed: first a document content analysis to answer the research question, then both semi-structured interviews and finally a short questionnaire to comprehensively contextualize the results. Combining different methods can enhance data reliability and validity of results (Golafshani, 2003). According to (Bowen, 2009), document analysis is often combined with other qualitative research methods in a complementary manner. This thesis research built on different methods of data collection to illuminate potential hypotheses that, complementary, explained results derived for the research question. As such, a more nuanced and rich interpretation of the results could be achieved.

### 5.2.1 Case selection

First, desk research was conducted to identify a suitable circular fashion sample and a reference sample consisting of socially oriented apparel businesses. For this purpose, member companies of the *Global Fashion Agenda 2020 Commitment* and the *Fair Wear Foundation* have been selected<sup>9</sup>. Moreover, to complement the circular fashion sample, 2 additional fashion companies were added from the Ellen Mac Arthur “Make Fashion Circular” initiative<sup>10</sup>.

<sup>9</sup> Important background information on the companies can be found in Figure and Figure .

<sup>10</sup> These companies were not part of the Global Fashion Agenda 2020 commitment but nonetheless signalled their circular ambition by their participation in the Ellen Mac Arthur initiative.



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### **Sample group 1 – Circular fashion entrepreneurs**

The comparison group for the companies committed to transforming towards the CE was drawn from the *Global Fashion Agenda 2020 Commitment*. The initiative starting out in 2017 in the wake of the Copenhagen Fashion summit and positions itself as a “leadership forum on sustainability in fashion”(Global Fashion Agenda, 2018). The initiative is a relevant domain for a sample of circular oriented fashion businesses as it covers 12.5% of the fashion market, which translates to 90 signatories (“Global Fashion Agenda — 2020 Commitment,” n.d.). Companies that commit to this initiative need to define at least one target for one of the four circular action points:

- 1) *Implementing* design strategies for cyclability
- 2) *Increasing* the volume of used garments and footwear collected
- 3) *Increasing* the volume of used garments and footwear resold
- 4) *Increasing* the share of garments and footwear made from recycled post-consumer textile

#### **Fibres**

The Ellen Mac Arthur initiative “Make Fashion Circular” was also launched in 2017 during the Copenhagen Fashion Summit within the Circular Fibres Initiative. The initiative brings together “leaders from across the fashion industry, including brands, cities, philanthropists, NGOs, and innovators”(“Make Fashion Circular,” n.d.) to collaborate on necessary innovation in the field. The participants also comprise upstream and downstream textile companies in spinning/knitting, textile recycling and collection. With the exception of the two selected companies from this group, a small range of participants was also part of the Global Fashion Agenda 2020 commitment. The two selected companies from this initiative both belong to the luxury segment, which complements the overall sample group in reflecting all apparel segments.

### **Sample group 2 – Socially invested fashion entrepreneurs**

For this comparison group, the member list of the Fair Wear Foundation was consulted. The Fair Wear Foundation only accepts memberships of companies with an annual turnover of >10 million € in 2020, which significantly increased from 2019 (2.5 million €). Moreover, member companies have to upfront meet the requirements of more than 50% production in countries where Fair Wear is present, and at least 50% own<sup>11</sup> production (Fair Wear Foundation, 2020). This list currently contains 186 brands that commit to “support[...] workers in realising their rights to safe, dignified, properly paid employment”(“About us – Fair Wear,” n.d.), according to eight dimensions defined in the *Code of Labour Practices* by the Fair Wear Foundation (see Annexe chapter for detailed information). The list contains companies operating in apparel, sportswear, textile and B2B clothing production.

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<sup>11</sup> Own production refers to own product range as opposed to external products offered in the product range from other brands; this is important for i.e. workwear companies

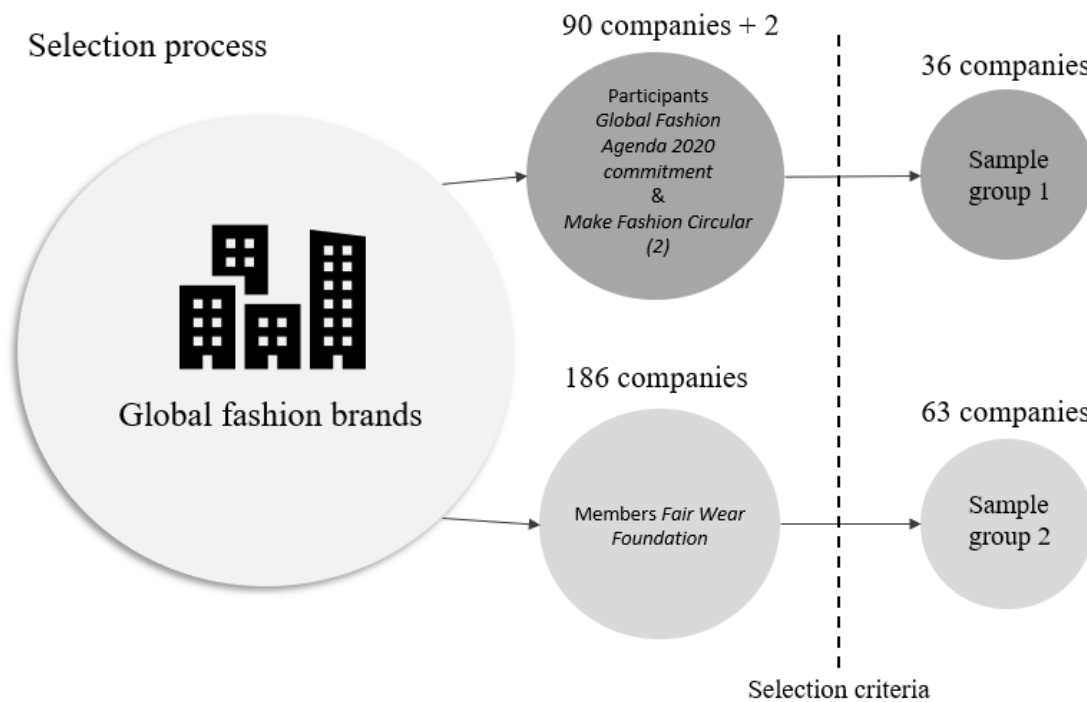


Figure 7 Selection process of sample groups, own illustration

### Selection criteria – data availability

Companies that only provided a compulsory performance check within the Fair Wear Foundation’s membership were taken out of the sample, as the information in these performance check reports does not reflect active communication of the company strategy beyond the membership.

From the member lists provided by the two organizations, brands belonging to the same company were grouped and counted as one company. Moreover, companies of which the company website could not be accessed were taken out of the sample to ensure that the company was still actively operating. Of the remaining companies, only those were taken for the sample that had uploaded or made available, an annual, social or sustainability report no older than 5 years by 2019, written in English.

Overall, after the selection 36 companies were identified for sample group 1 and 63 companies of sample group 2 (different brands assigned to parent company). The 3 companies that were part of both, the FWF and the *Global Fashion Agenda 2020 Commitment* were fully counted within each sample group.

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## 5.2.2 Data selection

### Document analysis

#### Document collection

Company reports, and information provided on the respective web pages of the two sample groups were used for the *standards* criteria and *practices* dimensions. As an additional data source, *brand performance check reports* of the FWF were taken as data input for sample group 2. Moreover, for all companies, information on the coding categories as published by memberships in social compliance initiatives (i.e. ETI), and the chosen benchmarks (see Annexe chapter ), were taken as data input.

### Interview analysis

#### Sample groups: interview responses

For the interviews, all companies (99 in total) from both sample groups were contacted per email. In total, 14 interviews were conducted for the research<sup>12</sup>. All interviews were conducted per Skype, Microsoft Teams or phone, given the geographically dispersed location of respondents across various countries. This method is also considered a convenience factor for the participants (Janghorban, Roudsari, & Taghipour, 2014). A disadvantage of telephone interviews, especially, is that non-verbal cues cannot be expressed, background noise might hinder the understanding, and the concentration span of the participants for interviews longer than 30 minutes impacts the quality of collected data (“Conducting a Research Interview-ClinicalKey,” n.d.).

The distribution of interview participants can be seen in Table 3.

Sample group 2	Sample group 1
✓ Starsock (socks)	✓ Suitsupply (fashion)
✓ Armedangels (fashion)	✓ Nudie Jeans (jeans)
✓ Schijvens (workwear)	
✓ Manroof (workwear)	
✓ Kjus (outdoor)	
✓ JBC (fashion)	
✓ Kings of Indigo (jeans)	
✓ Sandqvist (bags)	
✓ Bierbaum Proenen (workwear)	

**Table 3 Interview partners in the sample group, own illustration**

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<sup>12</sup> Of the circular comparison group, 2 companies were willing to conduct an interview, 8 companies declined, and the remaining companies did not respond to the request. In the social comparison group, 7 companies declined, 9 agreed and the rest did not respond to the inquiry. With reference to the high amount of big companies in the circular group, refusal was justified by the extensive public information made available by the companies, and capacity constraints. The latter applied predominantly to the smaller companies in the social comparison group.

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## Expert group: interview responses

Moreover, 3 expert interviews were conducted (see Table 4). All expert interview partners were collected in desk research with heterogeneous, purposive sampling (Cole, n.d.) within the fashion and textile industry. Importantly, the interviewed experts were selected for their expertise in the field of circularity and fashion.

The experts were contacted by email or LinkedIn, whatever was available. From the contacted experts, only 3 agreed on an interview (see Table 4). Requests were sent to relevant employees from the Circle Economy textile program, AMFI lecturer on Supply Chain Management from the circular master program, Ellen Mac Arthur Foundation textile section, Global Fashion Agenda 2020 content creation, Fashion for Good, Sustainable Apparel Coalition (Social and Labour Convergence Program). The Fair Wear Foundation publicly informs on its website of not supporting student research due to capacity limits. More experts were contacted but did not respond or were not available for the request (see Annexe chapter 10.11).

Expert	Position	Organization
✓ Sander Jongerius	Policy Advisor	Dutch Agreement on Sustainable Garments and Textiles, multi-stakeholder coalition of industry organisations, trade unions, civil society organisations and the Dutch government
✓ Jiehui Kia	Principal Strategist, Circular Economy lead APAC	Forum for the future, NGO
✓ Natalia Papú Carrone	Researcher and Analyst, Circle Textiles	Circle Economy, Consultancy

Table 4 interview partners in the expert group, own illustration

## Interview design

In order to direct the interviews, an interview guide with semi-structured questions was developed (see Annexe chapter 10.9). Because of the high diversity of the interview companies (size, outdoor, workwear, fashion, bags), the questions were structured around relevant core topics to complement the document analysis. The choice of semi-structured questions facilitated the necessary adaption of the interview questions to the respective company.

As a methodological choice, semi-structured interviews comprise a mixture of closed- and open-ended, as well as follow-up questions. This question design is “time-consuming, labour intensive, and require[s] interviewer sophistication” (Adams, 2015), yet, offers benefits, when probing questions on sensitive topics are required that would not be candidly answered in focus group research (Adams, 2015). This is particularly relevant for the delicate question of employment conditions in a, thereto relating, ill-famed fashion industry. Moreover, in terms of the academic value, semi-structured interview questions offer the benefit of untapping “totally unforeseen issues” (Adams, 2015) which can enrich results of the more restricted deductive report coding.

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The interview questions in the expert interviews (see Annexe chapter 10.10) were of unstructured nature, given the very different professional roles and context of the organizational work. This method is deemed especially valuable when flexibility is required (Gideon & Moskos, 2012).

## Questionnaire analysis

### Questionnaire responses

For the preceding interview step, mostly companies from sample group 2 agreed to an interview. In order to balance the results towards a more equal input of data, and to help explain the results of the research question specifically regarding the circular vision of companies, an innovative method was tried. Short written commentaries were requested from apparel companies. In its methodological core, this method resembles a very short survey. This method has the advantage of equal stimuli for respondents, and that privacy and convenience to respond create “*the potential to evoke more thoughtful answers from respondents*” (Henninger & Sung, 2012, p. 303). This is because the answers are “*likely to [...] be less spontaneous*” (Mesch, 2012, p. 315). Possible disadvantages are response and non-response bias as respondents with particularly strong emotions on the subject might be incentivized to respond (Henninger & Sung, 2012). Moreover, it cannot be ensured that the respondent understands the intent of the question. Therefore, it is important to phrase the questions consistently and simple wording to ensure reliability of the responses (Henninger & Sung, 2012). Validity errors may occur in the fields of measurement, sampling, coverage, and non-response (Henninger & Sung, 2012). This has been considered for the design and interpretation of this questionnaire. Moreover, the questionnaire has deliberately been kept very short as “*professionals working in corporate settings may be less responsive to lengthy mail questionnaires*” (Henninger & Sung, 2012, p. 307) and research as shown that the response rate is generally higher with shorter questionnaire length (Henninger & Sung, 2012).

For the purpose of this questionnaire, all companies from both sample groups, except the ones that had already declined an interview, were contacted again. This is because research has shown that repeated requests improve response rates (Henninger & Sung, 2012). Moreover, all participants in the Global Fashion Agenda that were not selected for the sample group (37) were contacted for this request.<sup>13</sup> The request contained to submit an opinion to the following two questions:

1. How, do you think, are circularity and fair working conditions connected?
2. Should labour standards in textile manufacturing for a "100% circular" product exceed existing minimum standards for "non-circular" textiles?

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<sup>13</sup> Except *Kozm, Stella Soomlais, Vestiaire Collective*. For those companies, contact details were not available or the questions were not applicable.

This method proved to be successful. In total, 17 companies and 1 expert responded to the request (see Table 5).

Sample Group 1		Sample Group 2		Expert
Company	Contact	Company	Contact	
Iriedaily	Isaac Waldvogel	MUD jeans	Laura Vicaria	Kim Poldner, Professor of Circular Business at The Hague University of Applied Sciences, serial entre- searcher in sustainable fashion
Stella and Stanley	Bruno Van Sieleghem	Vagabond	Ulrika Simonsson	
GREIFF Mode	Melanie Fürch	OVS Spa	Simone Colombo	
LaDress	Deuter Sport GmbH	Things I Miss*	Tina Princ	
Nisolo	Matt Stockamp	Stormie &	Caroline von Post	
Hydrowear	Laurens Voors	Poodle*	Jenny Nielsson	
HempAge	Robert Hertel	Aurora Sofia*	Lars Riis	
Post CH AG	Jenny Wyss	ELSK*		
King Louie	Laura Tol			
Dawn Denim	Leslie Götz			
		*not part of the sample groups but Global Fashion Agenda Commitment		

Table 5 Respondents to questionnaire, own illustration

### 5.3 Data analysis

#### Document analysis

For the data analysis, content analysis (see figure 2) and specifically document analysis were employed. Content analysis is a suitable technique for “making replicable and valid inferences from texts [...] to the context of their use” (Krippendorff, 2004). This technique has the benefit of positioning itself “at the crossroads of qualitative and quantitative methods”, moreover, permitting “quantitative analysis of seemingly qualitative data” (Konracki, Wellman, & Amundson, 2002). Therefore, this method is well-suited for this qualitative research, and especially the analysis of corporate data such as reports and websites.

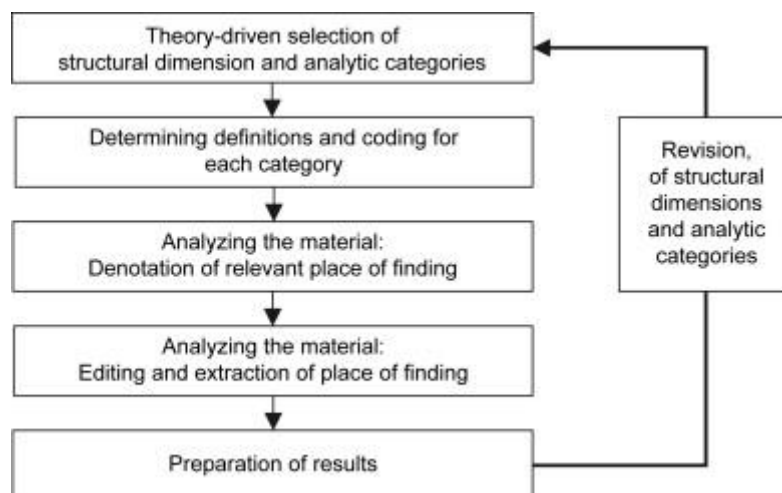


Figure 8 Process of content analysis, (Mayring, 2002)

The documents were coded A priori (Stemler, 2001), with the established dimensions of the *standards* and *practices* as defined earlier for the analytical framework (see Figure 3). Pertinent

information was gathered to respond to the core questions for each category according to selected indicators (see Annexe chapter 10.5). The coding was facilitated by using a manual Keyword in Context (KWIC) (Stemler, 2001) search for certain coding categories (see Annexe chapter 10.5). The keywords were found using the wording prevalent in the documents and then expanded with a “snowball-technique” from equivalents found in further literature. KWIC search has also been employed in a similar manner by the foundational paper of (Köksal et al., 2017) in their literature review. The results were then analysed for each coding category and differences discussed for the sample groups.

Other research on employment standards used a similar methodology. Using a comparable data basis of sustainability reports and codes of conduct, (Islam, 2015) researched the prevalence of ILO workplace human rights standards. The research differed in its longitudinal set-up and the limited size of the sample. However, the research successfully employed content analysis as well. Another study by (Turker & Altuntas, 2014), analysing company reports for the topic of sustainable supply chain management in the fast fashion industry equally employed content analysis. The author compared extracted segments of the reports with pre-defined categories of the supply chain framework by (Seuring & Müller, 2008).

## Interview and questionnaire analysis

The subsequent coding of interviews was done using thematic analysis, which is different from a content analysis in that it is “purely qualitative, detailed, nuanced” (Vaismoradi, Turunen, & Bondas, 2013, p. 400). For the thematic analysis of the interview transcripts, the procedures as described in (Braun & Clarke, 2006) were employed (see Table 6). *Theoretical thematic analysis* has been chosen within the methodology, using a *semantic approach*. This means that “the themes are identified within the explicit or surface meanings of the data” (Braun & Clarke, 2006, p. 84).

Phase	Description of the process
1. Familiarizing yourself with your data:	Transcribing data (if necessary), reading and re-reading the data, noting down initial ideas.
2. Generating initial codes:	Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.
3. Searching for themes:	Collating codes into potential themes, gathering all data relevant to each potential theme.
4. Reviewing themes:	Checking if the themes work in relation to the coded extracts (Level 1) and the entire data set (Level 2), generating a thematic ‘map’ of the analysis.
5. Defining and naming themes:	Ongoing analysis to refine the specifics of each theme, and the overall story the analysis tells, generating clear definitions and names for each theme.
6. Producing the report:	The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis.

Table 6 Phases of thematic analysis, (Braun & Clarke, 2006, p. 87)

After identification of various codes, these were grouped together to themes and related back to the pre-defined categories of the theoretical framework, the *enablers*, and *barriers*. Based on these results, a conceptual map was developed, relating all aspects to one another. For the questionnaire analysis, recurring themes were identified in the same manner and grouped into a simple concept map to illustrate the findings. The results were discussed against the theoretical framework.

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## Limitation

The methodological choices for this thesis exhibit some limitations. Two main limitations concern the data collection.

Firstly, the choice of sample groups according to the commitments in the *Fair Wear Foundation* and *Circular Fashion Agenda Commitment 2020* assumes a deliberate positioning towards a social or circular orientation. This neglects the complexity of membership choices, corporate capacity and communication objectives behind such choices. This could have been improved by eliminating companies of sample group 2 from the selection that displayed a strong orientation towards circular objectives without being part of the Global Fashion Agenda 2020 commitment. An example of this is the company *Schijvens* or other workwear companies, such as *Havep* and *Heigo*. This would lead to more homogeneous sample groups.

A second limitation is the limited number of companies from sample group 1 for the interviews. It has been attempted to partly remediate this shortcoming by the subsequent questionnaire analysis. However, the questionnaire analysis cannot guarantee a consistent quality of responses, and therefore rather yield exemplary responses. Another limitation concerning the data analysis is the validity of the results. There is limited intercoder reliability with only the author of this thesis selecting interesting questionnaire responses and grouping them. This could have been improved by adding another researcher for comparison and discussions on the relevance of the questionnaire. Moreover, the grouping of questionnaire responses could have been verified.



# Results

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## 6. Results

### 6.1 Results document analysis

The results chapter presents the different categories within *standards* and *practices* as a result of the document analysis. The goal is to see, whether sample group 1 and sample group 2 differ in the results per category and overall for the aggregated perspective on *standards* and *practices*.

#### 6.1.1 Standards

##### 6.1.1.1 Policies

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**Core questions**

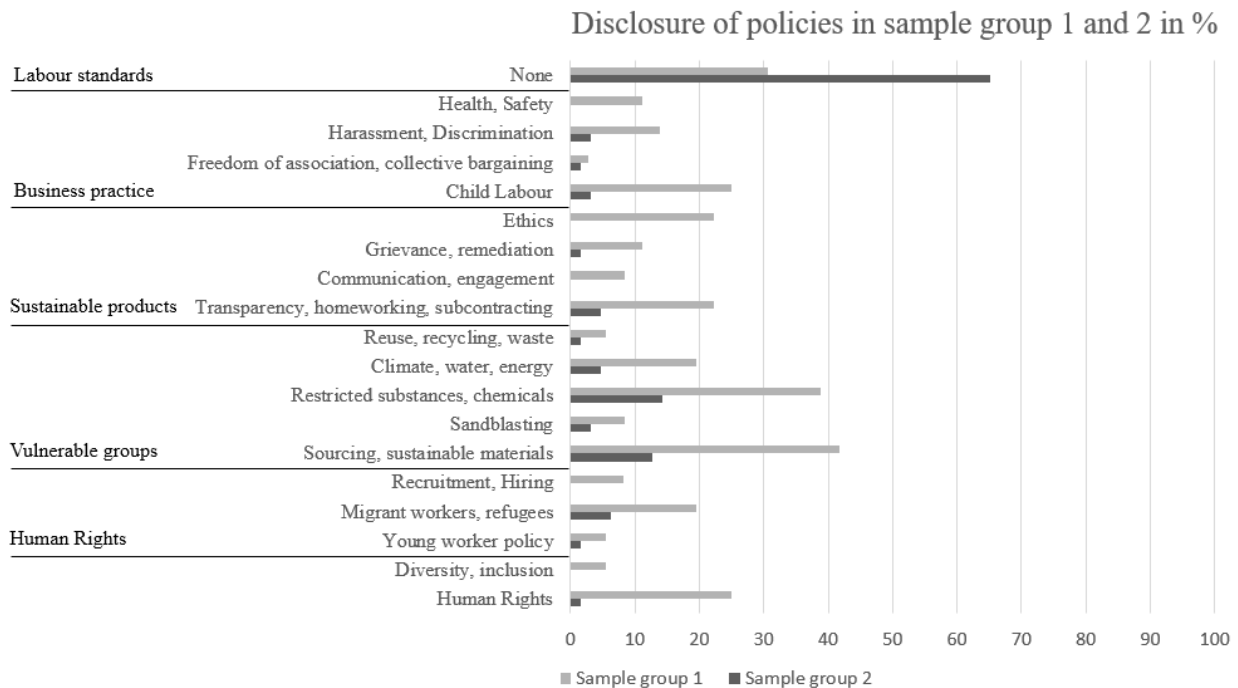
- What publicly available policies are in place? What topics do they cover?
- 

The policies<sup>14</sup> found for comparison group 1 (see annexe 10.16) are complementing the code of conduct in scope. Collected separately in this work, they show that sustainable materials and material safety (restricted substances) as environmental indicators play a significant role. In the same line, water and energy management were also of importance, altogether stressing the role of cleaner production. Given the high environmental impact of the textile industry on fibres and processing steps, the policies reflect the need to provide respective rules and guidance to the suppliers. Social policies were prevalent to a lesser extent, of which child labour and human rights were the most frequently mentioned. Overall, 27% of the examined companies in sample group 1 did not mention or publish policies<sup>15</sup>.

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<sup>14</sup> The data as present in company reports and web pages for the comparison groups showed significant variability in the terminology used. *Policies*, *guidelines*, *principles*, *standards*, *commitments* and *strategies* were used interchangeably. Accordingly, the Fashion Transparency Index counted policies, standards, guidelines etc. as a common metric in their analysis of policy prevalence (Ditty, 2019). In order to dissect differences between the comparison groups on a more detailed level, and to limit the workload, only formalized policies and standards were examined. Companies making statements of intent or describing future steps and current strategies were not considered. Moreover, the recipient varied. Some companies mentioned internal documents. Others made public statements directed to the own company, or directly addressed the supplier. For the purpose of this section, only documents specified as *policies*, or *policies* mentioned were included in the scope. This was employed to increase the rigour of analysis. Policies and standards build on enforcement, are permanent by nature and in case of policies, signed by senior management. Guidelines detail suggested action points towards best-practice and are supported by procedures. In this line, policies and standards as understood for this section, are binding, supplier-facing rules to formally ensure employment quality.

<sup>15</sup> Policies were only counted as such if they were addressed as *policy* or *principle* to distinguish them from the standards' section



**Figure 9 Policies found in sample group 1 and 2, own illustration**

Importantly, for sample group 2, the Fair Wear Foundation provides policies and guidelines for its members. For example, a child labour policy, harassment and violence systems, as well as guidelines on a responsible strategy and age verification in Myanmar are available for download. However, uptake is voluntary. Additionally, the following policies were found (see Figure 9). Within the categories, environmental concerns prevailed again with product safety (chemicals) and material sustainability, followed by sourcing policies and refugees.

The latter was prevalent in both groups as an important social parameter: 12,5% of the companies that mentioned policies in group 2, and 22% of group 1 had a policy on refugees and migrant workers. In group 2, it was the most important social policy. Of group 2, 1 company listed a generic, internal policy. 41 companies (63%) did not mention or publish a policy. In this respect, the share of companies in sample group 1 that did not publish or mention a policy is about half that of sample group 2.

A reason for this is that the FWF already provides pertinent, internal policy and guideline material for its member companies. Moreover, internal policies might be shared with the FWF for the purpose of professional verification, yet not published online. In the same line, it was mentioned by brands that suppliers have or are expected to provide their own policies in line with labour standards. Also, certain certifications, such as i.e. GOTS for the environment, incorporate formalized requirements. As such, companies might rely on certification of their products and production methodologies and thereby outsource the need for policies. Moreover, the bigger the company the more complex the supply chains are. Thus, the broader the geographical scope with related risks the greater is the need for formal policies. The greater share of small companies in comparison group 2 could, therefore, explain the significant difference in the publishing of policies.

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However, it also shows that except for some cases, the companies in group 2 are much less transparent and more informal in their approach to policies. Own accountability through open information on i.e. publicly accessible policies is thereby not given.

### 6.1.1.2 Code of Conduct – labour & environment

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- Core questions**
- Do the companies cover the FWF benchmark code of labour practice categories?
  - On which benchmark is the code of conduct of sample group 1 based on?
  - Are companies exceeding the FWF benchmark with additional categories?
  - To what extent are environmental requirements part of the code of conduct?
- 

There is a significant number of social codes of conduct available for companies operating in the apparel industry (see Table 7). Each is tied to an organization offering complementary services for implementation, monitoring and remediation as a standard or certificate. The scope of the codes is very similar across the organizations due to the origin in the widely recognized ILO Conventions and Universal Declaration of Human Rights. This has also been observed by (Fransen, 2011a), who subsumed that various labour standards generally display little discrepancy in their coverage of dimensions. Overall, the proliferation of different standards with varying scope and foci leads to *audit fatigue*, additional costs and confusion on the side of the companies. Moreover, the value of publicly communicating the quality of employment practices is undermined by the plethora of competing initiatives<sup>16</sup>.

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<sup>16</sup> The *Social and Labour Compliance Program* (SLCP) attempts to partly solve this problem by offering a converged assessment framework with verified self-assessment data by the nominated supplier. Owner of the data is the supplier who can share the results on the SLCP platform. However, the SLCP collects standard-agnostic data without any evaluation, such as rating. The data collection was based on merging audit questions from 21 brands, audit firms and standards (“Social Labor Convergence Program | The Program,” n.d.). This means that the data covers conventional audit indicators but does not substitute the subsequent interpretation process of the actual performance against ethical thresholds. This has also been openly criticized by i.e. the Fair Labour Association: “the data gathered may reveal that factory workers are on the job 90 or more hours in a week, but the framework does not offer any standard for whether this is acceptable. This approach facilitates universal adoption of the tool but relies on subsequent assessment against varying standards to raise the bar for performance”(Harvey, 2017, p. 1). Therefore, the SLCP does not remediate the problem of inconsistent and contradictory audit findings varying in the degree of rigour across different standards and certificates.

Ethical Trading Initiative (ETI) base code	BSCI Amfori Code of Conduct	Fair Wear Foundation (FWF) Code of Labour Practices	Fair Labour Association (FLA) Code of Conduct	Social Accountability international (SAI) SA8000 Standard (Certification)
Child Labour shall not be used	No child labour	No exploitation of child labour	Child Labour	Child Labour
Employment is freely chosen	No Bonded Labour	Employment is freely chosen	Forced Labour	Forced or Compulsory Labour
Working conditions are safe and hygienic	Occupational Health and Safety	Safe and healthy working conditions	Health, Safety and Environment	Health and Safety
Freedom of Association and the rights of collective bargaining are respected	The Rights of Freedom of Association and Collective Bargaining	Freedom of Association and the right to Collective Bargaining	Freedom of Association and Collective Bargaining	Freedom of Association and the Right to Collective Bargaining
No discrimination is practised	No discrimination	There is no discrimination in employment	Non-discrimination	Discrimination
No harsh or inhumane treatment is allowed	/	/	Harassment or abuse	Disciplinary Practices
Working hours are not excessive	Decent working hours	Reasonable hours of work	Hours of work	Working Hours
Living Wages are paid	Fair Remuneration	Payment of living wage	Compensation	Remuneration
Regular employment is provided	No precarious employment	Legally binding employment relationship	Employment Relationship	/
/	/	/	/	Management System
/	Special Protection for Young Workers	/	/	/
/	Ethical Business Behaviour	/	/	/
/	Protection of the Environment	/	/	/

**Table 7 Overview of codes of conduct categories, own illustration**

Small differences between the different standards and their codes occur in the incorporation of certain categories, namely environment, business ethics, management systems and young worker protection. This, however, does not point towards more comprehensive category coverage of certain standards. Business ethics, i.e. referring to corruption, is usually published as a separate code of business ethics by the companies and not necessarily included in the labour code of conduct. Moreover, companies detail some categories in policies rather than code standards, for instance, regarding young workers or migrant workers.

Interesting is the incorporation of the environmental category in some codes, such as the FLA or BSCI code of conduct. Nonetheless, here again it needs to be noted that a lot of companies have separate memberships and management systems for their environmental and social conduct. Thereby, the chosen social standard might not reflect environmental criteria but is covered by memberships in this field. This is particularly the case, as social standards focus mostly on the labor-intensive CMT stage whereas environmental standards apply more to

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upstream processes such as raw material production, dyeing in fabric production etc. The FWF, for instance, does not cover those upstream processes<sup>17</sup> and is limited in its geographical scope<sup>18</sup>.

Differences for the FWF code of conduct categories are found for the goal of living wages and the category legal work contract. For example, based on the definition of a living wage by the Fair Wear Foundation<sup>19</sup>, only 41.67% of the companies in sample group 1 intended to pay a living wage as defined in their code of conduct. Further 33% aim at paying a living wage but do not include family members in their definition, an essential aspect of the living wage definition. The discrepancy regarding living wages in the global codes of conduct has already been noted by (Fransen, 2011a). Furthermore, 6 of the 36 companies in sample group 1 did not mention the goal of providing legal work contracts to avoid precarious employment contracts.

It is not only of interest to what extent the companies exceed standard categories but whether standard practices with minimum baselines are achievable and implemented at all. For example, exceeding the minimum standard of minimum wages in the code of conduct does not have any explanatory power if, in the operations, the payment of minimum wages at all supplier sides cannot be guaranteed. Notwithstanding, formulating higher than minimum standards in the code of conduct defines sustainability ambition.

However, circular ambition does not necessarily align with social ambition. For example, PVH Corp. set circular targets for two action points (garment collection and textile recycling) of the Global Fashion Agenda Commitment. Nonetheless, in 2018 the company was also negatively featured in a report of the Worker Rights Consortium for its sourcing in Ethiopia as an investee and buyer company (Kyritsis, Blasi, Champagne, & Nova, 2018). Despite being a member of the FLA with its code of conduct commitment and some exemplified factories certified by the Worldwide Responsible Accredited Production (WRAP), significant labour abuses and extremely low wages were recorded. Ethiopia does not have a minimum wage, yet, PVH also capitalized on this by paying the lowest wage recorded by the *Worker Rights Consortium* against any apparel exporting country. This is in stark contrast to establishing a living wage as a pivotal objective in apparel production. This shows that ambitions for living wage as a contested labour standard are only partly expressed and implemented to an unknown extent.

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<sup>17</sup> Gauging the impact of the FWF code of labour practice is difficult, given its limitations in scope. The FWF code of labour practices only applies to the CMT stage with supporting functions, such as washing and embellishment being included, but raw material and fabric production being excluded. Moreover, the FWFs' monitoring service is only available for a limited number of countries. The FWF defines low risk countries as "all present member states of the European Union and the European Free Trade Association [...], except for Bulgaria and Romania" (*Brand performance check guide*, 2018, p. 76). 68% of the examined FWF member companies also produce in countries which are neither subject to EU labour regulation nor the FWF monitoring. If Bulgaria and Romania were added to this, the percentage of not monitored countries would increase. The purchase volume, and thus the individual leverage, differs as well for the production facilities in respective countries. It includes *tail end production*<sup>17</sup>, for which the FWF has lower monitoring requirements. A shorter tail end is rewarded by the FWF ranking.

<sup>18</sup> The limited geographical coverage entails that companies need to either request additional FWF audits or look for alternatives for worldwide coverage if needed. *Armedangels*, for instance, voluntarily initiated additional audits for a production site that would otherwise not be covered by the FWF. Other companies also make use of code of conducts and monitoring services from other labour standard organizations, such as the BSCI Initiative. Nonetheless, the initiatives differ in their approach and methodologies, which leads to a proliferation of different, and sometimes contradictory audit findings. Additionally, different audit standards are applied to the same suppliers, yielding inconsistent corrective actions.

<sup>19</sup> <https://www.fairwear.org/5-payment-of-living-wage>

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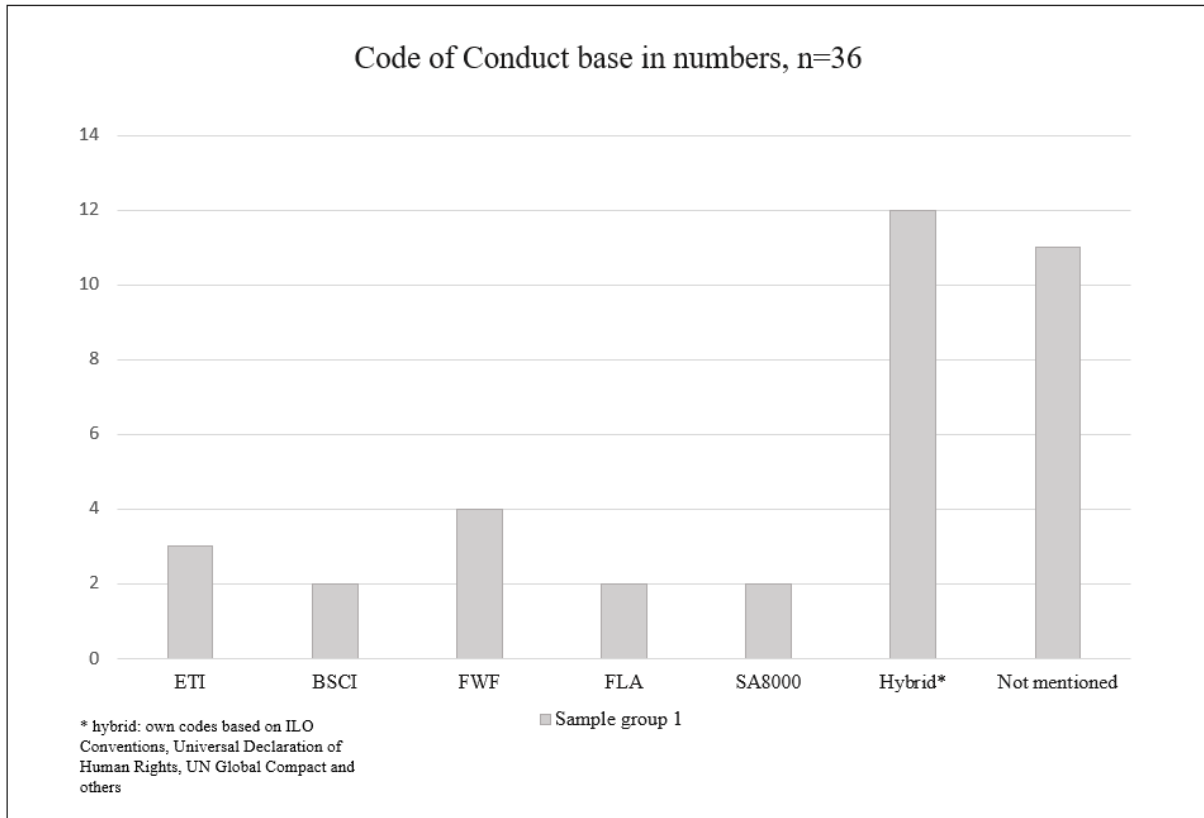
## **Adherence to Code of Conduct**

In sample group 2, most companies did publicly refer to the FWF code of conduct on their website or reports. The FWF membership requires the communication of the FWF code leaflet as part of the company rating<sup>20</sup>. Therefore, this communication material was also prevalent in the analysis. Only 15% of the companies did not mention the code of conduct fully and autonomously. Given that most FWF uses the prepared FWF communication material, additional categories to the code of conduct were only found where the code was written in an independent format.

In sample group 1, participants in the Global Fashion Agenda 2020 commitment, all but one company publicly disclosed their supplier code of conduct. Publishing a code of conduct is considered a standard practice in the apparel industry (Galland & Jurewicz, 2010). Of this comparison group, 69% did not claim the adherence to a code of conduct of one of the established organizations (see Figure 10). For those companies that based their code of conduct on one of the organizations' conduct, the share was very similar (5-8%). The heavy usage of an own hybrid code of conduct might be explained by the higher share of large apparel companies in this comparison group. Having consolidated internal management systems in place, bigger apparel companies with complex supply chains can thereby save on audit costs and tailor their code of conduct to their needs. For instance, DK Company only monitors its top 25 suppliers on all the code of conduct categories with BSCI audits, whereas all other suppliers are only covered stepwise in a cascade system of requirements ("Ethical Supply Chain: DK Company," n.d.).

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<sup>20</sup> According to FWF membership requirements, the code of conduct sheet also needs to be visibly posted at supplier's production site to ensure that workers are aware of their rights and FWF grievance hotline.



**Figure 10 Code of Conduct base, own illustration**

Compared to the categories of the Fair Wear Foundation code of labour practices, all categories have been covered in sample group 1, except for QW4, legal work contract. 6 of the companies did not require their suppliers to provide regular work contracts to their workers. It has to be noted that the FLA code of conduct employs the vague terminology of employment relationship, phrased as “Employers shall adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labour and social security laws and regulations”(“Code of Conduct | Fair Labor Association,” n.d.). Companies officially adhering to this standard (5% of the comparison group) therefore adopt this phrasing. The category was thereby implicitly covered in compliance with local employment law or legally compliant employment relationships. For example, PVH aligns its code with the FLA. Yet, the company attached guidelines to specify for the supplier that this should be translated into regular work contracts to avoid temporary work. This is important because temporary workers are excluded from a range of benefits such as paid holiday leave. PVH was therefore counted as adhering to QW4. However, all the companies lacking the category of a regular employment contract used hybrid codes of conduct.

Overall, 14 companies in sample group 1 published guidelines and implementation advice, complementing and specifying the code of conduct. In some cases, those were directly attached to the code of conduct, others were mentioned to be existent as internal documents. 8 of those were specifically focused on social conduct. However, only one company that did not require a regular work contract for the workers in the code of conduct, published publicly available guidelines. Yet again, the clause in the guideline did not fully remedy the shortcoming regarding regular work. The clause was solely phrased as: “the duration and term of the contract must



comply with the local law” and “Labor contract/agreements, where required[...]” had to be in line with formal requirements and local law.

The most common added categories in both sample groups were environment, legal compliance, business ethics, and transparency and subcontracting. From the companies that provided a code of conduct in sample group 1, the majority added additional categories to the Fair Wear code of labour practice. The most prominent category was environment, followed by almost equal shares of business ethics, legal compliance, management systems, supplier management (monitoring, enforcement, CAP) and subcontracting and transparency requirements. Business ethics are often separate documents to codes of conduct and should not bear explanatory weight. However, the great share of the other predominant categories, excluding environment, shows that formal assurance and control over the supplier is very important to the companies. This entails that suppliers are required to provide standard practices through legally compliant conduct and transparency through verification on upstream sourcing relationships, and management systems.

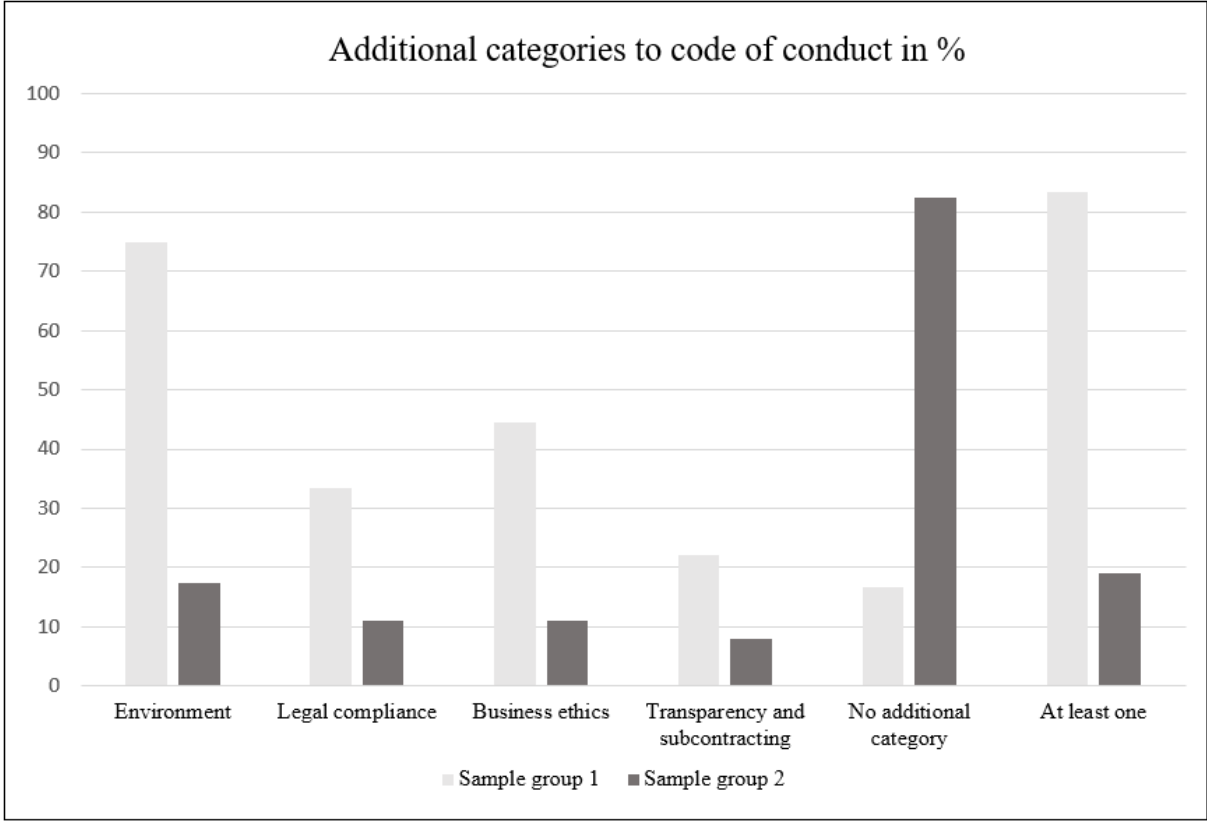


Figure 11 Additional categories to code of conduct in %, own illustration

Drawing conclusions from additional code of conduct categories is also difficult because some of the FWF company members are also members of i.e. BSCI with respective codes of conduct. Within comparison group 2, 5 companies are, for instance, also members of BSCI. The additional categories of environment, young workers, management systems and ethical business behaviour are partly covered in the FLA, SA8000 and BSCI code of conduct (see Figure 11), which might explain their prevalence. The BSCI code of conduct includes the indicators *protection of the environment* as well as *business ethics*. Hence, companies merging the code of conduct categories of different standards into one might explain the additional

categories in this comparison group. Notable additional categories are the ones mentioned only negligibly. These are *land-grabbing*, *sustainable materials* and *transparency* given that those categories are not covered by any conventional standard or certification (see Table 7). However, with regards to the small prevalence, this cannot be taken as a group characteristic but rather leadership of few individual companies.

**Environment**

In terms of the environmental requirements in the code of conduct, a plethora of topics were mentioned. The most prominent specifications were requirements on cleaner production, water management, the management of chemicals & hazardous substances, and legal compliance. This shows that efficiency gains and risk prevention are key topics for the environmental parameter. Especially risk prevention and pollution management are vital for health & safety at workplaces as part of labour standards.

In the code of conduct and (publicly available) supporting guidelines, in total 4 companies specifically mentioned circularity as a goal and recommendation towards the supplier. However, this referred only to environmental aspects and not to any social factors (see Figure 12).



**Figure 12 Supplier facing requirements towards circularity, own illustration**

Overall, this shows that the environment is an important category that is often added to codes of conduct. The display of subcategories then exhibits that this is mostly connected to the labour standard of health & safety. Moreover, circularity is not an established part of codes of conduct or supporting guidelines, but rather spearheading efforts of a few companies.

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Compared, the two comparison groups do not show much variance in the most common additional categories. Overall, it becomes clear that the code of conduct adherence as a standalone metric is not a conclusive measure of employment quality within the sample groups. This has different reasons.

For one, conventional codes of conduct differ considerably in their enforcement and monitoring rigour and quality. Efforts, such as the SLCP, provide accurate baseline data but have no impact on the actual employment quality. Nonetheless, the categories of employment between the codes are very similar (see Table 7). This entails that companies of both sample groups officially adhere to a *standard* set of indicators for employment quality, but differ in their implementation, the *practices*.

Secondly, even though the supplier code of conduct applies to all suppliers of a company, not all suppliers are monitored. This also refers to the country risk classifications of the suppliers' locations. Complicating the issue, the leverage and ownership of supplier factories determine the degree to which the code of conduct can be enforced. Investee companies such as *Dawn* or *Vaude* have a direct influence on code enforcement, whereas others have an extensive *tail end*, fluctuating supplier base or work with sourcing agents as intermediaries.

Finally, the quality of the code of conduct varies between the companies. For example, whereas *Nike* has an extensive code of conduct spanning 167 pages, *Guess Inc.* exhibits two pages of code with as little as one sentence per category. Officially, the FWF categories are covered in the *Guess Inc* code of conduct yet have no stringency and are highly vague in their delineation. This essentially leaves room for interpretation of adequate standards by the supplier and invites to misconduct.

Hence, the simple prevalence of code of conduct categories in line with FWF categories does not warrant conclusions on the employment quality between sample groups 1 and 2. What can be noted is that companies of sample group 1 considerably published more additional code categories, with a particular focus on the environment. Within this category, risk prevention ranked high but no direct links to labour standards were evident. Moreover, 74% of companies in sample group 1 aim at paying a living wage, of which only 41 % conform to a strict definition.

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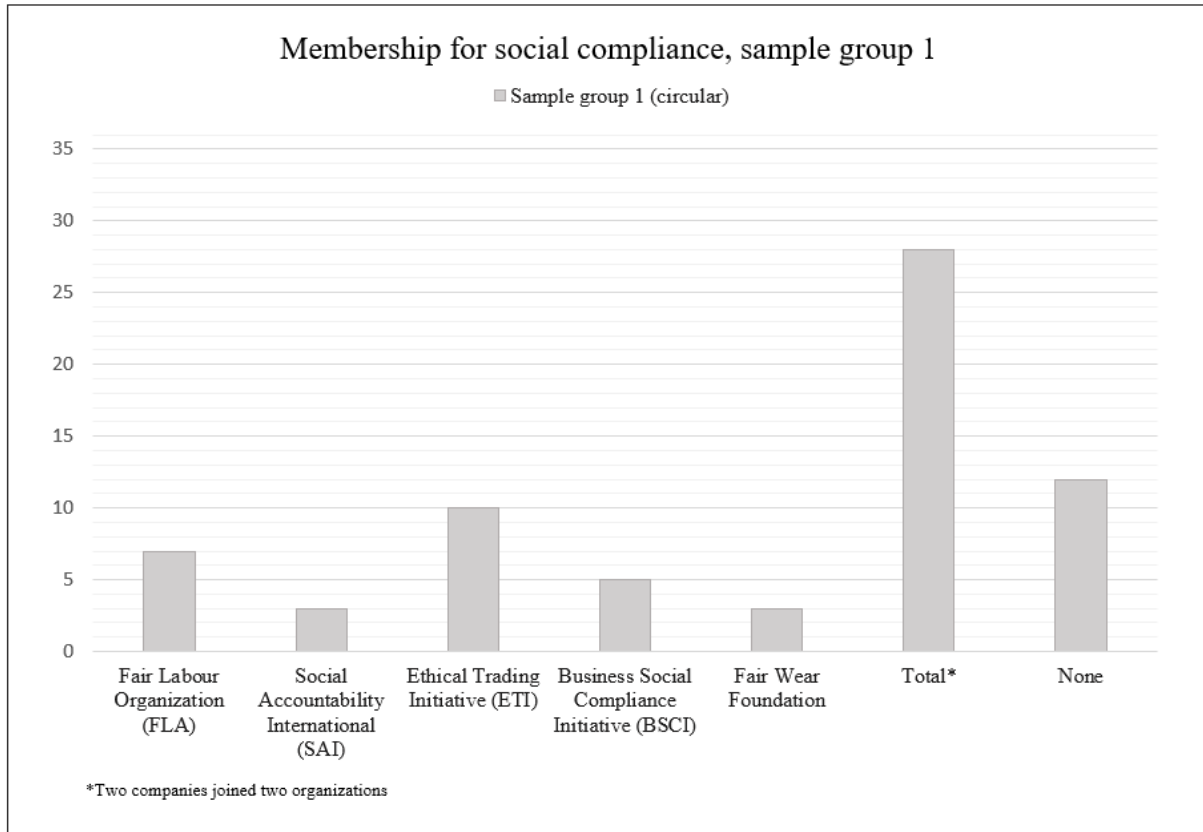
### 6.1.1.3 Collaboration: membership for standards

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- Core questions**
- What memberships do the sample groups adhere to in order to improve aspects of employment quality and enabling conditions?
  - Do they seek other forms of collaboration?
  - Do the comparison groups differ in their collaboration patterns?
- 

Collaboration is essential to tackle complex challenges in the field of labour standards, such as overtime and living wages. For instance, with shared production planning the supplier workload can be better spread throughout the year and the facilities' capacity be used at its optimum. Best-practices can be shared, and innovative technologies disseminated. As put in the ECAP (European Clothing Action Plan. Driving circular fashion and textiles) project as lessons learned: "Circular Economy is all about collaboration, sharing of knowledge and information. New ways of working not only in terms of technology but also in the supply chain." The company *Suitsupply* took part in the ECAP project, stating in the conclusion that "Collaboration and knowledge exchange with other brands and retailers could help the development of circularity" (*Circular-Textiles-Ready-to-market-booklet*, 2019, p. 48). Memberships in organizations that address specific topics, for instance slavery or living wages can support collaboration in a very targeted way. Other forms include brand-to-brand collaboration and direct collaboration with the suppliers. Workwear company *Schijvens*, for example, holds annual meetings in a changing location to which all suppliers are invited for knowledge exchange and direct customer contact.

Sample group 1 shows much greater ambition regarding the membership in organizations that impact different labour standards. 33% of companies in sample group 2, and 86% of companies in sample group 1 are describing collaboration as a fundamental strategy in their public company information. 89% of companies in sample group 1 were listing engagements in initiatives and organizations, compared to only 62% in comparison group 2. This means that companies in comparison group 2 do not have the capacity or ambition to collaborate on a more institutionalized level. For comparison group 1, the following distribution was found for a range of organizational memberships:



**Figure 13 Engagement in social compliance initiatives, own illustration**

Figure 13 shows that collaboration with established social compliance initiatives is an essential part of the company strategy in sample group 1. However, the membership commitments are fragmented across different organizations. This means that also the rigour of monitoring and approaches of social compliance differ within these companies. This is in contrast to a very homogeneous sample group 2. Notable for sample group 2 is also the fact that 9.5% of the companies in comparison group 2 are engaging in the Fairtrade product certification, which is one of the highest engagement numbers in this group. This points to the conclusion that the vision of “socially sustainable” fashion companies is shaped by this concept.

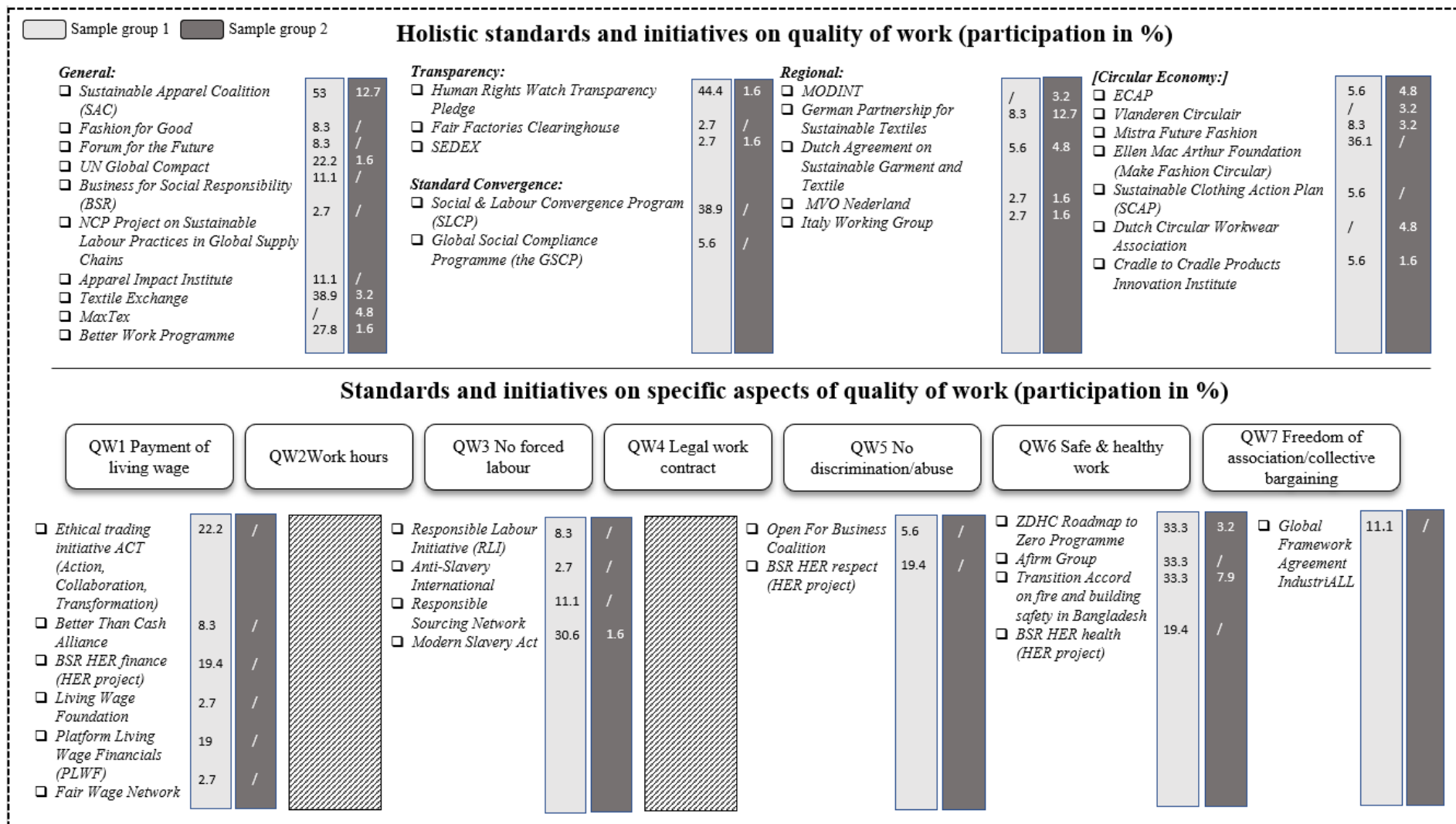


Figure 14 Participation in memberships, own illustration

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Figure 14 shows that sample group 2 engages very little in an array of organizations for better employment quality<sup>21</sup>. Particularly multi-stakeholder initiatives, such as the *Sustainable Apparel Coalition*, the *Partnership for Sustainable Textiles* and the Dutch equivalent seem to be important initiatives for this group. Almost no engagement is evident in initiatives specific to different labour standards. An explanation for the lack of public engagement in sample group 2 can be the share of smaller companies (Colucci, Tuan, & Visentin, 2020). Memberships are costly and require staff capacity to fulfil reporting and compliance initiatives. However, this does not rule out brand-to-brand collaboration and collaboration within a specific segment. For example, workwear companies and outdoor companies in this sample group showed targeted collaboration. FWF member brands in the outdoor segment, *Kjus*, *Schöffel* and *Haglöfs*, collaborated on a living wage project in Vietnam. Other FWF member brands *Havep*, *Heigo* and *Uniform Brands* founded the *Dutch Circular Workwear Association* together with two other workwear companies to advance circularity.

On the contrary, sample group 1 is much more active in different memberships. Engagement is especially shown in the fields of transparency, the convergence of labour standards and different more general initiatives, such as the *Apparel Impact Institute* or the *Sustainable Apparel Coalition*. Specifically, the topic of living wages and occupational safety draws engagement. Little collaboration is evident for preventing discrimination and abuse, as well as collective bargaining. Especially collective bargaining and discrimination, for instance towards women, are challenges impacted by cultural contexts and the political system. These are much harder to tackle on an individual company level. Here the question arises, which of the labour standards would benefit more from sector-wide collaboration or individual and local solutions. For the labour standards of work hours and work contracts, no established initiatives were mentioned by the companies. This indicates that those labour standards are tackled internally.

Memberships in social compliance initiatives can enhance collaboration through matchmaking by member lists, information exchange and shared events. The results of this section show that the circular sample group shows much greater ambition in publicly committing to collaboration in sector-wide initiatives. Brand-to-brand collaboration was not recorded, which was found for sample group 2. This means that homogeneity of the product segment and the size of companies might play a role in how companies collaborate to enhance labour standards and circularity. (Colucci et al., 2020) for example, have shown that the market segment can affect CSR implementation for apparel companies. Nonetheless, the plethora of social compliance initiatives lead to a fragmentation of the collaboration efforts. It can be concluded that overall the circular comparison group is more ambitious when it comes to pushing sector-wide improvements, backed by organizational capacity to engage with various organizations.

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<sup>21</sup> The different initiatives have been derived from the company documents (document analysis) and desk research.

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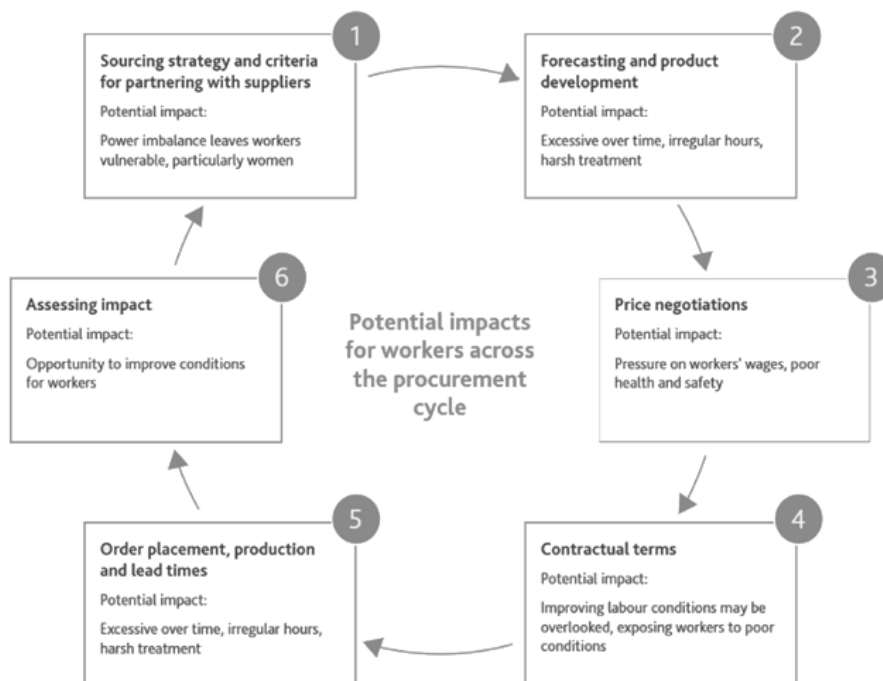
## 6.1.2 Practices

### 6.1.2.1 Purchasing practices

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- Core questions**
- What “sustainable” purchasing practices are named?
  - Do the sample groups differ in the purchasing practices they employ?
- 

Purchasing practices have a direct impact on the working conditions in textile manufacturing. Impacts with the different stages of the procurement cycle (see Figure 15), are associated with working hours (QW2), wages (QW1), health & safety (QW6) and harsh treatment (QW5) of the FWF standards. The preceding survey, conducted in 2016 by the Ethical Trading Initiative and the ILO with 1,454 suppliers, confirmed these impacts on employment quality. Also, the Better Buying Report 2019 identified seven pillars of sustainable purchasing practices<sup>22</sup> to prevent negative impacts on working conditions (M. Dickson, 2019). The most common negative impacts were described as relating to working hours (QW2), wages (QW1), health & safety (QW6), subcontracting and temporary work contracts, to a lesser extent with forced labour and child labour (“About Purchasing Practices - Better Buying,” n.d.).



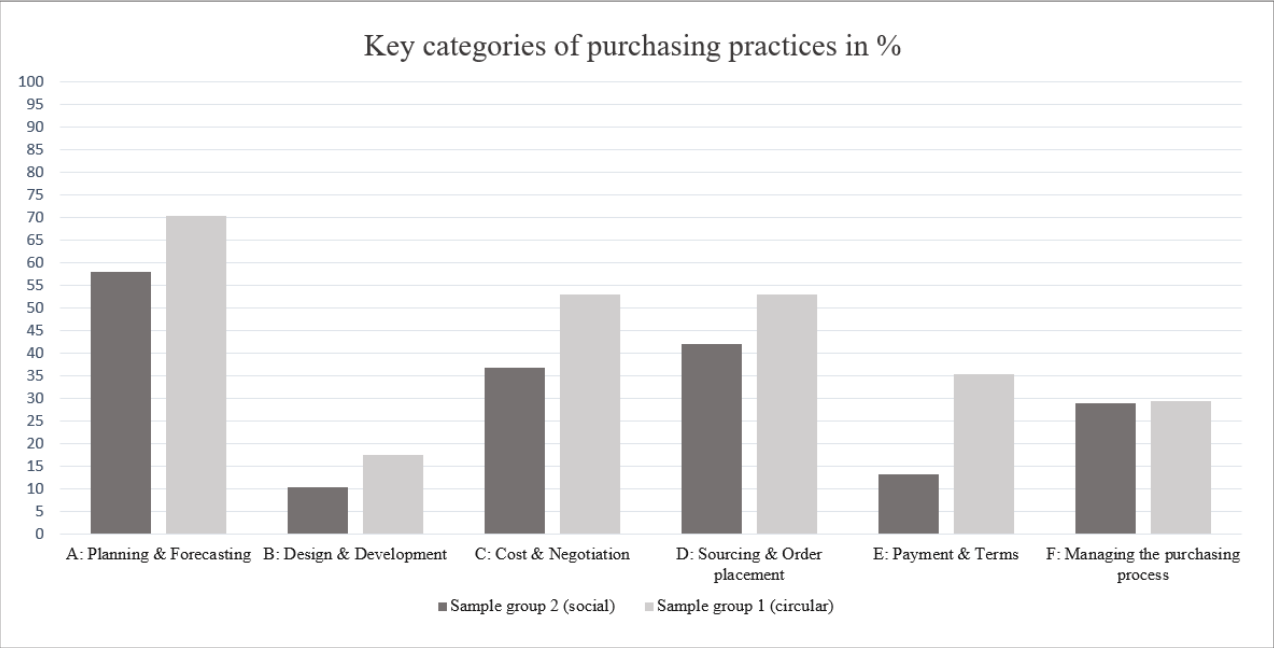
**Figure 15 Potential impact of purchasing practices on labour standards, (Early, 2017, p. 26)**

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<sup>22</sup> Planning and forecasting, Design and development, Cost and cost negotiation, Sourcing and order placement, Payment and terms, Managing the purchasing process and Win-win sustainable partnership



Purchasing practices are part of internal company processes. As such, voluntary disclosure and transparency in those processes are still limited (Van der Sluijs & Prins, 2019, p. 18). In the social sample group, 60% mention sustainable purchasing practices compared to 42% in the circular sample group.<sup>23</sup> From the companies that name purchasing practices, about 1/3 of companies in both sample groups point out possible labour impacts to be averted by responsible purchasing practices. Of those, negative wage impacts and excessive overtime are almost exclusively mentioned as affected labour standards. From the companies that detail their purchasing practices, the shares between different categories of beneficial purchasing practices are notably similar (see Figure 16):



**Figure 16 Purchasing practices within the sample groups to improve labour conditions, own illustration**

The circular comparison group, overall, shows more engagement across all categories, as much as this can be deduced from the disclosure rates. In particular regarding *Terms & Payment* the ambition of the circular comparison group merits some attention. This category refers to paying suppliers timely and to agreed conditions. The difference might be explained by the calculation of this result. Fewer companies in comparison group 1 (circular) reported sustainable purchasing practices, however, for the companies disclosing information, the detail of reporting might then be greater. It can, therefore, be concluded that overall, the distribution of

<sup>23</sup> it has to be considered that the social comparison group is assessed on their purchasing practices for the FWF brand performance check. Moreover, the FWF provides the member companies with a structure of social reports, including purchasing practices. This might heighten the general level of disclosure on purchasing practices. The effect of pertinent initiatives is also evident in the number of companies being part of the *Better Buying* program. This program enables suppliers to assess the purchasing practices of their buyer companies, which gain targeted feedback. Whereas only 4 companies (6.3%) in the social comparison group are part of this initiative, 12 companies (33 %) in the circular comparison group are taking part. This shows that the membership in organizations such as the Fair Wear Foundation covers the function of assessing purchasing practices, whereas the circular comparison group is indeed striving to cover this function through the Better Buying program or other initiatives. For instance, 3 of the companies in sample group 1 use the ACT program<sup>23</sup> for guidance on purchasing practices.

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engagement across different purchasing categories is relatively similar between the sample groups.

Next to facilitating labour conditions through purchasing practices, another lever is also the matter of rewarding suppliers for upholding good labour standards. This category named by the *Better Buying* program as *Win-win Sustainable Partnership* includes internal alignment with CSR goals and easing audit burdens. Supplier assessment through scorecards is a common way to identify well-performing suppliers, in case SS measures are an essential part of the scorecard. In sample group 1, 47% mentioned rewarding such well-performing suppliers with re-orders, increase in order volume and training. Some companies reward suppliers by giving awards and financial support. In comparison, only about 25% of sample group 2 mention rewards for well-performing suppliers. This can be explained by the higher share of smaller companies in this group, which have more difficulties in using conventional order volumes as a reward. Despite the difference in the share of companies rewarding their suppliers, both groups show some individual best-practice examples. In sample group 2, Takko rewards its suppliers by a personal letter from the sourcing director applauding social performance. Visibility of suppliers on the companies' web presence is another cost-effective incentive practised by Nudie Jeans and Fond Of. Overall, more innovative supplier rewards are found to be borne by individual leadership rather than characterizing the sample groups.

Notable is the low prevalence of category B, Design and Development, with regards to its importance for circularity. Category B refers to providing product specifications well in time and supporting product development by the supplier. As can be seen in the goal setting for the sample group companies (see Annexe 10.15), design cyclability was predominantly favoured by the circular group. Sample group 2 showed a very low prevalence of this circular goal, which is mirrored in the purchasing practices (see Figure 16). Contributing to this argument is also that the sample group 2 members are guided by the Fair Wear Foundation, which has a strong focus on categories A, C and D. However, designing for circularity involves greater collaboration with suppliers as these hold the technical expertise for translating design choices in production. Involving them in product development and collaborating on technical specifications is therefore an important part of a circular supply chain strategy. Hence, the finding shows that companies in the circular sample group have not yet started to leverage design for circularity through their purchasing practices.

Altogether it can be concluded that both sample groups engage in sustainable purchasing practices to facilitate compliance with their labour standards. The latter is predominantly understood as wages and excessive overtime in relation to purchasing practices. The level of disclosure in the circular comparison group is lower than for the social group, yet the ambition higher across all categories for the reporting actors. However, sample group 1 shows little ambition in using their purchasing practices to leverage the proclaimed goal of design cyclability from the Global Fashion Agenda Commitment together with their suppliers.

### 6.1.2.2 Transparency

**Core questions** ➤ Do the companies openly publish their supplier lists to enable collaboration? Do they have knowledge of their supply chain beyond tier 1?

Transparency in the supply chain is rapidly improving in the textile industry. According to the Fashion Transparency Index 2019, the disclosure of first-tier suppliers increased from 32% in 2017 to 70% in 2019 among the surveyed companies (Ditty, 2019). Also more and more companies move their transparency further up the supply chain with disclosure of processing facilities jumping from 14% to 38% in the same period (Ditty, 2019). Transparency for the raw material stage remains low, however. The decreasing level of disclosure upstream the supply chain is also confirmed by the 2019 Ethical Fashion Report (Tatzenko et al., 2019).

Traceability in the supply chain and the disclosure of supplier data are important strategic practices. They allow for public scrutiny of labour impacts, the collaboration of companies on social compliance and cooperation for circularity goals. Within the sample groups, sample group 1 shows much greater transparency and level of traceability across the supply chain (see Figure 17).

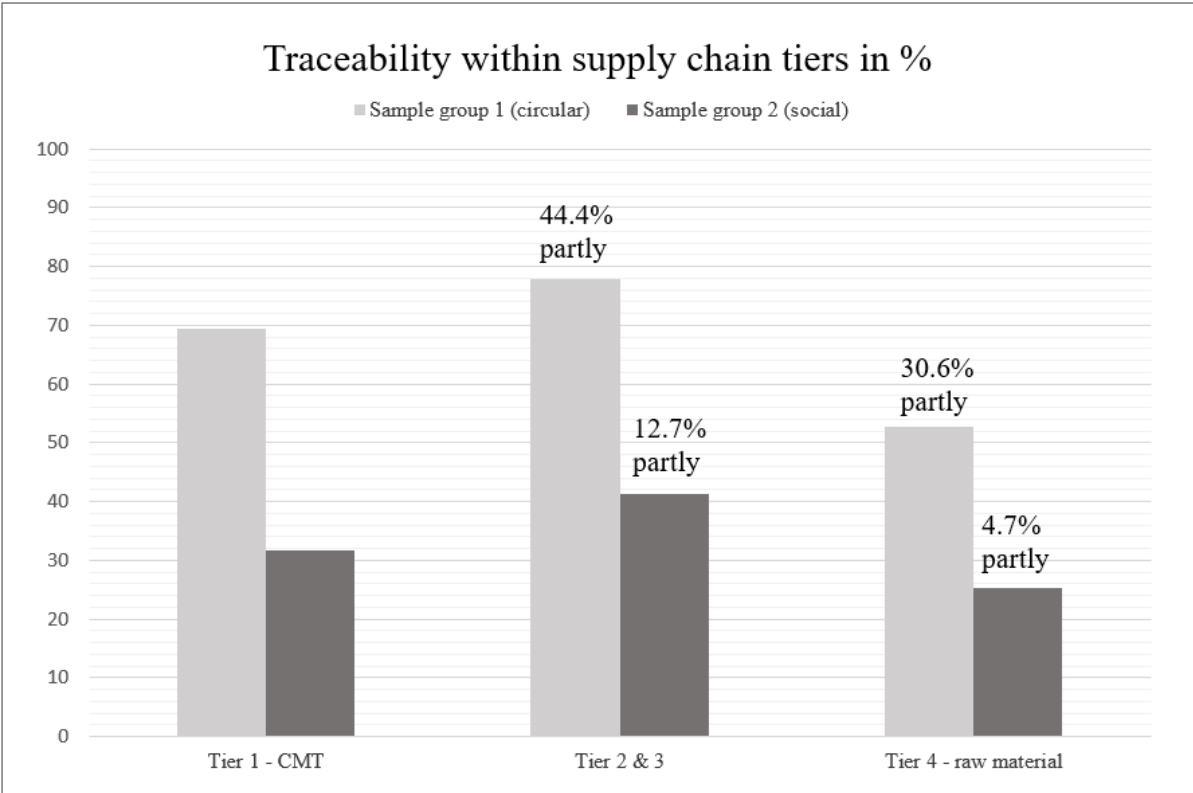


Figure 17 Disclosure of traceability level in sample groups, own illustration

Reflecting on the finding from the Fashion Transparency Index 2019, about 70% of the companies in this group disclose lists of their tier 1 (CMT) suppliers. Only 32% of the

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companies in sample group 2 disclose their supplier lists. In tier 2 & 3<sup>24</sup>, about 77% of the companies indicate having mapped their suppliers fully or partly. 30.6% of the companies in the circular sample group mention their knowledge of the raw material suppliers. Whereas the circular sample group shows greater levels of overall traceability, the share of mapping in process is significantly higher.

36% of the companies in this group also publicly disclose their supplier data on the *Open Apparel Registry*<sup>25</sup>, a platform that enables anyone to see the global supplier location, name and address of participating companies. In contrast, only 2 companies in the social comparison group do so. Three other companies in this group use alternative tools such as *TrusTrace*<sup>26</sup> or the *Respect Code*<sup>27</sup>. This shows that companies in sample group 2 are still hesitant to engage in public disclosure of supplier data. On the other hand, public scrutiny for the market incumbents in sample group 1 is high, with many of them being benchmarked for their transparency (see Annexe chapter 10.2). Best-practice examples are, accordingly, found in sample group 1. *Filippa K* and *H&M* directly disclose their tier 1 supplier name and address next to every piece of clothing. This proves full traceability and transparency for the consumer. *Nike* and *Marks & Spencer* developed sophisticated public sourcing maps to visualize different tiers of their supply chain.

Overall, it can be concluded that the circular sample group shows higher ambition in mapping its supply chain beyond tier 1 and publicly disclosing the supplier data. Given the higher share of large companies in this group, the capacity to do so is greater and public scrutiny a greater driver. On the other hand, supply chains become more complex with growing company size, which makes supply chain mapping more cumbersome. In this regard, it can be subsumed that sample group 1 places more importance on transparency of their supply chain relations.

### 6.1.2.3 Leverage

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#### Core questions

- Do the sample groups differ in their leverage structures?
  - Do sample groups employ different strategies to increase leverage?
- 

Leverage is an important factor to improve labour conditions in the textile workshops. The more leverage a company has, the greater the impact. Cultivating long-lasting relationships with the suppliers enables trust and investment in better labour conditions. It thereby increases the leverage a company has over the supplier. Leverage can be determined through order capacities relative to the supplier's size, the dependence of the supplier on the buyer through co-specialization, or whether the company owns its supplier. Smaller companies can improve their leverage through collaboration and tail end reduction. Monitoring these tail ends is costly, time-

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<sup>24</sup> Tier 2 and 3 include spinning, weaving, knitting, dyeing, and processes such as embroidery, printing and washing

<sup>25</sup> <https://openapparel.org/>

<sup>26</sup> [https://trustrace.com/de/taas\\_g/](https://trustrace.com/de/taas_g/)

<sup>27</sup> <https://www.respect-code.org/>

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consuming and leverage tends to be low. Consolidating suppliers also require a responsible exit strategy to not negatively impact the respective factory workers. On the other hand, consolidating the supply chain might bear the risk of unauthorized subcontracting. Moreover, if agents or licensees are used for procurement, the direct contact between the company and the supplier becomes more indirect, therefore the control of labour conditions diminishes. On the other hand, local sourcing teams can provide daily control and cultural understanding of production facilities (Köksal et al., 2018).

In sample group 2, all companies mention the goal or existence of maintaining long-term supplier relationships. In contrast, about 69% in sample group 1 name long-lasting supplier relationships as part of their sourcing strategy. This means that from the remaining share, some companies in this group do not base their supplier relationship on symbiotic growth. Similarly, 44% of companies in sample group 1 indicate to consolidate their supply chain. On the other hand, many of the companies in sample group 1 are very large incumbents in the market with high production volumes and monitoring capacity, suggesting high leverage. Only 5 companies in this group mention the existence of strategic or key suppliers, implicating tail end procurement. In contrast, 71% of companies in sample group 2 are making efforts to increase their leverage by reducing tail end production or already having a consolidated supply chain<sup>28</sup>. The companies are mostly smaller (see annexe 10.14), which might limit their monitoring capacity. The results also show that leverage is also highly dependent on the product segment. Companies producing workwear and outdoor clothing need highly specialized suppliers. Especially the workwear companies in sample group 2 (24%) are offering a wide product range. Therefore, these companies tend to have long tail ends embedded in their business model.

Moreover, 76% of sample group 2 at least partly use agents or licensees compared to 33% in sample group 1. Adding to this, 31% of the companies in sample group 1 own production facilities. This is the case for 21% of sample group 2. These numbers can point to the fact that sample group 1 has more direct sourcing relationships with its suppliers or a low disclosure rate<sup>29</sup>. Here again, the size of the company might play into the results. Smaller companies might not have the network and knowledge to source directly and therefore use agents. Larger companies with a strong brand proposition, in turn, might license their products or use agents because of complex supply chain structures.

The results of this section show that the circular comparison group is well-positioned to leverage social compliance in their supply chain. Nevertheless, it cannot be concluded that this group shows more efforts in structurally increasing the leverage, nor exhibits exceptionally strong leverage in order to secure adequate labour standards. What can be concluded is that sample group 1 shows a lower ambition of supply chain consolidation whilst sourcing more directly.

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<sup>28</sup> Coding through FWF information: company is reducing tail end/consolidation or sources <5% from tail end (less than 2% of FOB)

<sup>29</sup> For sample group 2, FWF provides information on this indicator in their brand performance check.

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## 6.2 Results interviews

The interview yielded a wide range of *enablers* and *standards*, contextualizing social compliance in apparel supply chain structures. This section delineates a selection of particularly interesting insights that could be gained from the interviews. Those can help explain the results gained for the research question. For the interested reader, arguments are attached in footnotes with especially illustrative interview quotes. Figure 18 and Figure 19 show the connections of the different themes found for the interview results, displayed as a conceptual map.

*External enablers* were found to be the *collaboration in membership standards*, for *leverage* and the impact of the *product segment* on the collaboration potential (see Figure 18). For the supplier, the involvement in the *design and development* of circular strategies was found as an *enabler* to create a new form of brand-supplier relationship, potentially impacting social compliance.

*External barriers* were found to be the *fragmentation of social compliance standards* and the *characteristic challenges of apparel supply chains* (see Figure 19). Barriers of the *focal company* were *capacity constraints* and *functional separation of environmental and social sustainability*. Furthermore, a barrier for the *supplier* was discovered as the *neo-colonialism* of Western apparel brands in terms of social compliance.

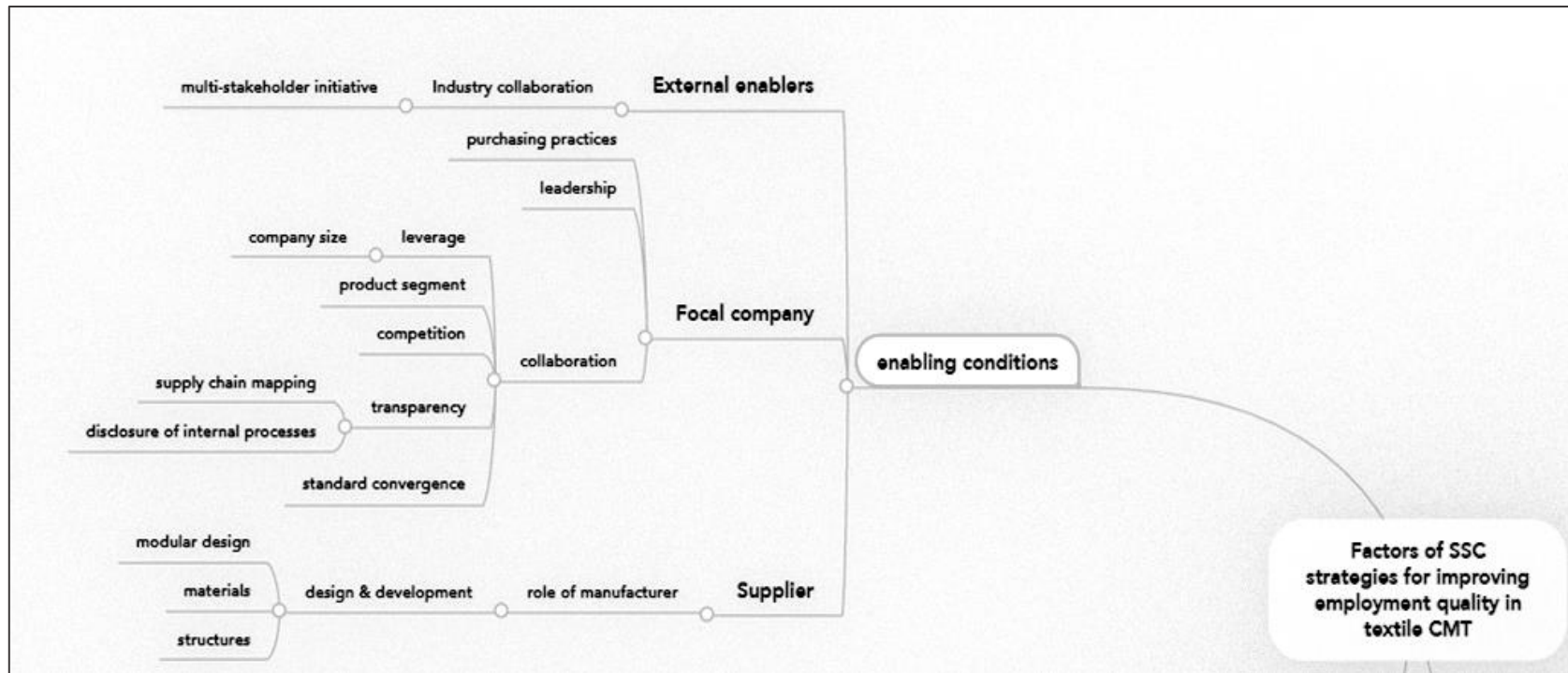


Figure 18 Conceptual map of enablers, own illustration

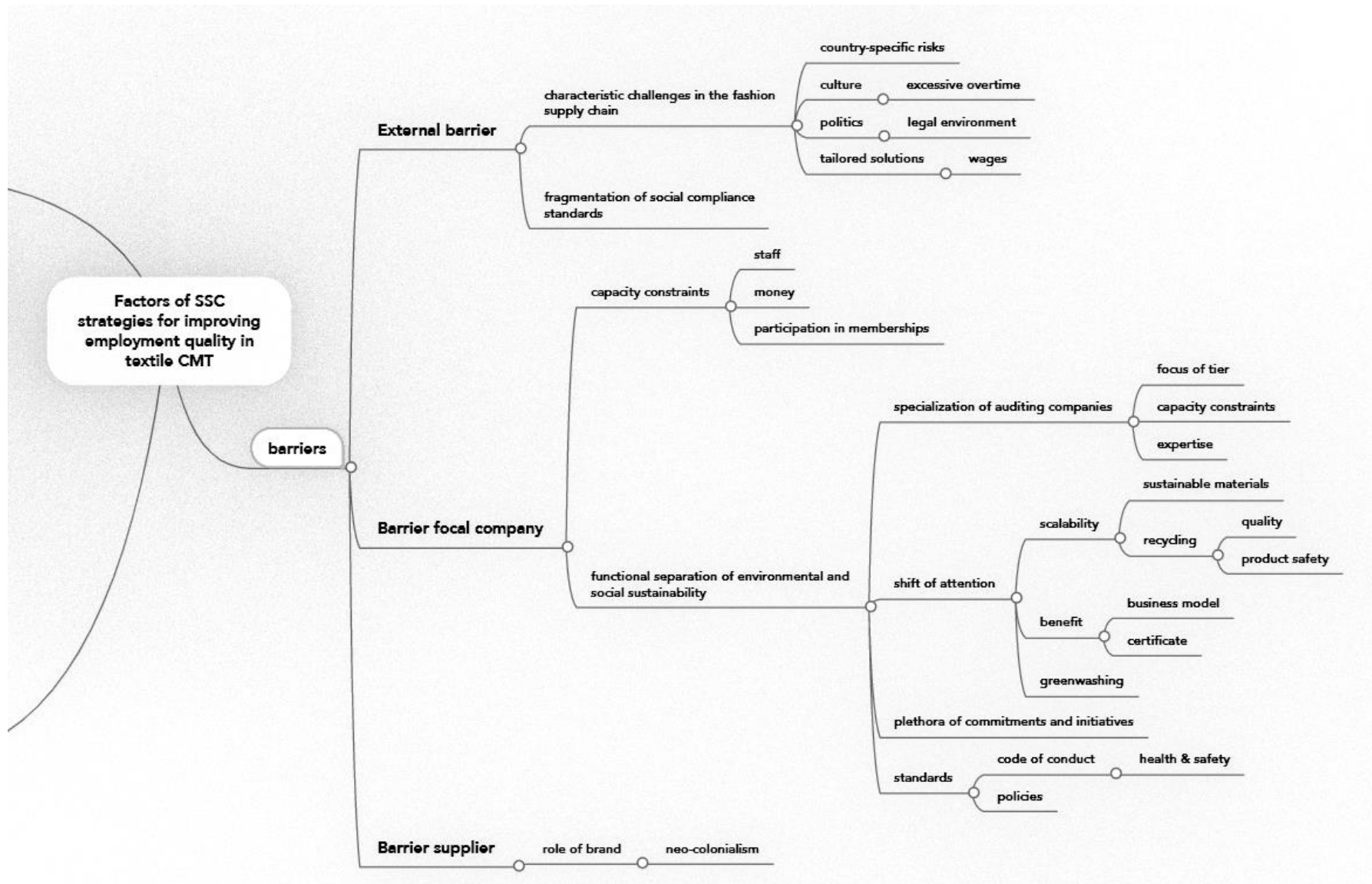


Figure 19 Conceptual map of barriers, own illustration



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## 6.2.1 Barriers

### 6.2.1.1 External barriers

#### **Fragmentation of social compliance standards**

The fragmentation of social compliance standards was a barrier mentioned by the respondents in their supply chain strategies<sup>30</sup>. This refers to the inconsistency of different standards in their coverage, assessment rigour and methodology. This leads to contradictory audit findings for the company, hence unreliable quality, and audit fatigue<sup>31</sup> from the supplier's side. The plethora of compliance initiatives create parallel structures of compliance initiatives, explained by (Köksal et al., 2017): *“each MSI has its own focus in its codes and audits and rarely covers all socially related aspects that can occur within a supply chain”* (Köksal et al., 2017, p. 11), further commenting that convergence would serve as an enabler. The call for standard convergence was accordingly voiced in the interviews<sup>32</sup>, however, difficulties were identified at the same time: *“I, for myself, see this as extremely difficult and challenging to get all the different kind of audit standards agree to one standard convergence on the same quality level”* [R27]<sup>33</sup>. Progress on this matter was not expected soon, given the long-standing debate<sup>34</sup>.

#### **Characteristic challenges in the fashion supply chain**

The apparel supply chain exhibits some peculiarities that companies in this field have to deal with. Country-specific risks, culture, and the political environment determine how apparel companies configure their supply chain strategies to improve employment quality. Tailored solutions are especially needed for the labour standard of living wages.

Every country has very unique risks associated with apparel production in the geographical context, as much as the supply chains differ accordingly: *“I started realizing that when I started travelling and visiting the factories that the way the supply chains are looking and they are*

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<sup>30</sup> For example, one respondent commented on contradictory audit findings as follows: *“I mean I have never seen such a modern spinning unit, almost everything is automated. And then the Fair Wear Foundation entered and they were already Fairtrade certified, GOTS certified, and SA8000 and BSCI certified, SMETA, everything. And then Fair Wear Foundation entered and they found everything what you could possibly find in terms of non-compliance. 200 unregistered migrant workers, it was awful”* [R 26]. This was also expressed by various other respondents, for instance that the *“Fair Wear audits are of very high quality, very detailed, very detailed, very in-depth investigations, often they reveal a lot of things which other organizations did not reveal before, even though they have been audited the same company at the same time”*[R27]. The same came from another respondent, struggling with this issue: *“We have had big problems with audits of other organizations when it comes to suppliers. [...] there is a big difference in the findings of the Fair Wear Foundation audits and what sort of complaints than what we can see from other audits, including SA8000 certifications”* [R32].

<sup>31</sup> Audit fatigue and a lack of clarity for the companies were noted as *“the issue at the moment which are also our factories struggling, there are so many organisations out there and everybody has their own audit system. Basically, it's more or less about the same topics, right? But they have different auditors, so they constantly are doing audits in the factories about the same things. It also needs a lot of time for the factories for this kind of audits. And I think efficiency-wise it would be better if they would do like a self-assessment and the rest of the time, they could focus on other CSR tasks instead of all the time the same and same audits”* [R30].

<sup>32</sup> *“we think it's very important that all those companies or NGOs get more aligned so that they have more of the same standards”* [R20]

<sup>33</sup> The concern on quality levels was also the concern of another respondent: *“In the end it comes down to whether the quality can be met. I think that is the biggest issue because if brands have different values and also other brands are maybe satisfied with a basic audit that just says, your factory is gold standard or good”* [R24].

<sup>34</sup> *“the industry has been trying to harmonize standards requirements in terms of sustainability, ecological-wise and social-wise since 15, twenty years, so I don't know what will happen”* [R26].

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*organized and the particularities in the different supply chains are so different that you can't just copy-paste what you are doing to China, to Bangladesh, to India.*" [R28]<sup>35</sup>. The need for a local approach for supply chain strategies regarding wages was therefore pointed, for example for the topic of living wages<sup>36</sup>. Culture was predominantly noted for the issue of overtime in China. Despite efforts of companies to reduce overtime, this was met with cultural limitations<sup>37</sup>. A respondent put it bluntly "*Chinese want money, they accept overtime*" [R26].<sup>38</sup> Finally, also the political context was mentioned by an expert as informing the corporate supply chain strategy<sup>39</sup>. The role of governmental support and beneficial laws was also noted with regard to living wages<sup>40</sup>

## 6.2.1.2 Barriers Focal Company

### Capacity constraints

The respondents' supply chain strategy is heavily informed by their capacity constraints, especially for smaller companies. This was also recognized as a *barrier* by (Köksal et al., 2017) commenting that "*not only [...] monetary terms, but also [...] its capacities to handle complex and time-consuming tasks, such as code implementation, monitoring, certification, or even communication to all its suppliers*" are limited (Köksal et al., 2017, p. 13). This pertains to staff constraints, financial limitations and the limitation it poses for the participation in different memberships. This entails that smaller companies cannot afford to take part in various initiatives (Colucci et al., 2020).

With regard to staff constraints, most of the respondents only have one person covering the whole CSR department: "*I am the only one doing CSR in full time, so I have to divide my work out...everything, yeah. And then I just don't have the capacity*" [R28]<sup>41</sup>. Capacity constraints are

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<sup>35</sup> This was also confirmed by respondents, for instance, pointing out the difference between countries "*[...]to add the suppliers in Tunisia and Turkey for example in the discussion. The context is totally different. It's rather the mindset of the management and the workers. The workforce is totally different in terms of hierarchies and involvement in unions and, you know, it's a lot of things that are different in different countries, but even within countries it can be different in different suppliers*" [R23]. This difference down to the supplier level was also noted as follows: "*we have this program running since 2012 and they are our suppliers since 2016 and even though they are two Indian factories not very far from each other the approach in the way of implementing this was kind of difficult and kind of different*" [R23].

<sup>36</sup> "*I mean, that's the whole thing about living wages. In theory it might seem easy, but when you want to start digging into it, want to do something and actually want to pay out something, it's all very much a local based solution*" [R23]

<sup>37</sup> "*We had actually one factory where the general manager said, okay, no overtime anymore, that's good. We actually shut down the factory after the 60 hours of overtime, because 60 hours are allowed in China, and what the workers did actually, they went to another factory to work there, where they can actually work like 70 hours. So, you need to find a way to decrease the hours without losing the workers, which is quite difficult in China.*" [R24]

<sup>38</sup> Respondents, however, also showed empathy towards the cultural context nurturing these dynamics: "*there something to say about the overtime in China when someone is travelling a long time to work as much as he can earn, as much as he lives away from his family. I understand that they don't want to sit in a small room, because some companies tell them, you can only work this amount of time and then he has to tell his family, ok, well, [company] was telling us that we can't work anymore, so I have less money*" [R28].

<sup>39</sup> "*The brands need to be ready to engage with the legislative and regulatory landscape of the places where they agree for the suppliers to be based in, which is highly difficult. So many of them are basically just basing it on, do you have a good labour trade agreement so that you don't have to pay tax*" [R21].

<sup>40</sup> "*I too think that things like living wage will continue to be highly debated, depending on which particular countries you are involving in the conversation. Because those debates come back to the level of, to what extent the local government of that country wants to push that through or agree with it or even resist it*" [R21].

<sup>41</sup> This was also mirrored by other respondents, commenting exemplary that "*it is also a lot. 163 factories and I am alone, still, for the social and ecological part*" [R26]. Some companies are investing in dedicated staff, which is expected to alleviate the pressures "*we also have a new person who is taking care of sustainability so that everything is a little bit more coordinated in*

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also specifically mentioned as a barrier to collaborating for better labour standards through memberships in different initiatives<sup>42</sup>. One expert, [R20] also pointed out the struggle that memberships might especially bring to smaller companies with regards to required reporting and follow-up, for which there is no capacity<sup>43</sup>.

### **Functional separation of environmental and social sustainability**

The internal separation of functional topics was a prominent barrier for a holistic supply chain approach. The specialization of initiatives on either environmental or social topics, an attention shift away from social challenges and the static character of standards was pointed out. The shift of attention was mostly related to forms of greenwashing, the scalability of solutions and benefits obtained from the focus.

Regarding the specialization of many membership organizations, doubt was expressed on the value of standards covering both environment and labour, for example by one respondent commenting: *“I’m no big fan of meta standards”*. This was justified with a lack of expertise by the membership organizations to address both topics at the same time<sup>44</sup>. It was also argued that a focus was appreciated to ensure a certain level of quality<sup>45</sup>. Capacity constraints of the membership organizations were recognized as another reason for the specialization<sup>46</sup>. Instead, the tenor was to join different initiatives for covering different supply chain tiers<sup>47</sup>. This, however, implies a fragmentation of supply chain strategies between environmental and social challenges and different levels of the supply chain. Closing on this argument, a respondent assured that *“[...] there is no standard right now in the world where actually both categories are, like, combined, ecological and social, where it actually works”* [R26].

Moreover, a shift of attention away from challenges in labour standards towards more environmental topics, and circularity, was clearly noted. For example, a respondent explained that companies in the field” [...] *are focusing a lot on materials, Inditex, Zara, they have designed the new goal until 2025 only alternative sustainable materials. They will do this. It is possible. They will be able to do it. I am not sure if the worker gets paid well in 2025. It is a lot*

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*the future, because we knew for many years now that it’s very important, but there was not a single person responsible for this whole topic”* [R30].

<sup>42</sup> *“[...] I think compared to a few years ago when I was alone, I think we have much more capacity now to be part of these different networks and working groups and so on. But of course, we need to prioritise, and I think the priority is [...] of course the relevance for the business [...]”* [R23].

<sup>43</sup> *“I spoke to [company representative] and his first criticism was that we are only there for big companies and it would talk too much time for him and that it was too much paperwork [...] [company representative] changed the bit on the impact that we make, but [company representative] said still we are too small to join in, we don’t have the capacity to deliver all the things”* [R20].

<sup>44</sup> *“I’ve been an auditor myself and there’s not a lot of inspectors to have the competency and the knowledge to actually inspect both things and that’s why there is ecological standards and standard requirements and social standard requirements.”* [R26]

<sup>45</sup> *“In Germany we have a saying: “Man kann nur auf einer Hochzeit tanzen”. You know, sometimes it is very good to have a partner on your side who is very focused because it is honest. Of course, you can add many more topics on your plate and do it but it doesn’t really mean that you are getting better in it. Sometimes you lose your focus and there are other partners who can support us”* [R27].

<sup>46</sup> *“That is like subcontractors, then there is washing houses, there is linking stages, there is not only confection, what people believe. It would be good if [initiative] would also go lower but I think they cannot handle it they are so understaffed”* [R26].

<sup>47</sup> *“We wanna go further than tier 1. [...] we would love that Fair Wear would also check other factories beyond tier 1 but unfortunately, they don’t. So we are now looking for other organizations that can do also, because Fair Wear is more on the social standard so we think that beyond tier 1 you have a lot of other environmental issues, like in dye houses with chemicals and etc., so we are now in contact with an organization that can do both the social issues checking in the factory and also environmental issues.”* [R33]

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*of focusing on materials and innovation*”, further criticizing that the shift as a form of greenwashing<sup>48</sup>. Doubt was in particular expressed about the role of circularity as diverting attention from labour standards towards the environment<sup>49</sup>. This shift was also identified by another respondent, saying that *“in the past, we were talking very much on working conditions in the companies, but since two, three years, we are more looking into sustainable fabrics and sustainable products.”* [R30].

The separation of environmental and social challenges in codes of conduct and policies, and their static character with only minor differences, is also evident in the respondents’ answers<sup>50</sup>. It was recognized that a norm for this was developing, except for wages and union membership<sup>51</sup>. Environmental concerns were, however, still considered separate topics and therefore added next to labour standards in codes of conduct without necessarily being connected<sup>52</sup>. This was also for practical reasons: *“Of course, [...], both are kind of interdependent ... you know... workers' lives and their health [etc.], but I think at the point of implementation as well as inspection and premeditation,[...], for me it makes more sense to separate them”* [R26]. A connection was mostly perceived for occupational health and safety<sup>53</sup>.

### 6.2.1.3 Barriers Supplier

#### Neo-colonialism of brands

A form of neo-colonialism was recognized as a barrier affecting the supplier in contributing to a more socially sustainable supply chain and defining the social meaning of circularity for a strategy.

As one respondent noted, *“Every social standard has some neo-colonialist approaches in it [...] It's still the white man going to Asia or the global south, telling these people how they should behave and what they should do”* [R26]. This was interpreted as a distortion of perspective on the driving forces of sustainable supply chain management given the weight of the distribution of the global population (an increase of demand), economic power and location of production<sup>54</sup>. This implicated some doubts about whether this pattern of the West dictating the concept of circularity and particularly labour standards, affected suppliers in their own ability to develop

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<sup>48</sup> *“Yeah and it is easy to offset carbon emissions. I mean you know, fuck them. I am really getting annoyed. It's beautiful, Gucci, Kering, Prada, they are now CO2 neutral. Well, and yeah, the workers, I don't know”* [R26].

<sup>49</sup> *“There is, you know, circularity, and blabla and what I am really worried a little bit, because everybody is talking about climate change but nobody is talking about workers anymore”* [R26].

<sup>50</sup> *“You know, actually, like the codes of conduct are all the same. They are really all the same. It's the same bullshit. Always. You know, the basis is the ILO core conventions, you know, the labour standards and then, there's maybe one more, or one less, or there's like a tiny argumentation which is a little different”* [R26].

<sup>51</sup> *“Constitutional abuse, especially when it comes to wages, health & safety, sexual harassment, everything else, the right to unionship, I think these things have been [...] I think a lot of these are becoming like a norm. Except in countries where a union is considered as terrorist by the government. Wages will never be a closed conversation”* [R26].

<sup>52</sup> *“in our code of conduct, we [...] like to use of green energy to support close loop system with water processing. So, it's actually of course also the labour standards are integrated in the code of labour or in the code of conduct, but besides that we also added the environmental part”* [R29].

<sup>53</sup> *“Of course, environmental issues play a role when it comes to workers' health and safety, like when it comes to handling of chemicals [...] and risk assessment [...] but this is more like the occupational hazards and safety”* [R26].

<sup>54</sup> *“[...] we Europeans, we are 280 million. The Americans 270 million. And we believe we are the kings of the world. China, right now already, is consuming 40% of the globally produced textiles. We as the Europeans, who the fuck cares about us. We are not consuming so much, we are not so many people, we don't need so much stuff. We still believe that we are the masters of the textile industry, having the solutions”* [R26].

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a sustainable approach<sup>55</sup>. The main critique for this argument was the potential backlash of the suppliers towards this form of supply chain management: “[suppliers] can easily just use post-colonialism or imperialism as a, oh you tell us what we have to do again, we will resist you. When actually they should be thinking about it. But I guess that is a question of, what is the model of change in terms of influence” [R21].

## 6.2.2 Enablers

### 6.2.2.1 External enablers

#### **Collaboration multi-stakeholder initiative**

The collaboration within membership organizations was predominantly perceived as positive and helpful in the corporate supply chain management. The benefit of those memberships was also confirmed as an *enabler* for employment quality by (Köksal et al., 2017).

For example, one respondent noted that collaboration is gaining traction<sup>56</sup>. However, it was also pointed out that this does not come naturally to a highly competitive industry landscape, being a “[...] long journey to really instil collaboration in an industry that isn’t used to it. It can be done in industry-wide initiatives. You have the Global Fashion agenda, the Ellen Mac Arthur Foundation, they are really trying to bring together the different actors and big players in the industry to be get aligned and really understand that without this collaboration than this information sharing, no systemic change can happen” [R22]. One of the experts described a benefit of memberships to support collaboration by actively matching companies for collaboration<sup>57</sup>. Particularly for smaller brands, collaboration was considered an enabler<sup>58</sup>. All together the insight that collaboration in memberships is an important enabler for better employment quality was acknowledged<sup>59</sup>.

#### 6.2.2.2 Enablers Focal Company

For the focal company perspective, collaboration and leverage were mentioned as important levers in the supply chain management. The collaboration was particularly influenced by the competitive character and product segment of companies, pointing towards a product-related impact.

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<sup>55</sup> “Are we asking the right things? Or how can I convince my supplier that what we ask of them in the West is really the right thing to do?” [R28].

<sup>56</sup> “the cooperation approach because I now make the experience that it actually works, you know, because the textile industry talks a lot about cooperation, blabla since 20 years, but nothing is happening, you know, everybody is working, you know in their own little cosmos” [R26].

<sup>57</sup> “we really encourage companies and NGOs, but also companies that they work together, so different...our strength is that we have a really big database of all the production locations, so we link companies together” [R20]

<sup>58</sup> “And with really the smaller brands, we try to connect them to the bigger brands, especially if they are in the same production facility and see how they can work together” [R20].

<sup>59</sup> “we learned that it’s not [company] by itself that is going to ...make the industry better. We need to get to work together with others in the industry and that’s actually why we’ve been looking for an organisation to be part of, to be member of and together with others we can improve the working conditions in our factories” [R28]

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## Collaboration product segment

Collaboration was seen as an enabler, contrary to competitive behaviour when the same supplier facilities were used<sup>60</sup>. Therefore, collaboration was mentioned across non-competitive contexts<sup>61</sup>. This was particularly the case for outdoor and workwear companies with highly technical and functional products. Those also explained their stance on potential barriers towards collaboration for some product segments with the high investment costs and interdependence towards highly specialized suppliers<sup>62</sup>.

## Collaboration for leverage, small company size

Collaboration was considered particularly important for smaller brands in order to increase leverage<sup>63</sup>. This is especially important for the aforementioned limited capacity of smaller brands in financial means and staff<sup>64</sup>. However, despite being perceived as a lever, not all respondents deemed collaboration immediately possible<sup>65</sup>. Nonetheless, collaboration, particularly for smaller brands, was also described as not only spurring change in supply chain management for employment quality but also for helping the implementation of (technical) solutions for circularity<sup>66</sup>.

### 6.2.2.3 Enablers Supplier

#### Design and development

One expert particularly noted the enabler of suppliers being involved in the design process of circularity implementation as much as with conventional social compliance programs<sup>67</sup>. This entails that the supplier role can also help define and develop social supply chain strategies. In

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<sup>60</sup> “Yes we do always collaborate together as soon as there are the same suppliers” [R27]

<sup>61</sup> “So...actually for the moment, these other brands we work with or which are in the Fairwear, these are not direct competitors, so we don't have any concerns there. Yeah, we don't ...we are not that transparent, but this is also...yeah...a decision from both sides. So...I mean, it is kind of a ...I mean we have very technical products and there is some concern in the board...and that's why they didn't want to make it too transparent” [R30].

<sup>62</sup> “Especially for us as a workwear company. Workwear is really difficult to make. It is not as easy as sewing a simple T-shirt or simple trousers, there is a lot of knowledge and development process and a lot of investment needed. So, the whole development process when it is completed from start to end, lasts about two years, so there is a lot of investment needed and especially production locations with the right kind of knowledge cannot often be found. Especially not when you focus on social compliance, which we do” [R27].

<sup>63</sup> “Yeah, we always work together with brands that source from the same factories so at some of the factories we don't have a lot of leverage so if you work together with other brands so then at least you have more to say in the factory” [R33]

<sup>64</sup> “for us it's very good to have this collaboration with other brands, because we source at the same factories and then we also can share work, because we don't need to do all the audits by ourselves, so we can exchange us between the brands and somebody is responsible for the next audit and then we can give them input, but there is a certain responsible, so you reduce our work, so...and also the costs and we have less ...costs are also shared.”[R30]

<sup>65</sup> “I think as the setup is right now I think we are kind of forced to continue with the auditing. I think it could be improved by a lot of collaborations between brands. And sharing...being transparent about where you produce, sharing the audit reports and so on and follow-up” [R23].

<sup>66</sup> “And the other goes more into understanding the potential of collaboration and really especially for smaller brands. Sometimes it is very difficult to achieve a change or an implementation of circularity solutions by themselves. They usually have small order quantities that it is not really easy to get a supplier to change something if you are a really small buyer. So, on that side, also, getting together, aligning with other brands does the trick, it really enables change to happen” [R22].

<sup>67</sup> “So from the point of view of the manufacturers...they used to things be compliance driven, so this is kind of the standard around chemicals used, labour, compliance...but when it comes to circularity I think that [...] in the supply chain [supplier] should be allowed to say what that looks like in detail. But the supply chain is not used to ...the manufacturer says kind of just tell me what you need, but in this situation, you need the manufacturer to be involved with the scoping of the problem and to search with us for solutions” [R21].

fact, the enabling factor of involvement gives suppliers a key role in concurrently implementing labour standards and circularity<sup>68</sup>. With the uptake of innovative business models for circularity, new supply chain structures will emerge, revolving around sustainable materials and design choices. This will give the manufacturer a determining role in the design of re-modeled supply chains<sup>69</sup>. After all, this could also invert the impact chain, disrupting current models for sustainable supply chain frameworks, such as in (Köksal et al., 2017). Thereby, the concurrent impact of circularity might inverse roles: *“It is way more mind-blowing than the environmental conversation because circularity like I said, [suppliers] don’t see themselves as being able to do it, but they can understand it. They can understand re-commerce, and whatever you want to call it, they just don’t see themselves as having a role to play. And we can change that”* [R21]. This, in turn, might also inform the way SS is defined and assessed in apparel supply chains.

### 6.3 Results questionnaire

Of the respondents to the two singular questions, a slight majority did not see a direct link between the CE and working conditions in textile manufacturing (see Figure 20)<sup>70</sup>. One respondent did not give a conclusive answer. The responses did not show any pattern to whether the respondent was associated with a company in pursuit of circularity or SS.

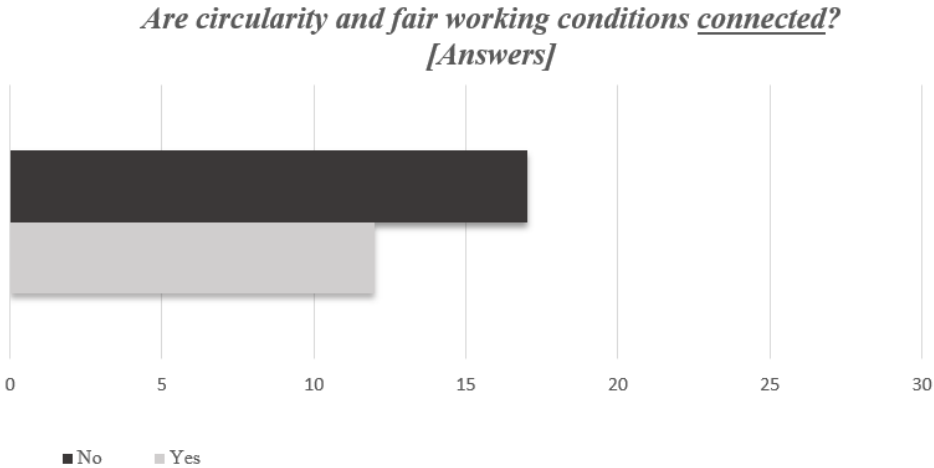


Figure 20 Response to connection of circularity and labour standards, own illustration

When asked about the second question, whether the pursuit of circularity also implied a higher ambition towards working conditions, the responses were less clear (see Figure 21). The

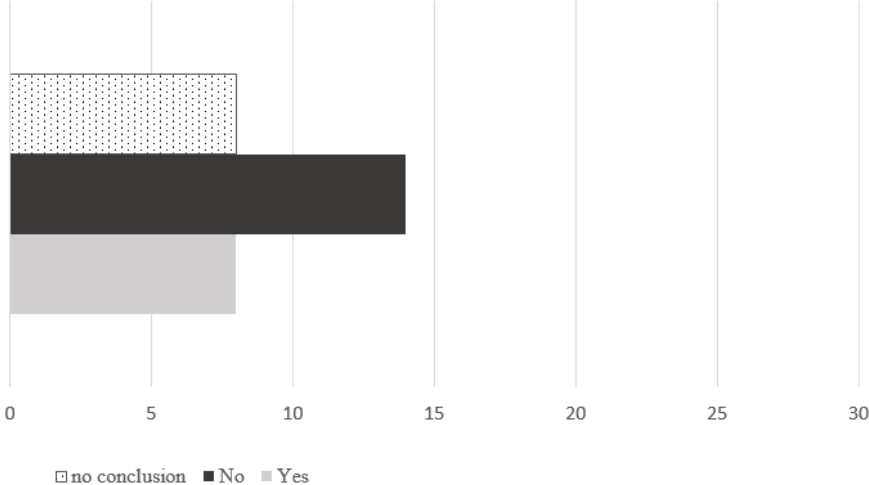
<sup>68</sup> *“it is a key role because much of the implementation of the circular economy actually happens within the suppliers or within the manufacturing stages, so that is a really really important step in the way. Then in suppliers’ roles you really need the openness to test, to implement, to revalidate the innovation that is going on. That doesn’t mean that they can do it alone or by themselves”* [R22]

<sup>69</sup> *“[...] the manufacturer would be like Ok, so for rental model, [...] I find that you’re ahead of me, I’m just making the product. But actually, I mean...that has an impact on you, because [...] how they should be designing clothing and how they should be ...you know? I think of a rental or repair model where you can easily repair the product if they are worn down. How should you be designing for something that is primarily rental but then primarily silk?”* [R21].

<sup>70</sup> For the direct response ratios to both questions (figure 21 and 22), also clear positioning of the interview respondents was considered but not for the analysis of the vision

majority of respondents did not see a positive impact of the CE on labour standards. None of the experts affirmed the statement.

*Should labour standards in textile manufacturing for a "100% circular" product exceed existing minimum standards for "non-circular" textiles?*  
*[Answers]*



**Figure 21 Response to ambition of circularity for social compliance, own illustration**

In the analysis of the responses, some broad themes emerged (see Figure 22). Most respondents discussed the theme of minimum standards. The achievement of minimum standards, for example payment of a living wage, is an ongoing challenge for companies in the fashion industry. In fact, the payment of a living wage to workers is still very rare and considered a best practice. Therefore, respondents argued that first such minimum standards should be achieved and then exceeded<sup>71</sup>. Unless the CE offered a clear added value for this process, there would be no relevance of this concept for social compliance.

<sup>71</sup> “I think the existing minimum standards you're listing are actually best practices in the industry, and the reality is that the industry is extremely far from meeting these "minimum standards." The first step is to meet these standards, and then exceed them” (R13).



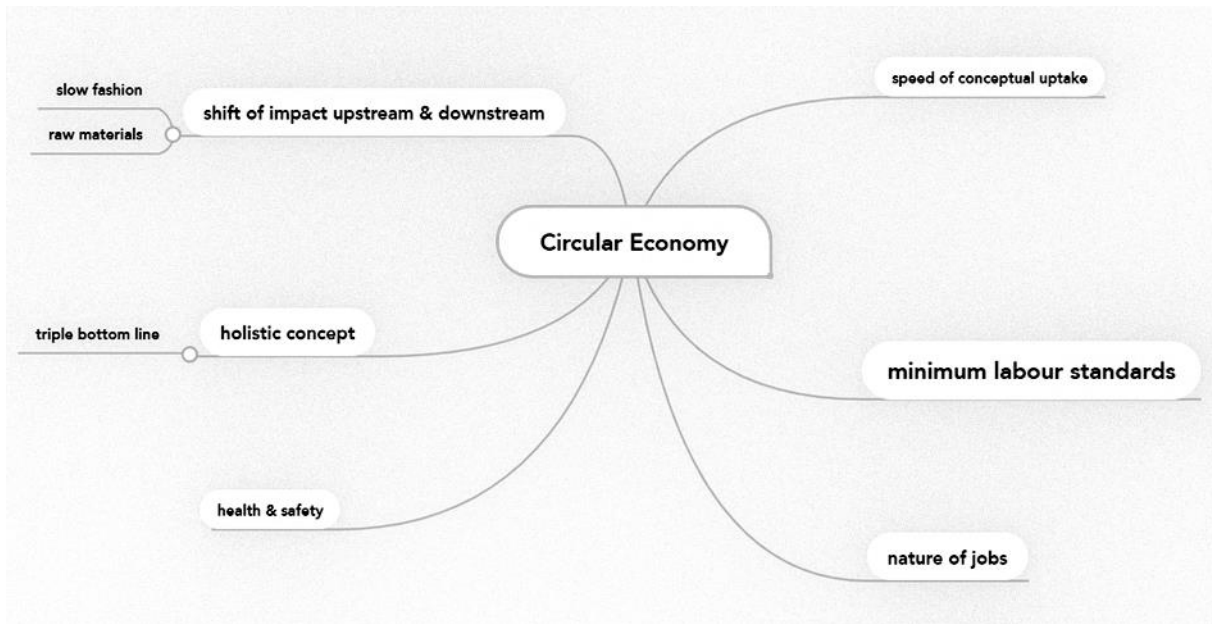


Figure 22 Themes found in statements, own illustration

Some respondents also pointed out the sufficiency of their existing labour standards, if to be fully achieved: *“our standards for our factories are quite high what we expect. So, we would have the same standards for our factories if they would have a circular product or not”* (R24). This also indicates the saturation of the ambition to improve labour standards beyond a certain level. Another respondent commented that *“any higher standards for circular products would mean that we do not care or do not want to change the labour conditions in others, including the worst parts of the industry - where it matters the most. The existing “minimum standards” [...] should be addressed first, not only as they are the worst, but also because the majority of the workforce is affected by those”* (R15). This critique also confirms the opinion that circularity should not involve superior treatment of workers in some companies or in new supply chain structures. Rather should the concept of circularity be developed as a tool to affect the majority of the existing CMT working conditions, or the CE conceptually separated from social compliance.

This separation was also commented on by other respondents on a more abstract level, discussing a holistic vision of the concept. For example, one respondent argued that *“a circular economy is not only about planetary boundaries, but also about respecting social boundaries”* (R11). This idea of respecting planetary boundaries was also recurrent in the statement that *“To be also fair to our planet by using resources, again and again, is [...] the only way to ensure human life, trading and working in the future”* (R15). This shows an approach to approximate the concept with other environmental concepts. In this regard, the notion of the *triple bottom line* was also brought up, noting that *“Circularity is more linked to “Planet” when working conditions are linked to “People” and both are the pillars of sustainability (with economics)”* (R9). Another response backed this view of the necessity of a balanced interplay of all dimensions<sup>72</sup>, acknowledging that *“at the same time, [...] working on all these three dimensions*

<sup>72</sup> *“We believe in sustainability to be three dimensional - the world needs business models that are economically, ecologically AND socially sustainable. [...] having true interest in a more sustainable world, one needs to tackle both the problem of circularity and working conditions”* (R18)

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*can be a stretch*” [R18]. However, the respondent concluded that “*ignoring one dimension of the sustainability triangle should not be the answer.*” In this regard, the conceptual separation between a social and environmental sphere becomes apparent, succinctly put by a respondent as “*a lot of companies see it differently...as a separate thing*” (R20). Ultimately, this shows that there is indeed a vision to understand circularity as a holistic concept but remains at the same rudimental state as the academic literature in this field.

The connection of circularity to working conditions was accordingly also defined in relation to the environment. On the one hand, occupational safety and on the other hand sustainable materials were brought up, clearly stating that “*Within circularity the obvious focus is on material; how to make the right design choices that enable the use of sustainable materials*” (R6). One respondent commented that circularity would impact occupational safety, affirming that “*definitely in health & safety in the workplace, there are lots of links between how you manufacture or how you treat a product*” (R22).

The environmental focus was also backed by some respondents pointing out the location of possible impact in the supply chain. As such, it was argued that raw material sources would be affected by the development of “*slow fashion*” and other innovative material sources from recycling activities. One responded noted that “*if you have a more automatic system with automatic sorting, but also with the chemical recycling of cotton for example, then not much hands are involved with this, but the social kickback is of course what will happen with all the people on the cotton fields. I think that the direct link is only on the raw material part, so on the cotton field*” (R20). Other concerns pertain to the end-of-life recycling streams that the CE implies by using novel materials such as recycled PET bottles for clothing<sup>73</sup>.

Another perspective was expressed in relation to the nature of jobs to be expected or pursued in the CE. For example, it was argued that “*Circular economy as a whole [...] should concern the whole 'picture of act', from the process to consequences; so from working conditions, social benefits, wages, relations, working atmosphere, responsibilities of all actors, healthy working spaces, respect, awareness of interdependence, love and passion for what you do, principles of working protocols, working hours, relations between quantity and quality of production, what to do with stock*” (R4). Reskilling and a redefinition of the value of work were recognized as a potential change to the nature of jobs<sup>74</sup>. These two aspects imply that existing minimum standards in the CMT stage might be affected not by higher ambitions as a side-effect of circularity but the change of the nature of jobs itself. This was, however, disputed by others

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<sup>73</sup> “[...] using recycled resources [...] might allow the industry to slow down and use more organic farmed cotton...which of course would have a positive impact on health and safety, working conditions on cotton fields” equally voicing the doubt that “at the same time, when you talk about recycled materials like for example all the PET bottles [...] like in fishing nets and recycled PET bottles [...] if you dig into the social aspect, that is of course it’s good to use the waste that has been created, but in many cases it’s also collected and sorted by young people in developing countries and this is something we don’t have really explored much or the industry in general. Like the traceability of the recycled material, like where is it actually handled and by whom” (R23).

<sup>74</sup> “the circular economy [presents] sometimes a need for reskilling the workers, so really looking into what are the needs for the practices. Many times, you have to look at other relationships with the product, so their hierarchies might be put into debate. So working hierarchies today that may align clearly with wages or wage limits, then you can look at how this new skilling that is needed also presents another type of working relationship between all workers and their roles and responsibilities” (R22).

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arguing that the field social compliance would not change but change would occur on the level of raw materials and related processes<sup>75</sup>. Another respondent also saw changes more in the nature of new jobs in a reverse supply chain: *“a workplace set for repair or upcycling of used products would for sure have a more creative and [repetitive] standard compared to the typical mass production in the textile industry”* (R15).

Finally, structural and technical constraints were pointed out for the viability of a system change in the near future. For example, one respondent pointed out the limited uptake of the concept and therefore its limited impact: *“the circular economy (CE) is coming along way too slowly, it's less than 9% that is circular today”* (R3). This was partly explained by another respondent with regards to technical constraints hindering the ambition, namely *“[company] policies focus on the transition to a circular economy in textiles. But insufficient developed technologies make this impossible. [...]100% circular garments are yet to be developed. [...] once it can be produced the factor of fair working conditions will come into play”* (R14). This was also confirmed by another respondent, commenting that *“at the moment the most limiting factor that prevents circular products to be going into a circle is at the end of the product's life there as there are too small quantities of single-variety products. [...] I would rather ask - what will be established faster: a 100% circular textile production or living wages?”* (R10).

Relating this statement back to the question of minimum standards, this argument questions whether the concept of the CE is ready to impact labour standards at its current stage. The achievement of better labour conditions is a long-standing and ongoing debate. No solutions at scale have been found for challenges such as living wages. On the other hand, the CE is not developed enough to be employed on a large-scale yet. This complicates attempts to gauge its potential impact or to define a clear vision of how social standards under the umbrella of this concept should look like.

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<sup>75</sup> *“So if [...] the quality of the fibres [is] good enough to really make it close [], it will be in the raw material and the raw material will start at the spinning facility. [...] the social compliance part is still important, but it is a different field, because that system is not changing”* (R20).

# Discussion

# 7. Discussion

The present thesis was designed to determine whether apparel companies that commit to circularity employ different supply chain *practices* and *standards* for employment quality. This section presents the discussion of the insights that could be gained on this question. First, the research question will be answered, and potential explanations derived from the interview and questionnaire analysis will be discussed (see Table 10 and Table 11). Then it will be argued how the results integrate into the theoretical context. Finally, an implication for the research gap will be given.

## 7.1 Interpretation of findings

**RQ:** Do employment quality standards and practices as part of corporate SSC strategies differ between circular fashion and socially invested apparel companies?

**Overall, it can be concluded that sample group 1 and sample group 2 do not show much variation in their SSC strategies for social compliance as translated through *standards* and *practices*** (see Table 8). However, additional elements of an environmental, product-related strategy could be identified for sample group 2 (see Table 9), which were functionally isolated. Therefore, the pursuit of circularity does not seem to trigger a higher ambition than a set of current best practice minimum standards for employment quality in the supply chain. This in turn supports the hypothesis, that SS is not yet perceived as a stand-alone part of the CE.

As seen in table 8, *standards* were found to be oriented closer towards best practice levels of the comparison group. *Practices* showed slightly more divergence. In aggregation, it can be subsumed that the overall strategy converges more towards an ambition that reflects *standards* and *practices* according to industry best-practice.

Result (Sample group 1 in comparison)		Standards	Practices
1. Ambition <b>exceeds</b> current best practice <i>standards</i> and <i>practices</i> for employment quality	+	Collaboration	Transparency
2. Ambition <b>reflects</b> current best practice <i>standards</i> and <i>practices</i> for employment quality (performance of Fair Wear Foundation members)	+/-	Policies	Purchasing practices
3. Ambition <b>lags behind</b> current best practice <i>standards</i> and <i>practices</i> for employment quality (industry average)	-	Code of Conduct	Leverage – sourcing relationships

Table 8 Aggregated results for categories of social compliance, own illustration

Companies committed to the CE in initiatives showed higher engagement for collaboration through initiatives, supply chain transparency and ambition for sustainable purchasing practices. The collaboration was more focused on industry-wide initiatives rather than brand-to-brand collaboration. Transparency was significantly higher in the level of traceability and willingness of disclosure. Information on sustainable purchasing practices was mentioned to a lesser extent by this group. If disclosed, the ambition was, nonetheless, higher. For the categories of policies and the code of conduct, little discrepancy was found except for living wages and work contracts. The leverage structures did not indicate an ambition above industry average.

Table 9 portrays the additional differences that were found. Those hint towards a stronger focus on an environmental, product-related strategy by sample group 1, incorporating the CE more in its original understanding of industrial ecology and Cradle-to-Cradle (Homrich et al., 2018). This pertains to additions for the environment to code of conduct and policies. Moreover, a heightened level of traceability of upstream suppliers involved in raw material production was found. Purchasing practices in relation to this strategy were above the industry average in their scoping of sustainable materials, yet, not in relation to circular design (supplier involvement in design cyclability). No tentative proposition can be given for collaboration as product-related collaborations were not examined. No clear relation between leverage and a product-related strategy can be drawn.

Tentative Result (Sample group 1 in comparison)*		
Norm strategy: SCM for „sustainable“ products, (Seuring & Müller, 2008)		
	Standards	Practices
1. Ambition <b>exceeds</b> current best practice <i>standards</i> and <i>practices</i> for employment quality + ↗	<i>Policies</i> <i>Code of Conduct</i>	<i>Transparency</i>
2. Ambition <b>reflects</b> current best practice <i>standards</i> and <i>practices</i> for employment quality (performance of <i>Fair Wear Foundation</i> members) +/- →		<i>Purchasing practices</i>
3. Ambition <b>lags behind</b> current best practice <i>standards</i> and <i>practices</i> for employment quality (industry average) - ↘		

\*Collaboration & Leverage not applicable.

Table 9 Tentative result for additional, product-related ambition, own illustration

Explanations for the findings of this chapter will be elaborated hereafter (see Table 10 and Table 11 for an overview). Three types of explanations can be distinguished. Firstly, explanations that illustrate the differences between the sample groups (1). Secondly, explications that are specific to the CE (2). Lastly, reasoning that contextualizes overall challenges that the apparel industry faces regarding employment quality (3).

At first glance, sample group 1 shows similar results for the engagement in standards and policies for social compliance as sample group 2. Given that sample group 2 strives for social compliance standards above industry level with its membership in the *Fair Wear Foundation*,

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this entails as a first result that sample group 1 is not lagging behind in this discourse. Only for the category of work contracts and living wages, a divergence could be found. The majority of companies involved in circularity, therefore, seem to also strive for a higher level of social compliance across a set of categories. On the other hand, the results showed that social compliance categories are set to become a norm across initiatives such as the *Fair Wear Foundation* and others based on their ILO (International Labour Organization) foundation (3). This has also been confirmed by the interview responses and by (Fransen, 2011a), equally pointing out the split for the category of living wages. Therefore, apparel companies with a circular orientation seem to incorporate a set of minimum standards as an industry norm to be achieved (3). This was also reflected by the vision of the company practitioners in the questionnaire: achieving these minimum standards is considered best practice and beyond the saturation of ambition occurs (3).

The shift of attention away from labour standards<sup>76</sup> (2) towards the CE and the scalability of circular solutions as a proxy for the speed of uptake (2) were found to also inhibit an ambition beyond the achievement of minimum standards by both interview and questionnaire participants. Attention is currently brought to the CE for various environmental benefits, yet, as long as technical solutions and business model innovations are not implemented at scale, the effect on labour standards is not deemed important. Moreover, whereas the measurement of labour standards is a long-standing discussion (“what is a living wage?”)<sup>77</sup>, emerging concepts such as the CE attract companies for tangible solutions. This is, for example, evident in the targets formulated by the Global Fashion Agenda 2020 commitment. Those are tangible in their measurability and achievable without necessarily changing the core business model. As such, pursuing circularity separately next to the management of labour standards can be low-hanging fruit<sup>78</sup>. This shift of attention might explain that environmental sections are added to the code of conduct or company policies, without re-evaluating the social compliance strategy.

The orientation towards the CE is reflected in the finding that both the code of conduct and policies of sample group 1 were complemented with additional categories on the environment. Specifically, requirements regarding sustainable materials and restricted substances were recorded. This clearly shows an orientation towards circularity and its origin in cleaner production and environmental concerns. Nevertheless, this was not directly and predominantly related back to labour standards. Whereas the practitioners in the questionnaire were mentioning this connection in their vision for circularity, this showed to not be translated into practice. About half of the questionnaire respondents even denied a direct link between circularity and labour standards, some saw a vague connection to the labour standard of *health & safety* (2). This has a two-fold implication. Firstly, companies with circular orientation seem to separate environmental and social conduct (3). This becomes also evident in the functional

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<sup>76</sup> “The way that we can agree to kinda co-stand it, water-efficiency standards, energy efficiency standards is so much easier to agree to those things than to what is a fair wage” [R21]

<sup>77</sup> “for circularity the social aspect has to be that how do you even measure that you are contributing not just to the environmental benefit of the global fashion industry but through the ability of being able to better meet livelihood needs of the location that you are operating within” [R21]

<sup>78</sup> “I’m not sure if it was a very...thought-through decision, like participate or not. Since we are almost doing everything required by the Global Fashion Agenda. And I mean the criteria in terms of recycling for example or...repairing [...] or second hand selling. So, I think for us it was like low hanging fruits in that way. So, we just thought why not?” [R23].

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separation of internal management systems for environment and social compliance within apparel companies. Secondly, practitioners mentioned in the questionnaire that they expect an impact of the CE mostly upstream and downstream of the CMT stage (2). This would also support the findings that the sample group invested in circularity showed considerably higher ambition in supply chain transparency and traceability. It was explained by respondents that the raw material stage would become more of a focus, for which sustainable material policies and chemical requirements are crucial. The latter is also a pre-condition for downstream processes of material recycling (closing the loop) and material safety as mentioned by interview participants. Adding to both arguments, the split of environment and social compliance was structurally induced by the focus on auditing organizations only on specific tiers due to capacity constraints and expertise on either social compliance or environmental challenges (3). Moreover, (Fransen, 2011b) also noted that auditing organizations perpetuate their separation for reasons of power and methodological stances.

The category of collaboration allowed interesting insights into the differentiation of strategies depending on the product segment (1). The findings for collaboration reflected the results for the categories of code of conduct and policies in the fragmentation of initiatives (3). Initiatives for more environmentally friendly business conduct have not been considered for this thesis, yet, results showed that also within social compliance initiatives for labour standards the difference is significant. Indeed, companies of sample group 2 sought collaboration more as brand-to-brand collaboration, partly also for capacity constraints (Colucci et al., 2020). Individual leadership for this was more pronounced than collective effort (1). Companies striving for circularity, on the contrary, were found to engage more in industry-wide initiatives, specifically on topics such as living wages. This reflects the strategy of finding more scalable solutions and strategic consensus. Sample group 1 is less diverse than sample group 2, hence, pointing towards the importance of product segments (1).

Collaboration for advancing circularity or labour standards seems to be favoured within certain product groups and market segments (1). For instance, interview respondents mentioned that they prefer pre-competitive collaboration with peers of the same product group, therefore in shared supplier facilities or similar (technical) production contexts. This also shows in a much higher level of transparency for sample group 1 on a competitive level. Contrary to fashion, technical clothing in the outdoor and workwear segment requires specialized suppliers with high-quality requirements. In turn, companies might be less willing to be transparent about their supplier base<sup>79</sup>. However, private collaboration clusters of smaller workwear or outdoor companies were found for either circularity or labour standards based on individual leadership (1). Smaller companies are therefore “flying under the radar” of research resting on public, collective initiatives such as the Circular Fashion Agenda. They are not necessarily less ambitious in their pursuit of circularity but seek other forms of private collaborations. Hence, this thesis showed that collaboration across all apparel segments is deemed beneficial but

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<sup>79</sup> “I could imagine that in specific ...for example workwear [...] is much more sensitive, you are disclosing only certain information, because it's more competitive” [R29]



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practically the collaboration strategies differ for both circularity and social compliance according to product groups. Thereby, cross-pollination is hampered.

Finally, many more specific and varied explanations could be found for the variance of the sample groups in their standards. Potential explanations for the category of transparency and leverage point more towards the impact of company size (1) and supply chain complexity (1) on the configuration of strategies, which has already been indicated by (Colucci et al., 2020). This suggests the importance of finding solutions in the results of the standards' section for concurrently addressing circularity and social compliance in apparel supply chain strategies. Moreover, barriers were found to be much more explanatory for the findings than identified enablers. This reflects that supply chain factors that inhibit the concurrent consideration of circularity and social compliance in supply chain strategies are more plentiful than supporting factors. Accordingly, companies invested in circularity might tend to not address the topics as much as their vision of a holistic CE (see chapter 6.3) would suggest.

<b>Analytical framework standards</b>	<b>Core questions</b>	<b>Results</b> <i>sample group 1 (in comparison)</i>	<b>Potential explanation</b> <i>barriers and (enablers) (a) questionnaire (vision) (b)</i>
<i>Policies</i>	<ul style="list-style-type: none"> <li>➤ What publicly available policies are in place? What topics do they cover?</li> </ul>	<ul style="list-style-type: none"> <li>• Similar coverage but higher disclosure rate for all categories</li> <li>• Stronger focus on sustainable materials, restricted substances, chemicals, and human rights</li> </ul>	<p><b>(1) Difference between sample groups:</b></p> <ul style="list-style-type: none"> <li>• Complexity of supply chain according to company size (Colucci et al., 2020)</li> </ul> <p><b>(2) Explanation specific to CE:</b></p> <ul style="list-style-type: none"> <li>• <i>Shift of circularity impact upstream &amp; downstream</i> (b)</li> <li>• <i>shift of attention</i> away from labour standards towards environment and circularity (a)</li> <li>• <i>link of Circular Economy &amp; health and safety standard</i> (b)</li> </ul> <p><b>(3) Industry-specific explanation:</b></p> <ul style="list-style-type: none"> <li>• <i>characteristic challenges of apparel supply chains (country-specific risks)</i> (a)</li> <li>• <i>specialization of auditing companies</i> (a)</li> </ul>

<p><i>Code of Conduct</i></p>	<ul style="list-style-type: none"> <li>➤ Do the companies cover the FWF benchmark code of labour practice categories?</li> <li>➤ On which benchmark is the code of conduct of sample group 1 based on?</li> <li>➤ Are companies exceeding the FWF benchmark with additional categories?</li> <li>➤ To what extent are environmental requirements part of the code of conduct?</li> </ul>	<ul style="list-style-type: none"> <li>• Similar coverage -&gt; emerging norm</li> <li>• large share of hybrid codes of conduct</li> <li>• Differences found for categories of living wages and work contracts; majority aims at paying a living wage but stringency of definition varies considerably</li> <li>• Considerably more additional categories added to code of conduct, particularly <i>environment</i></li> <li>• Environmental addition mostly referring to risk prevention, no direct link to labour standards such as health &amp; safety</li> </ul>	<p><b>(2) Explanation specific to CE:</b></p> <ul style="list-style-type: none"> <li>• <i>shift of attention</i> away from labour standards towards environment and circularity (a)</li> <li>• <i>Shift of circularity impact upstream &amp; downstream</i> (b)</li> <li>• <i>Scalability of circularity</i> (a)</li> <li>• <i>speed of conceptual uptake</i> (b)</li> </ul> <p><b>(3) Industry-specific explanation:</b></p> <ul style="list-style-type: none"> <li>• <i>characteristic challenges of apparel supply chains</i> (living wage) (a)</li> <li>• <i>minimum labour standards</i> (b)</li> <li>• <i>lack of convergence</i> due to different structures of power and methodology, (Fransen, 2011a)</li> <li>• <i>functional separation of environmental and social topics</i> within the focal company (a)</li> <li>• <i>specialization of auditing companies</i> (a)</li> </ul>
<p><i>Collaboration</i></p>	<ul style="list-style-type: none"> <li>➤ What memberships do the sample groups adhere to in order to improve aspects of employment quality and enabling conditions?</li> <li>➤ Do they seek other forms of collaboration?</li> <li>➤ Do the comparison groups differ in their collaboration patterns?</li> </ul>	<ul style="list-style-type: none"> <li>• greater ambition in publicly joining industry-wide collaboration efforts, less so for brand-to-brand collaboration</li> <li>• plethora of social compliance initiatives shows fragmentation of collaboration efforts</li> </ul>	<p><b>(1) Differences between sample groups:</b></p> <ul style="list-style-type: none"> <li>• <i>capacity constraints</i> of smaller companies</li> <li>• <i>product segment</i> (a)</li> <li>• <i>leadership</i> (a)</li> </ul> <p><b>(3) Industry-specific explanation:</b></p> <ul style="list-style-type: none"> <li>• <i>fragmentation of social and compliance standards</i> (a)</li> <li>• <i>lack of convergence</i> due to different structures of power and methodology, (Fransen, 2011a)</li> </ul>

Table 10 Synthesis of results on standards, own illustration

Analytical framework <i>practices</i>	Core questions	Results <i>Sample group 1 (in comparison)</i>	Potential explanation <i>Barriers and enablers (a) Questionnaire (vision) (b)</i>
<i>Purchasing practices</i>	<ul style="list-style-type: none"> <li>➤ What “sustainable” purchasing practices are named?</li> <li>➤ Do the sample groups differ in the purchasing practices they employ?</li> </ul>	<ul style="list-style-type: none"> <li>• discloses less information on purchasing practices, yet, if done so, shows a higher ambition across all indicators</li> <li>• design cyclability least acknowledged in categories of purchasing practices -&gt; design for circularity not yet leveraged through purchasing practices</li> <li>• wages and overtime recognized as labour impacts to be averted by purchasing practices</li> </ul>	<p><b>(3) Industry-specific explanation:</b></p> <ul style="list-style-type: none"> <li>• <i>neo-colonialism</i> of brands towards their suppliers (a)</li> </ul>
<i>Transparency</i>	<ul style="list-style-type: none"> <li>➤ Do the companies openly publish their supplier lists to enable collaboration?</li> <li>➤ Do they have knowledge of their supply chain beyond tier 1?</li> </ul>	<ul style="list-style-type: none"> <li>• Much higher ambition for transparency and traceability</li> <li>• public disclosure and sharing of supplier data much more popular</li> </ul>	<p><b>(1) Differences between sample groups:</b></p> <ul style="list-style-type: none"> <li>• greater share of large companies in this group -&gt; greater pressure to work on this category for public scrutiny &amp; more capacity (Colucci et al., 2020).</li> <li>• <i>Company size</i> (a): larger companies -&gt; more complex supply chains for which mapping becomes more difficult -&gt; higher ambition</li> <li>• <i>Product segment</i> (a)</li> </ul>
<i>Leverage - Sourcing relationships</i>	<ul style="list-style-type: none"> <li>➤ Do the sample groups differ in their leverage structures?</li> <li>➤ Do sample groups employ different strategies to increase leverage?</li> </ul>	<ul style="list-style-type: none"> <li>• Lower share of supply chain consolidation</li> <li>• More direct sourcing</li> </ul>	<p><b>(1) Differences between sample groups:</b></p> <ul style="list-style-type: none"> <li>• <i>Company size</i> (a)</li> </ul>

Table 11 Synthesis of results on practices, own illustration

## 7.2 Theoretical contribution

Based on the implications of the theoretical framework by (Seuring & Müller, 2008), one could expect that the implementation of the CE triggers social and environmental minimum standards as proposed by the authors (see Annexe chapter 10.12 for the original framework). This could be confirmed as a first result for the strategy of *supplier evaluation for risk and performance* for social compliance (see Figure 23). The results of this thesis indicate that overall the supply chain strategy of circular fashion entrepreneurs exhibits a similar ambition to contribute to a sustainable supply chain as socially-oriented apparel companies. This means a set of best practice minimum standards. The CE is thereby an implicit trigger towards a minimum set of labour standards above industry average, but not beyond a certain best practice norm (see Figure 23). Results indicate that the CE also triggers some strategic ambition towards the second strategy proposed by (Seuring & Müller, 2008), *sustainable supply chain management for “sustainable products”*. This unexpected, second result was not the original focus of this thesis but could be derived from the differences found for the sample groups in this research (see Table 10 and Table 11). However, the two strategies are found to be rather isolated strategic ambitions (see Figure 23). As a third result, a novel set of *barriers* and *enablers* exceeding those already presented in literature (Köksal et al., 2017) could be identified. Building on those, explanations for the first and second result can be approximated. Lastly, those can also help explain and overcome the separation of the two strategies by (Seuring & Müller, 2008) as evident in the findings.

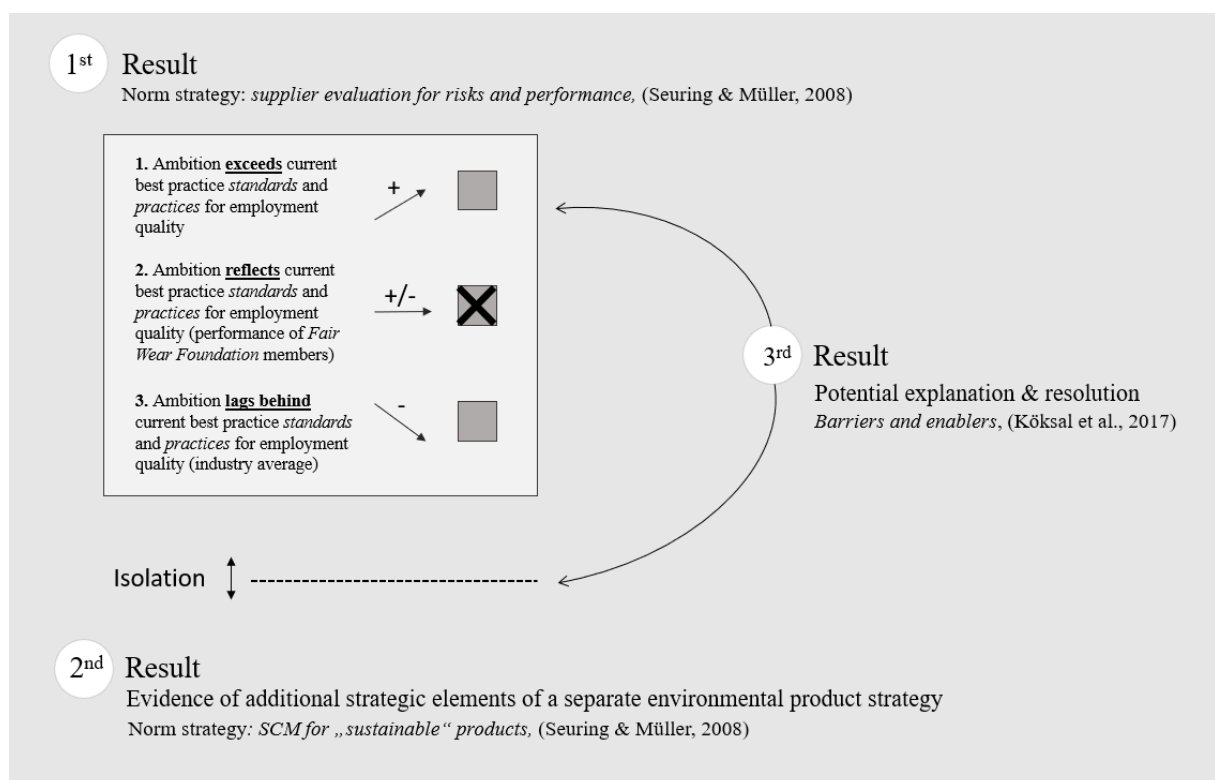


Figure 23 Results within the theoretical context, own illustration

These insights could be gained by applying the framework of (Seuring & Müller, 2008) within the general discourse of sustainable supply chain management (SSCM). As explained earlier (see chapter 3), sustainable supply chain management is a highly pertinent field of research

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because of its ambition to concurrently address social and environmental sustainability. Within this field of research, the thesis contributed to the persistent call of researchers for more research on the social side of sustainable supply chain management (Köksal et al., 2017; Martins & Pato, 2019; Seuring & Müller, 2008). The thesis design was especially innovative because of its location at the intersection of different research strands (see chapter 3). Novel insights were therefore contributed to the fields of *sustainable supply chain management*, *barriers and enablers* for the implementation of the CE therein ((Franco, 2017; Govindan & Hasanagic, 2018; Gusmerotti et al., 2019; Jia et al., 2020) and the discourse around its holistic definition (Kirchherr et al., 2017). Because of its novel combination of hitherto separated research strands, particularly for the combination of SS and the CE in supply chains, no competing academic propositions could be discussed.

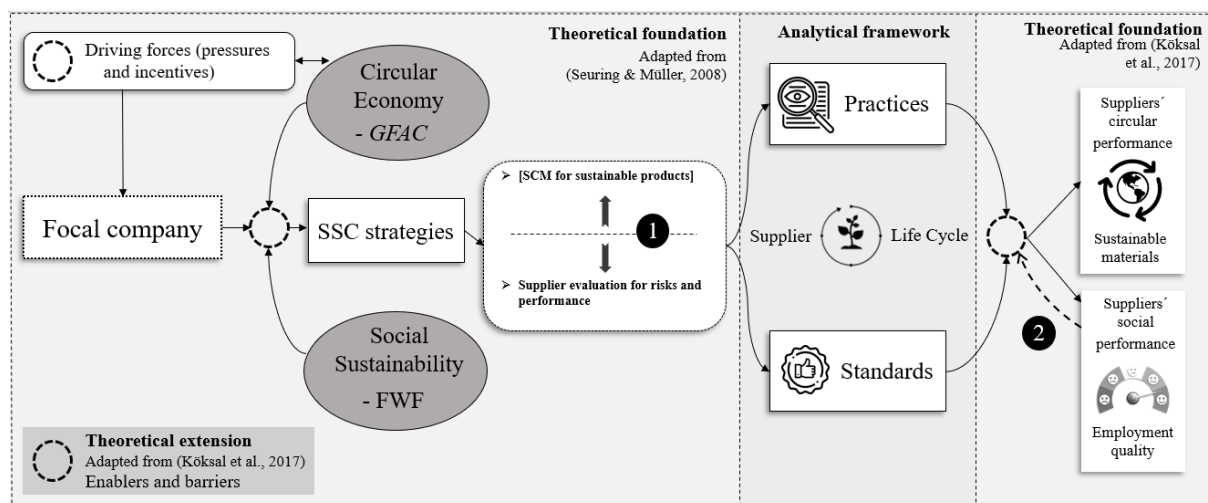
Firstly, the results of this thesis confirmed the diffusion of meaning for the CE (Kirchherr et al., 2017). Indeed, the respondents of the interviews and especially the questionnaire did not yield a clear-cut consensus on the implementation nor vision of the concept. Going beyond this affirmation of the conceptual diffusion, this research also offered possible explanations, though specific to the apparel industry, to why the definition diffuses. Connected to the line of research on barriers and enabling conditions for the uptake of the CE, new barriers and enablers could be identified that exceed the scope of similar research by (Köksal et al., 2017). This is because those bridge research that has focused on either environmental or social supply chain strategies such as proposed in (Seuring & Müller, 2008).

Notwithstanding, the thesis is not able to fulfil its promise for some other research areas. Firstly, research on SS in the apparel supply chain, for example by (M. A. Dickson & Eckman, 2006), attempts to define SS. The thesis aimed at clarifying its meaning for circularity, which did not yield a clear result. At most, the results indicate that SS is implicitly implemented as a set of minimum labour standards. Drawing conclusions from this result for a contribution to the discourse around SS in apparel would not be scientifically justified. Ultimately, also the link of SS and the CE could not be clarified but its perceived strength examined. For the question of what benefit the concept of the CE has for the social dimension of sustainability, results resided in the vague understanding brought forward by (Korhonen et al., 2018). Mirroring this call for conceptual tangibility, respondents' input in this thesis affirmed the need for measurability of the social dimension (Millar et al., 2019b).

The strongest contribution is evinced for emerging critiques of the CE implementation that posit a lack of a holistic and systemic translation (Lozano & Huisingh, 2011; Stål & Corvellec, 2018b). For this, the concept of the CE would have to overcome its original roots in ecological schools of thought (Homrich et al., 2018) and evolve to a more holistic understanding. Indeed, the findings seem to confirm that such structural separation is existing in the implementation of the CE, even more, on a cognitive level.

The contribution of this thesis therefore also directly responds to the critic voiced by (Seuring & Müller, 2008) about one-dimensional research in this field of research. The authors posit that research is mostly focused on environmental challenges and that a more holistic perspective is lacking. By comparing companies that pursue a concept [Circular Economy] that is generally more associated with environmental trade-offs (Sandin & Peters, 2018b) than social compliance,

new insights have been added to the understanding of the framework by (Seuring & Müller, 2008). It became apparent that the circular fashion entrepreneurs might show a higher ambition towards the management strategy for *sustainable products* compared to more socially oriented apparel companies. This was evinced in the results by a strong focus on sustainable materials across some indicators. Therefore, the concept of the CE might not trigger higher social standards beyond a certain minimum level but a more holistic supply chain strategy. However, whereas (Seuring & Müller, 2008, p. 1705) noted that social and environmental standards lead to a certain quality of sustainable products<sup>80</sup>, this thesis discovered that those standards are kept as separate functional units within companies and in external collaborations (see number 1 in Figure 24). This can be ascribed to the orientation of analysed apparel companies towards the CE.



**Figure 24 Commentary on the theoretical framework, 1) functionally separated strategies 2) proposed revision of framework, own illustration**

The framework extension by (Köksal et al., 2017) also proved to be useful to conceptualize the findings with a more nuanced understanding of *barriers* and *enablers*. However, a limitation has been noticed for its explanatory direction when using this framework. The structure of the framework by (Köksal et al., 2017) could be adjusted to better cater to the evolution of social compliance (see number 2 in Figure 24). Despite incorporating the supplier perspective for multiple tiers, the direction of power still assumes a mostly unilateral relationship of an imposing brand and the supplier as a receiving party. A stronger focus could be placed on how the supplier can serve as an *enabling* force for supply chain strategies on eye-level, if not even driving positive change. Hence, the framework extension by (Köksal et al., 2017) currently falls short of a more dynamic view. Being the successor of the framework by (Seuring & Müller, 2008) with a ten-year difference, the results of this thesis suggest that the fundamental, process-oriented structures that underlie both frameworks could be re-considered. Thereby, more acuteness is expected for analytical cases to come for the apparel supply chain.

<sup>80</sup> “Sustainable products is the term used to comprehend all kinds of products that have or aim at an improved environmental and social quality, which can be related back to the already mentioned implementation of environmental and social standards” (Seuring & Müller, 2008, p. 1705)

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### 7.3 Implications for the Circular Economy discourse

As previously shown in the literature review (see chapter 3.) and discussion on the scientific relevance (see chapter 2.2), there is a lack of understanding of what the CE means for the social pillar of the triple bottom line, especially employment quality. The findings of this thesis research confirmed the conceptual confusion on whether SS can be considered part of a “social economy”(Kirchherr et al., 2017). Practitioner responses in this thesis showed that there is a certain aspiration to define the CE in a holistic way. However, responses on the specification, the nature of jobs to be expected, were rather tentative speculations than a clear vision (see 6.3).

The question arises to which extent SS has to be a part of the definition of the CE to improve labour conditions. A substantial share of the practitioners in this thesis does not see a link between labour standards and the CE (see Figure 20). This showed also in the results of the document analysis, revealing certain structural, technical and functional barriers that led to this perception. Similarly, the respondents were also not showing a clear consensus on whether the pursuit of Circularity would imply higher than social minimum standards (see Figure 21). The document analysis confirmed that the companies striving for circularity did indeed not substantially exceed the *standards* and *practices* of that from the *Fair Wear Foundation* members. However, social compliance was also not significantly below the industry average. In fact, the *Fair Wear Foundation* holds leadership reputation for its rigour in social compliance in the industry. Therefore, it can be concluded that circular fashion entrepreneurs, deliberately or involuntarily, have at least social compliance standards above the industry average and on a par with *Fair Wear Foundation* members.

Hence, the findings of this thesis for the theoretical discourse suggest the hypothesis that companies committing to circularity do not deliberately strive for higher social standards as part of the concept. Rather, they indirectly exhibit *practices* and *standards* above industry average by doing so. The inference of this is that the CE could then also implicitly serve as a more holistic tool to improve working conditions in the ill-famed apparel workshops to a certain level. This would omit the need for a clear social definition. Still, without a clear definition, the CE in its current state can, therefore, not be considered a tool for sustainable development, brought forward by some authors (Millar et al., 2019b; Schroeder et al., 2019b). SS seems to only implicitly be included in the concept. This means that overall, higher ambitions in either pillar of the triple bottom line could trigger higher ambitions also for other pillars.

The findings of this thesis also point towards how the lack of the social definition for the CE could be overcome. Figure 25 shows a synopsis of the thesis results on what currently impacts the definition for the practitioners and could impact the definition for the years to come.



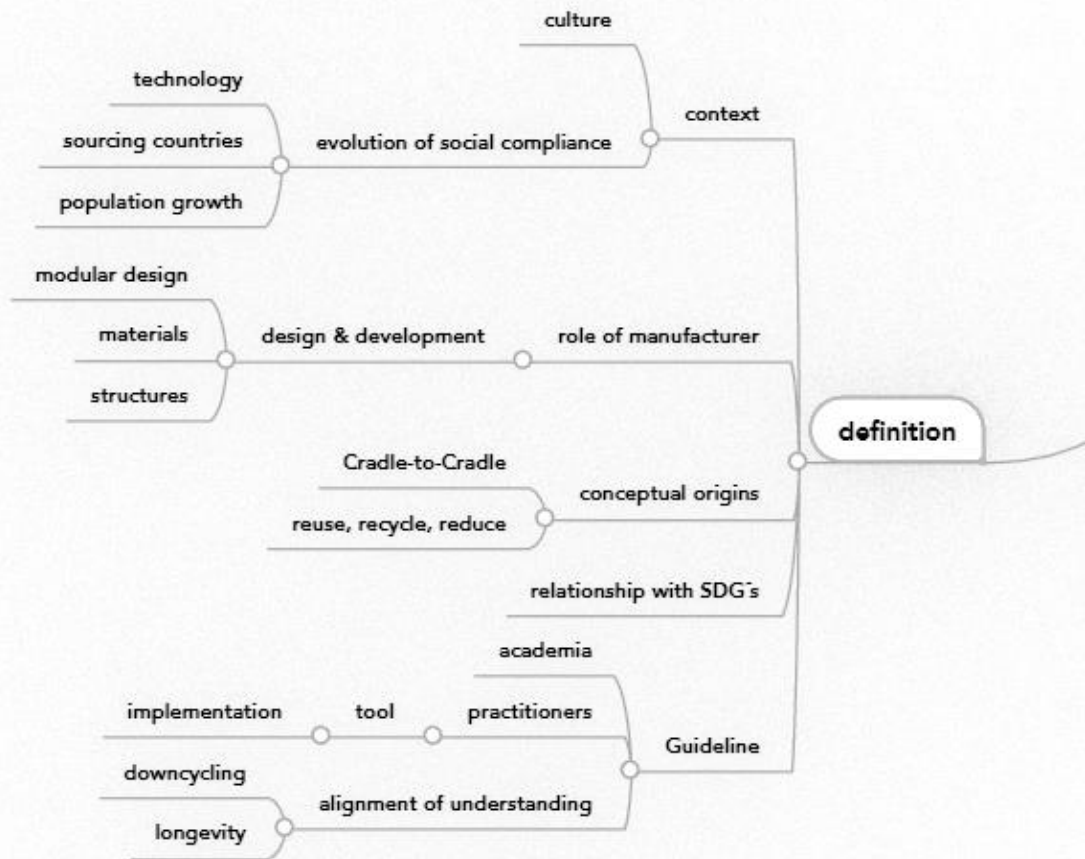


Figure 25 Conceptual map, factors impacting the definition of the social pillar of circularity, own illustration

Addressing the research gap on the social pillar of CE in apparel supply chains requires to understand what inhibits to concurrently address both CE and SS for companies. Practitioner guidelines, i.e. the Ellen MacArthur Foundation or the Global Fashion Agenda 2020 commitment significantly contribute to an aligned understanding of the CE. Therefore, it is important that these actors give guidance that also incorporates a clear vision of the social pillar (especially employment quality) of the CE. However, these initiatives are not able to reduce the different barriers to a social definition. Two of those are discussed in the following:

1. Social compliance is evolving. Sourcing countries are changing, population growth relocates the economic weight to new consumer groups. Technology comes into play for social compliance<sup>81</sup>. Training fashion workers via I-pad quiz is already a reality<sup>82</sup>. This means that also the role of who defines what circularity means for social compliance has to become more inclusive and dynamic. Suppliers in developing countries could help define the concept, as opposed to solely buying brands. As evinced

<sup>81</sup> “it always feels so difficult to imagine things changing, but when you look back to 2000, where many of the CSR managers have already been in those businesses, in 2000 none of us ever imagined that there would be a day where workers in a factory would all own a smartphone and all have an app and they can all just rate their line leaders, you know, day-to-day” [R21].

<sup>82</sup> “blockchain technology and social standards. So that might be the future [...]. To be able to have technology-wise verification. So that the salaries are paid correctly, and contracts are there and so on. Just to keep the basics of it” [R23].

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in this thesis, buyer brands are not systematically involving the suppliers in the circular design stage. The result of not comprehensively involving suppliers in the discussion is the limited focus of circularity on sustainable materials. Brands are dependent on circular solutions that are scalable and cost-effective, hence, recycled raw material input. This leads to a limited understanding of circularity, in which the supplier is merely incentivized to develop recycled materials. In turn, this limits the power of the concept to impact working conditions in the factories<sup>83</sup>. A new form of supplier empowerment, to the point in which suppliers are perceived as equal parties in the purchasing and design process, could help shape how circularity will be implemented and defined in the future. Initiatives such as the *Better Buying Program* or the proposition of *Social Accountability International (SAI)* for a mutual code of conduct<sup>84</sup> are leading the way. Those protest against a culture of fashion brands' neo-colonialism in their relationship terms. In the future, reverse Scorecards and other such measures might ensure that circularity finds a more inclusive ground for its definition. For academia, this implies to stronger involve suppliers in the discussion of how circularity could help to redefine their practices for better socially sustainable performance.

2. Secondly, social compliance needs to be aligned to enable a definition of social impacts by the CE. Currently, standards and practices around social compliance are highly fragmented. This does not only hinder the achievement of consistent minimum standards across the fashion industry, but also the definition of SS for the concept of the CE. (Fransen, 2011b) already noted the lack of convergence in standard organizations in his work. When there is no consensus on how a living wage across different social compliance initiatives can be defined and implemented, then this confusion will spill-over to the definition of the role that the CE can play for this. Therefore, some structural barriers have to be overcome pertaining to the fragmentation of compliance standards, capacity constraints and specific context of the fashion supply chain. In order to do so, discussed *enabling* conditions should be employed. As this research has shown, attempts to define a common strategy for better working conditions start with collaboration with other companies in the same product segment and regional context. For a start, memberships in organizations can facilitate this process by the matchmaking of companies with aligned strategies, values and product groups. However, in order to gain scale, transparency has to advance beyond these closed membership groups. In sum, this could help practitioners in the apparel industry to close structural and functional gaps that currently inhibit a clear vision of the social pillar of the CE.

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<sup>83</sup> “suppliers who are able to work with a circular approach are more aware about sustainability and this awareness drives to better working conditions. When I talk about circular approach, I'm talking about having a comprehensive understanding of whole product lifecycle rather than only using recycled materials. Many suppliers are now working on their "green" product line, simply converting part of ordinary production into one with more recycled materials as this was a plus to their clients. These suppliers haven't realized yet that they have to convert the entire production system to match circularity needs imposed by current environmental crisis. In this case, working with recycled materials doesn't necessarily match with improved working conditions”

<sup>84</sup> <http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=1903>

# Conclusion

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## 8. Conclusion

The aim of the present research was to examine whether sustainable supply chain strategies in the apparel industry differ in their *practices* and *standards* for employment quality as a result of their orientation towards circularity or SS. Academic research indicates a lack of knowledge on how the CE can bring social benefits for the ill-famed working conditions in this industry specifically, and as part of a holistic understanding for sustainability. Leading initiatives in the field of the CE and academic research imply that social benefits are understood to implicitly arise from circular practices of material reduction, reuse, and recycling (see chapter 2.1).

This thesis, therefore, compared the supply chain strategies of fashion companies either invested in a circular initiative or shaped by a social compliance program. The goal was to see whether the concept was translated differently in their *practices* and *standards*. (Seuring & Müller, 2008) and (Köksal et al., 2017) provided the theoretical frame. The data collected by means of document analysis of 99 companies, complementary 14 company and expert interviews and short questionnaire with 17 participants yielded relevant insights.

The results showed that the strategies were similar in targeting a set of best-practice standards in the apparel industry. Therefore, social benefits arise implicitly through the pursuit of the CE proposed by previous research. This involves that a stronger definition of the social pillar of circularity is not necessarily needed for the CE to improve ill-famed labour conditions in apparel production to a certain level. It became evident that circular oriented fashion entrepreneurs seem to go beyond this norm for labour standards by adding environmental criteria. Thus, the CE was implicitly applied in a holistic manner whilst keeping the different pillars as distinct functional units.

The differences could exemplarily be related to *barriers* and *enablers* producing this industry-specific outcome (see results section chapter 6). Companies committed to the CE in initiatives showed higher engagement in terms of collaboration through initiatives, supply chain transparency and ambition for sustainable purchasing practices. However, the greatest barriers to a concurrent consideration of CE and SS were the structural and functional separation of environmental and social compliance within the companies. This altogether manifested in a blurred understanding found in examined companies of how and whether employment quality and circularity could be related.

The results of this thesis thereby contribute to the scientific discourse around the lack of a social definition of the CE and verify the conceptual confusion. This became clear through the lack of a conclusive opinion on the link of employment quality and the CE by companies and individuals contributing to this research. The theoretical contributions gained from this study are nonetheless important because barriers and enabling conditions for the impact of the CE on labour standards, and its strength, could be identified. In doing so, this research also contributes to identifying which barriers have to be overcome to define the missing link between the CE and SS in the apparel industry.

However, the results have to be interpreted with caution, given the limitations of the research at hand. Those pertain to the classification of the sample group and the reliance on publicly available information.

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Firstly, a limitation is that the sample of circular fashion entrepreneurs for the interviews was relatively small, which might bias the validity of the research results. This was reinforced by the size of the social comparison group almost double the size of the circular sample group. Adding to this, the social comparison group had extensive data available on certain indicators through its membership in the Fair Wear Foundation. The other comparison group comprised some large incumbents in the market that were also subject to in-depth scrutiny by different benchmarking organizations. This might have led to a higher level of disclosure by the respective companies. In order to complement this information for the analysis, publicly available information was used. The conclusions drawn from the results might, therefore, misinterpret some data or overrate its value.

Secondly, the comparability of the two sample groups is limited because of the heterogeneous characteristics of the group. The companies interviewed for the research showed a highly diverse profile in their product segment and operational scope. Whereas the targeted circular sample group mostly consisted of fashion companies, the majority of the interview group featured workwear, outdoor companies and small fashion brands. The results drawn from this sample might, therefore, deliver a good picture of the different approaches taken for circularity by clothing segments but might not reflect the perspective of the fashion mass market. In order to remediate this shortcoming, more homogenous and comparable sample groups should be chosen for future research.

Thirdly, the interviews and reports were only coded by one researcher. Therefore, the intercoder reliability of the process, analysis categories and results are to be taken with caution. Rather than attempting to paint a high-resolution depiction of each company profile, this research thus sets out to predominantly open new perspectives on a hitherto neglected topic in the field of the CE.

For future research in the field of employment quality, it would be advised to more closely examine in which of the textile supply chain tiers the concept of the CE has the greatest relevance. The current research looked at the CMT stage, though respondents to the questionnaire and interviewees were suggesting importance for the raw material stage, the end-of-life stage or new supply chain structures with innovation in raw materials. This could build on the work of the second, product-related supply chain strategy by (Seuring & Müller, 2008). The authors already pointed out the need for research that goes beyond the more frequently discussed manufacturing stage.

Furthermore, Interviews with suppliers on their vision of the CE would greatly help define the concept from a more balanced perspective. This is particularly needed from suppliers operating in major textile production hotspots, among those Asian countries. This perspective is currently lacking from the discourses around the concept, leading to a bias towards a westernized and buyer-informed perspective in the definition. A similar methodology as shown in research by (Köksal et al., 2018) seems appropriate. The authors were analysing the role of sourcing intermediaries as enablers for SS in the apparel industry against the theoretical background of SSCM. For this purpose, interviews in Vietnam and Europe have been conducted. A similar research design could yield pertinent insights on the role that suppliers could play in the transition towards a CE that specifically incorporates employment quality.

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Lastly, the findings of this thesis (see chapters 6 and 7) have some practical implications. Companies in the fashion industry should first become aware of the limitation in their functional separation of environmental and SS in their supply chain management:

1. Setting circular goals together with their suppliers could be the next step to bridge the separation on a local and individual level. Suppliers have the technical expertise and cultural understanding to develop circular solutions and respond to prospective social dynamics arising from those. This can be approached by revised purchasing practices and collaboration. Collaboration with similar companies at shared supplier facilities can benefit companies of smaller size, hence limited capacity, and leverage to start this discussion with the supplier.
2. Memberships might be necessary to establish those contacts between brands. Memberships pertaining to the same product groups or regional orientation should be favoured in the beginning to facilitate the matchmaking. Company-led initiatives such as the *Dutch Circular Workwear Association*<sup>85</sup> are a great example of how this contributes to developing a shared, local vision among similar companies. This vision can then be developed and adapted across different cultural contexts and textile segments to suit the different needs of textile businesses.

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<sup>85</sup> <https://www.havep.com/en/blog/unique-initiative-for-sustainable-work-clothing>

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# Annexe

## 10. Annexe

### 10.1 Overview of major public benchmarks in the field of SS

Consulted Benchmark	Year	Organization	Categories
Corporate Human Rights Benchmark (CHRB) <u>Main focus:</u> human rights performance	2019	Multi-stakeholder initiative	Governance and Policies Embedding Respect and Human Rights Due Diligence Remedies and Grievance Mechanisms Company Human Rights Practices Responses to Serious Allegations Transparency
Follow the Thread – The Need for Supply Chain Transparency in the Garment and Footwear Industry, transparency pledge <u>Main focus:</u> transparency	2017	Clean Clothes Campaign (CCC)	Transparency Disclosure of supplier lists (CMT) with varying degree of detail, I.e. address, number of workers, frequency of list update
KnowTheChain <u>Main focus:</u> forced labour	2018	Humanity United, Foundation	Commitment and Governance Traceability and Risk Assessment Purchasing Practices Recruitment Worker Voice Monitoring Remedy
Ethical Fashion Report - The truth behind the barcode <u>Main focus:</u> labour rights and environmental management systems	2019	Baptist World Aid Australia, NGO	Policies Transparency and Traceability Auditing and Supplier Relationships Worker Empowerment Additional: Environmental Management
Fashion Transparency Index <u>Main focus:</u> transparency	2019	Fashion Revolution, NGO	Policy & commitments Governance Traceability Know, Show and Fix Spotlight Issues (I.e. Wage)
Toward a Safe, Just Workplace: Apparel Supply Chain Compliance Programs <u>Main focus:</u> supplier and industry peer relationships for improved social conduct	2010	As You Sow, NGO	Code of conduct Auditing Remediation Scorecard Preferred suppliers Continuous improvement Purchasing Collaboration Management accountability Transparency
Brand performance check	/	Fair Wear Foundation (FWF)	Purchasing Practices Monitoring & Remediation Complaints Handling

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<u>Main focus:</u> social management systems and purchasing practices			Training & Capacity Building Information Management Transparency Evaluation (management involvement)
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**Table 12 Overview of major public benchmarks in the field of social sustainability**

## 10.2 Additional benchmark information

Corporate Human Rights Benchmark (CHRB)	Relevant parts: D.2.1.b, D.2.2, D.2.3	VF Corporation, The Gap Inc., Target, Salvatore Ferragamo, PVH, Nike, Marks & Spencer Group, Kering, Inditex, Hugo Boss, H&M, Burberry, Adidas
Follow the Thread – The Need for Supply Chain Transparency in the Garment and Footwear Industry, transparency pledge		Adidas, Asos, Bestseller, Decathlon, Esprit, Gap Inc., H&M, Hugo Boss, Inditex, Lindex, Marks & Spencer, Nike, PVH, Target, VF Corporation
KnowTheChain <a href="https://www.business-humanrights.org/en/knowthe-chain-apparel-and-footwear-company-disclosure">https://www.business-humanrights.org/en/knowthe-chain-apparel-and-footwear-company-disclosure</a>	2.1, theme 3.1, engagement question 2	VF Corporation, Salvatore Ferragamo, PVH, Nike, Kering, Hugo Boss, H&M, Gap Inc., Burberry, Adidas
Ethical Fashion Report - The truth behind the barcode	Policies Q2, traceability & transparency Q1, supplier relationships Q2 & Q3, Wages Q1& Q2	Adidas, Asos, Gap Inc., H&M, Nike, PVH, Inditex, Lacoste, Marks & Spencer, VF Corporation, Nudie Jeans
Fashion Transparency Index		Adidas, Asos, Burberry, Decathlon, Esprit, Gap Inc., H&M, Hugo Boss, Lacoste, Lindex, Marks & Spencer, Nike, OVS Spa, Salvatore Ferragamo, Target
Toward a Safe, Just Workplace: Apparel Supply Chain Compliance Programs	Preferred suppliers, purchasing, collaboration	Gap Inc., Target, VF Corporation
Fair Labour Association Re-accreditation report	Principle 8: Responsible purchasing practices	Nike, Hugo Boss, Adidas, PVH,

Table 13 Additional benchmark information

## 10.3 Compliance Programs benchmark

<b>GENERAL / CODE OF CONDUCT</b>	<b>0.08</b>	<b>PURCHASING</b>	<b>0.08</b>
Code of Conduct	0.12	Assess if Policies Could Lead to Compliance Challenge	0.4
Publicly Available	0.23	Resources to Improve Practices	0.35
Consistent With ILO Conventions	0.4	Purchasing Improvement Tools	0.25
Tiers to Which the Code Applies and Is Enforced	0.25		
<b>AUDITING</b>	<b>0.15</b>	<b>COLLABORATION</b>	<b>0.1</b>
Policies	0.1	Does the Company Collaborate On:	
Approval Process for New Suppliers	0.1	Common Standards	0.1
Percentage of Supplier Factories Currently Monitored	0.12	Common Audits	0.13
Percentage of Audits Unannounced	0.1	Shared Facilities	0.08
Auditors Trained / Certified by Third Party	0.08	Factory Disclosure	0.1
Auditors Familiar With Local Language(s) and Culture(s)	0.08	Shared Training	0.08
Off-Site Interviews	0.1	Shared Remediation	0.15
Percentage Using Off-Site Interviews	0.1	Stakeholder Groups: Industry / Trade / NGOs	0.12
Third Party Verification of Audits	0.12	Engage With Local and Regional Governments	0.12
Percentage of Audits Verified	0.1	Engagement Mechanisms	0.12
<b>REMEDIATION</b>	<b>0.15</b>	<b>PERSONNEL</b>	<b>0.1</b>
Remediation Processes	0.23	Board Committee Responsible for Compliance Review	0.3
Follow-Up Process	0.27	Compliance Goals a Factor in Compensation For:	
Percentage of Issues Resolved Each Year	0.27	Buying Agents	0.15
Track Recurring Problems	0.23	Sourcing / Production Staff	0.15
		Buyers / Merchants (In House)	0.15
		Executives	0.1
		Other	0.05
		Who is Educated On Compliance	0.1
<b>SCORECARD</b>	<b>0.05</b>	<b>TRANSPARENCY</b>	<b>0.07</b>
Supplier Scorecard	0.4	Report Summarizing Social Compliance	0.6
Transparent Process	0.25	Plans to Publish (If No Above)	0.4
Use of Scorecard	0.35		
<b>PREFERRED SUPPLIERS</b>	<b>0.05</b>		
Preferred-Supplier Program	0.55		
Suppliers Informed of Criteria and Rankings	0.45		
<b>CONTINUOUS IMPROVEMENT</b>	<b>0.17</b>		
Compliance Improvement Goals Set	0.1		
Percentage of Suppliers Worked With to Improve:			
Audits/Remediation	0.08		
Capacity Building	0.12		
Other	0.04		
Training for Suppliers	0.1		
Percentage of Suppliers That Receive Training in:			
Labor Rights (Management)	0.06		
Labor Rights (Workers)	0.1		
Health and Safety (Management)	0.06		
Health and Safety (Workers)	0.12		
Other	0.05		
Supplier Disengagement Policy	0.05		
KPIs Tracked	0.08		
Which KPIs	0.06		



## 10.4 Code of Labour Practices according to (“About us – Fair Wear,” n.d.)

Dimensions of employment quality (labour standards) – key terms for coding	Description and reference
1. Employment is freely chosen	There shall be no use of forced, including bonded or prison, labour. (ILO Conventions 29 and 105)
2. No discrimination in employment	Recruitment, wage policy, admittance to training programmes, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps (ILO Conventions 100 and 111).
3. No exploitation of child labour	There shall be no use of child labour. The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years.” (ILO Convention 138) “There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour. [...] Children [in the age of 15-18] shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals.” (ILO Convention 182)
4. Freedom of association and the right of collective bargaining	The right of all workers to form and join trade unions and bargain collectively shall be recognised. (ILO Conventions 87 and 98)
5. Payment of living wage	Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131)
6. Reasonable hours of work	Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be

	demanded on a regular basis and shall always be compensated at a premium rate. (ILO Convention 1)
7. Safe and healthy working conditions	A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible (following ILO Convention 155). Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.
8. Legally binding employment relationship	Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programmes.

**Table 14 Code of Labour Practices according to (“About us – Fair Wear,” n.d.)**

## 10.5 Coding framework: Standards

Categories	Indicators	Coding questions
<p>A Policies for workplace standards</p> <p>Data: publicly available policies, company websites, company reports</p> <p>KWIC:</p> <p>“policies”, “policy” “guideline[s]” “standard[s]”</p>	<p>Policies for human rights, labour standards and purchasing</p>	<ol style="list-style-type: none"> <li>1. Which company policies are in place (publicly accessible)? [excluding animal welfare]</li> <li>2. Which categories are detailed in the environmental policies? [incl. sustainable materials]</li> </ol>
<p>B Supplier Code of Conduct: labour &amp; environment</p> <p>Data: code of conduct</p> <p>KWIC:</p> <p>“Code of Conduct” “Vendor code of conduct” “Supplier code of conduct”</p>	<p>Standard categories according to FWF</p> <p>Environmental criteria within code of conduct</p> <p>Wage/Compensation</p>	<p>Standard categories:</p> <ol style="list-style-type: none"> <li>1) Does the company adhere to the FWF labour standard categories (all 8 mentioned)?</li> <li>2) which other categories have been mentioned?</li> </ol> <p>Environmental criteria:</p> <ol style="list-style-type: none"> <li>1. Has the company added a section on environmental conduct for its suppliers?</li> <li>2. What are the environmental requirements detailed in the code of conduct?</li> </ol> <p><u>Wage:</u> (sample group 1)</p> <ol style="list-style-type: none"> <li>3. Is paying a living wage mentioned as a labour standard? (see FWF definition)</li> </ol>
<p>C Collaboration: membership for standards</p> <p><b>Data:</b> company reports and websites, member lists organizations</p> <p>KWIC:</p>	<p>Membership</p>	<ol style="list-style-type: none"> <li>1) Is collaboration specifically mentioned as a necessity for sustainable business practice?</li> <li>2) What memberships in auditing organizations are pursued? (general</li> </ol>

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<p>“membership”  “partnership”  “commitment”  “collaboration”  “working together”</p>		<p>improvement of labour practice)  3) What memberships to improve specific aspects of employment quality are pursued?</p>
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**Table 15 Coding framework: Standards**

## 10.6 Coding framework: Practices

Categories	Indicators	Coding questions
<p>A Purchasing practices</p> <p><b>Data:</b> reports, websites, benchmark reports,</p> <p>FWF, sample group 2: Brand performance check: 1.6, 1.7</p> <p>KWIC:</p> <p>“procurement practices” “purchasing practices” “buying practices” “procurement” “purchasing” “buying”</p> <p>KWIC:</p> <p>“reward” “incentive”</p>	<p>Categories:</p> <p>A Planning and Forecasting B Design and Development C Cost and Cost Negotiation D Sourcing and Order Placement E Payment and Terms F (Managing the purchasing process) G (Win-win sustainable partnership))</p> <p>(“About Purchasing Practices - Better Buying,” n.d.)</p> <p>Other: Supplier reward for improvement in labour standards (D, Sourcing and Order Placement):</p> <ul style="list-style-type: none"> <li>- Order volume</li> <li>- Re-order</li> <li>- Other</li> </ul>	<p>The company</p> <ol style="list-style-type: none"> <li>1) mentions purchasing practices as a lever for improved labour conditions</li> <li>2) What “sustainable” purchasing practices are pursued to prevent pressure on the supplier (i.e. avoidance of overtime)?</li> <li>3) Which labour impacts are associated with purchasing practices? (wage, overtime)</li> </ol> <p>Other:</p> <ol style="list-style-type: none"> <li>1. Does the company pursue “carrot-and-stick” strategy for its suppliers?</li> </ol>
<p>B Transparency</p> <p><b>Data:</b> Company reports, websites, benchmark reports</p> <p>KWIC:</p> <p>“tier” “mapping” “supplier list” “supplier map”</p>	<p>Knowledge: Knowledge tier 2 (fabric) Knowledge beyond tier 2 (raw materials)</p> <p>Disclosure: Disclosure list supplier name Disclosure supplier locations</p>	<p>Knowledge:</p> <ol style="list-style-type: none"> <li>1) Does the company know its tier 2 suppliers (fabric)? [spinning, knitting, weaving, dyeing] [embroidery, printing, washing,]<sup>86</sup></li> <li>2) Has the company knowledge beyond tier 2 (raw materials)? [growing, ginning, trading]</li> </ol> <p>Disclosure:</p> <p>The company</p>

<sup>86</sup> Some companies count 4 tiers, of which the second is considered embroidery, printing and washing. Likewise, these processes are sometimes counted towards the first tier. In order to isolate the CMT stage, these processes have been aggregated with the processes of fabric production.

		<ul style="list-style-type: none"> <li>3) discloses the names &amp; country of its tier 1 suppliers [CMT]</li> <li>4) discloses the address/location of its tier 1 suppliers [CMT]</li> <li>5) is member of an organization that shares supplier locations or audits (i.e. Open Apparel Registry, Sedex)</li> </ul>
<p>C Leverage</p> <p><b>Data:</b> company reports, company websites</p> <p>FWF, sample group 2: Brand performance check: 4.3, 1.2, 1.1b</p> <p>KWIC:</p> <p>“agent” “licensee” “own” “key supplier” “strategic supplier”</p>	Direct or indirect sourcing	<p>The company</p> <ul style="list-style-type: none"> <li>1) owns own production facilities (investee company)</li> <li>2) employs agents or licensees for the sourcing of fabric and components</li> <li>3) the company focuses on fewer suppliers with higher FOB volume to increase its influence on labour standards</li> </ul>

Table 16 Coding framework: Practices

## 10.7 Coding framework: sample group comparison on circularity

<p>A Comparison sample group FWF on Circularity (1)          B both sample groups (2)</p> <p><b>Data:</b> company reports, company websites</p> <p>KWIC:</p> <p>“Circular Economy”          “circular”          “repair”          “recycle”          “reuse”</p> <p>KWIC:</p> <p>“Circular Economy”          “circular”</p>	<p>Circularity:</p> <p>The company</p> <ol style="list-style-type: none"> <li>1) has projects for circularity in place, pertaining to action point 1,2,3 or 4 of the Global Fashion Agenda 2020 Commitment</li> <li>2) How does the company define the Circular Economy?</li> </ol>
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**Table 17 Coding framework: Practices**

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## 10.8 Contacted experts, no availability or response

The following experts were contacted but did not respond or were not available for the request:

- Helene Smits, Circular Fashion Strategist at Circle Economy and Founder at Stating the Obvious
- Emily Franklin, Innovation Associate at Fashion for Good
- Lukas Fuchs, Senior Analyst at Ellen MacArthur Foundation, project Make Fashion Circular
- Hong Nhi Nguyen, Content Coordinator at Global Fashion Agenda Team
- Gizem Arici, Content Manager, Global Fashion Agenda Team
- Yolet Wefers Bettink MA supply chain management AMFI

Contacted experts for a questionnaire<sup>87</sup>:

- Rebecca Earley – Managing Director of the ECAP project, Professor of Sustainable Fashion Textile Design and co-founder of Centre for Circular Design
- Kim Poldner, Professor of Circular Business at The Hague University of Applied Sciences and founder of the Circular Fashion Lab at Wageningen University & Research
- Nienke Steen, Senior consultant Corporate Responsibility at MODINT, Committee of experts Fair Wear Foundation
- Douwe Jan Joustra, Company Owner Circular Economy (ICE-Amsterdam), previously Head Circular Transformation C&A Foundation
- Dr. Antje Eichler, environmental policy, Gesamtverband der deutschen Textil- und Modeindustrie e. V. (general association of the German textile and fashion industry)
- Robert Long, Secretary General ETSA

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<sup>87</sup> “What minimum labour standards in manufacturing (CMT) would you require for a textile to be "100% circular"? Should those exceed existing minimum standards for "non-circular" textiles?”



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## 10.9 Interview Guide and expert questions

### Interview Guide - Companies

An exemplary range of questions asked (transcript), additional questions were highly individual according to the respective company context:

#### Topic 1: Scope Fair Wear Foundation Code of Conduct

- If you were to set a few new categories for the code of conduct [FWF], would you - for instance - also include environmental indicators?
- If you could add some criteria to the code of conduct of the Fair Wear Foundation which would that be?
- Would you like to include a stronger focus on women's rights or any other, stronger focus?
- Your company is a member of the Fair Wear Foundation, can you elaborate a bit why you chose the Fair Wear Foundation and not competing initiatives?

#### Topic 2: Fair Wear Foundation - choice of membership, standard convergence & Social and Labour Convergence Program

- What do you think about the Social and Labour convergence program?
- Do you think that it will bring any benefit, or will it lower the [employment] standards?
- Have you encountered any inconsistencies with audit results from other initiatives?

#### Topic 3: Living Wage: Takeaway, current benchmark, and progress

- As an experienced auditor, what do you think about the situation in China in terms of overtime, [...] as it is culturally very much engrained that workers want overtime - whether they get the right wage, or not?
- Talking about living wages, what is your current benchmark, how do you actually set the level?

#### Topic 4: Improving labour practice regarding leverage, collaboration

- Do you as a company approach the supplier or does the Fair Wear Foundation alleviate the process?
- Have you had any benefits so far from the Fair Wear membership in terms of collaboration, talked to other brands, made use of their audits?
- In terms of the collaboration, have you also collaborated on wages?

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Topic 5: Circular Economy - current ambition, Global Fashion Agenda 2020 Commitment; circularity as a competitive advantage

- What do you think about the Global Fashion Agenda Commitment?
- Do you think that if you pursue circularity, that it will have any impact on the labour standards? I.e. health & safety or others?
- What is the positive impact of the Circular Economy on the labour standards?
- Do you, in the future, want to include circular aspects in the code of conduct or any other documents or requirements for your suppliers?
- Do you think it is not as important yet to advertise the circularity of your products?

Topic 6: usage of academic guidelines from academia

- There is a lot produced in academia around the Circular Economy, do you look at academia as a guideline?
- Does it inform your strategy? Or is it more for you as a personal interest?
- As your company approached [circularity] now, what is your reference for that? Do you look at the Ellen Mac Arthur Foundation reports or other sources/guidelines?

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## 10.10 Interview questions - Experts

Exemplary range of general questions asked (transcript), additional questions were highly individual according to the respective organizational context of the expert:

- What do you think is the ambition of the Circular Economy for the social pillar, beyond job creation?
- In terms of fair working conditions in the fashion industry, where do you see the connection?
- Do you think that [Circular Economy] competes with the Sustainable Development goals because they are also very broad, and focused on the environment and people?
- Do you think companies that have a circular approach, for instance, MUD jeans or other leaders in the field, also have a higher ambition for working conditions?
- companies that are members of the Fair Wear Foundation but not necessarily invested in circularity - for them it is an additional investment without benefit. Maybe an assessment like the Fair Wear Foundation for circularity?
- Do you think that the Circular Economy is treated very much separately as an environmental or technical challenge and not as much as a social one?
- Do you think [circularity] will have any impact for instance on labour quality in supply chains?

## 10.11 List of Interview and questionnaire respondents

Respondent 1 (Questionnaire)*extra	Circular comparison group
Respondent 2 (Questionnaire)*extra	Circular comparison group
Respondent 3 (Questionnaire)*extra	Circular comparison group
Respondent 4 (Questionnaire)*extra	Circular comparison group
Respondent 5 (Questionnaire)	Circular comparison group
Respondent 6 (Questionnaire)	Circular comparison group
Respondent 7 (Questionnaire)	Circular comparison group
Respondent 8 (Questionnaire)	Social comparison group
Respondent 9 (Questionnaire)	Social comparison group
Respondent 10 (Questionnaire)	Social comparison group
Respondent 11 (Questionnaire)	Social comparison group
Respondent 12 (Questionnaire)	Social comparison group
Respondent 13 (Questionnaire)	Social comparison group
Respondent 14 (Questionnaire)	Social comparison group
Respondent 15 (Questionnaire)	Social comparison group
Respondent 16 (Questionnaire)	Social comparison group
Respondent 17 (Questionnaire)	Social comparison group
Respondent 18 (Questionnaire)	Social comparison group
Respondent 19 (Questionnaire)	Expert
Respondent 20 (Interview)	Expert
Respondent 21 (Interview)	Expert
Respondent 22 (Interview)	Expert
Respondent 23 (Interview)	Circular comparison group
Respondent 24 (Interview)	Circular comparison group
Respondent 25 (Interview)	Social comparison group
Respondent 26 (Interview)	Social comparison group
Respondent 27 (Interview)	Social comparison group
Respondent 28 (Interview)	Social comparison group
Respondent 29 (Interview)	Social comparison group
Respondent 30 (Interview)	Social comparison group
Respondent 31 (Interview)	Social comparison group
Respondent 32 (Interview)	Social comparison group
Respondent 33 (Interview)	Social comparison group

Table 18 List of Interview and questionnaire respondents

## 10.12 Theoretical foundation

Extended framework by (Köksal et al., 2017), based on (Seuring & Müller, 2008)

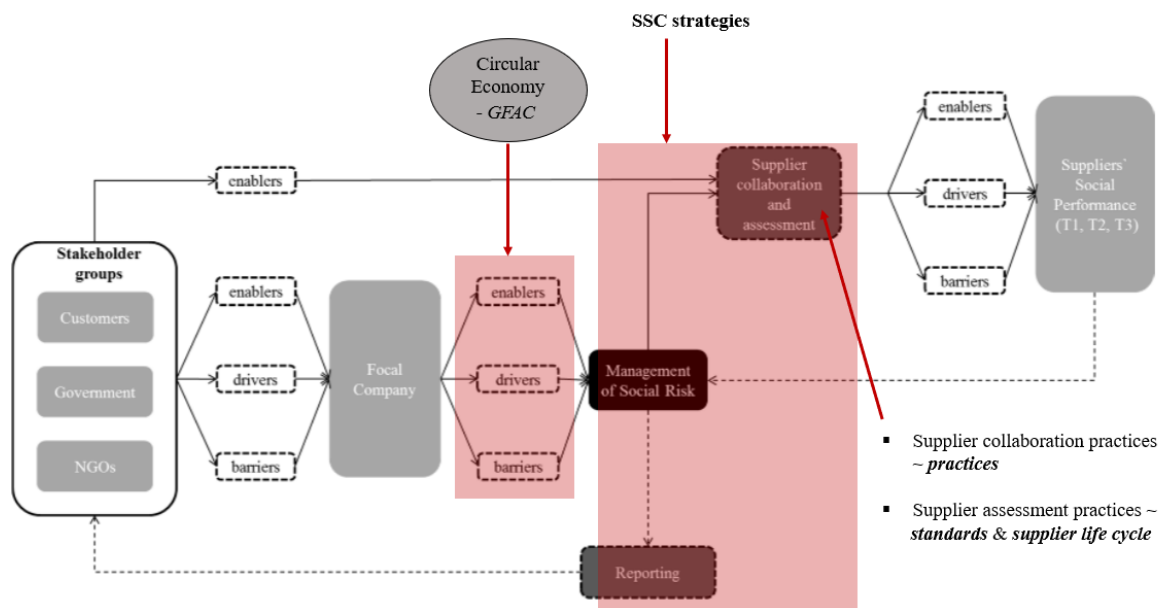
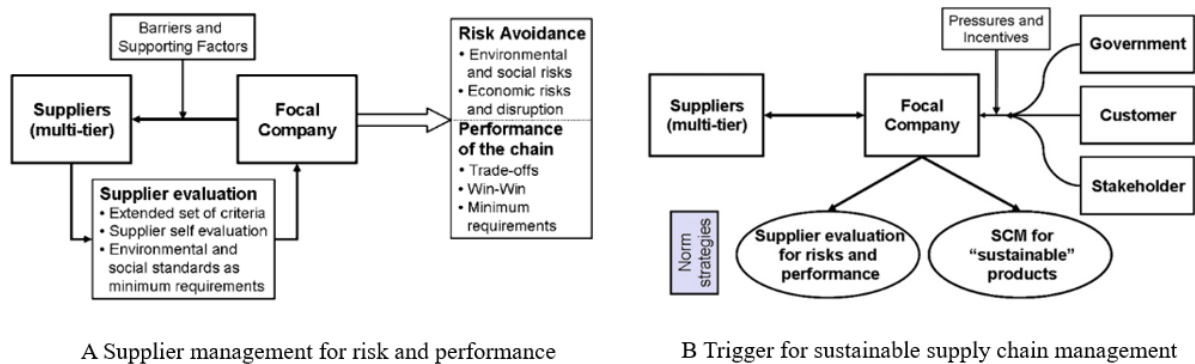


Figure 26 Theoretical foundation – extended framework by (Köksal et al., 2017)

Theoretical foundation – framework by (Seuring & Müller, 2008)



A Supplier management for risk and performance

B Trigger for sustainable supply chain management

Figure 27 Theoretical foundation framework by Seuring & Müller, 2008

## 10.13 Additional information: Supplier life cycle – practical foundation

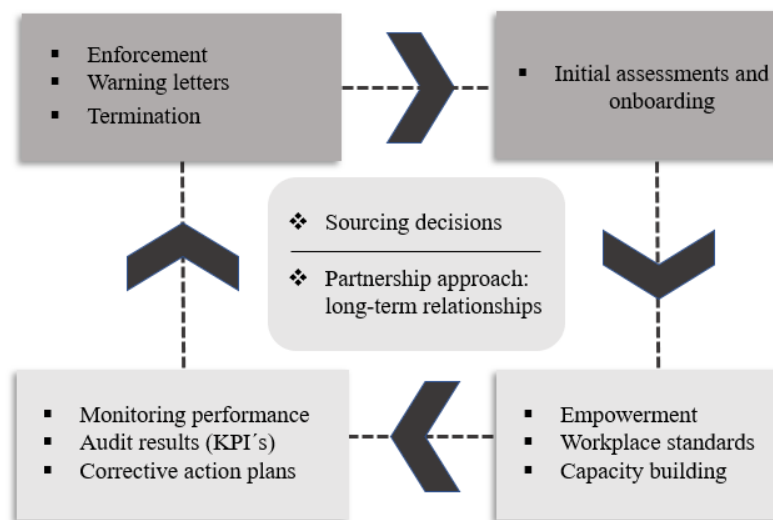


Figure 28 Adidas Supply Chain Management Approach, own illustration

The supplier relationship goes through different phases, hence a life cycle. The four stages are characterised by different activities that are pursued at the respective stage. For instance, companies perform due diligence on risks before entering a sourcing relationship with a supplier. This can be based on performance history in CSR related topics, existing certifications, but also on the specific country and supplier risk assessments. For example, a supplier in China might have a higher risk of culturally embedded overtime and politically constrained freedom of association. Ideally, the second and third stages prevail, as supported by the aspiration of long-term supplier relationships. This means driving stable supplier relationships with verified performance, according to pre-defined standards, is the goal of this supplier management.

Transparency in terms of factory list disclosure and collaboration are not included in the framework but specifically elaborated on the web presence. Other layers not mentioned in the framework but explained on the web page were various risk assessments incl. grievance mechanisms and country ratings, and types of supplier relationships depending on the indirect or direct nature (supplier, agent, licensee, subcontractor). Coupled with production volume ratios these relationships can determine the leverage a single brand has on employment standards (Sancha, Wong, & Gimenez, 2019).

### Supplier life cycle – theoretical foundation

The dimensions of the *supplier life cycle* are academically backed in the overview of *Implementation and enforcement Procedures* in a comparison of labour standard organizations by (Fransen, 2011b). These dimensions comprise *management implementation, monitoring, verification, complaints process, remediation, auditing and reporting*. In the reference paper, the author compares different voluntary trans-national apparel standards on the lack of convergence. Elements of the *supplier life cycle*, such as audits, differ across the different

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governance organizations in “style and procedures” (Fransen, 2011b, p. 372). For instance, more qualitatively oriented standards’ dimensions such as *freedom of association* might be more emphasized by one organization than another. The choice of the standard and associated “style and procedure”, therefore, helps understand how rigorous a corporation approaches the implementation of sustainability in its supply chain. This feeds back into the theoretical framework with its dimensions of *supplier evaluation for risk and performance*, and SCM for sustainable products (see Annexe chapter 10.12).

The dimensions of the supplier life cycle are, however, not a separate entity of analysis because the evaluation of those by far exceeds the scope of this work. Furthermore, the implementation quality of those dimensions depends on the choice of standard and supporting external organization (i.e. external auditing company). A comparison and evaluation of this have been undertaken both from the academic side, for instance by (Fransen, 2011b), or by industry initiatives (*Comparison of Codes: ETI Base Code; SA8000; GSCP*, 2011; Galland & Mackerron, 2010; OECD, 2019). Here, the supplier life cycle as an overarching frame in the analytical framework (see Figure 3) is the link to the theoretical foundation of this research (see Annexe chapter 10.12). Furthermore, the supplier life cycle is vital to understand the interlinkages of employment quality and supplier management in the results section.

## 10.14 Background information on sample groups

### Market coverage and segment, sample group 1 (circular)

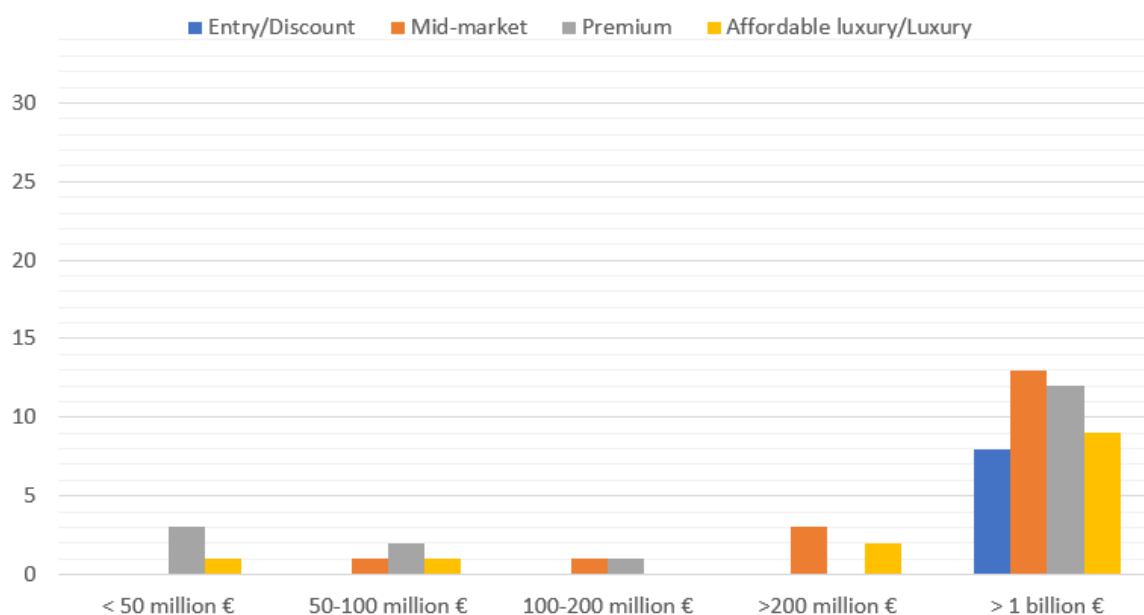


Figure 29 Market coverage and segment across sample group 1, own illustration

Before the selection process of sample group one, the market coverage of companies with circular commitments in the Global Fashion Agenda 2020 was 12.5% (“Global Fashion Agenda — 2020 Commitment,” n.d.). This already points towards the prevalence of bigger fashion players dominating the field. This was further sharpened by the dependence on company information, such as reports, for the selection process of comparison group 1. Bigger fashion players have more capacity for reporting and communication activities. Accordingly, Table 3 shows that sample group 1 is predominantly comprised of very large corporations. However, the market segment distribution<sup>88</sup> shows that low-cost fashion brands are less represented in the sample.

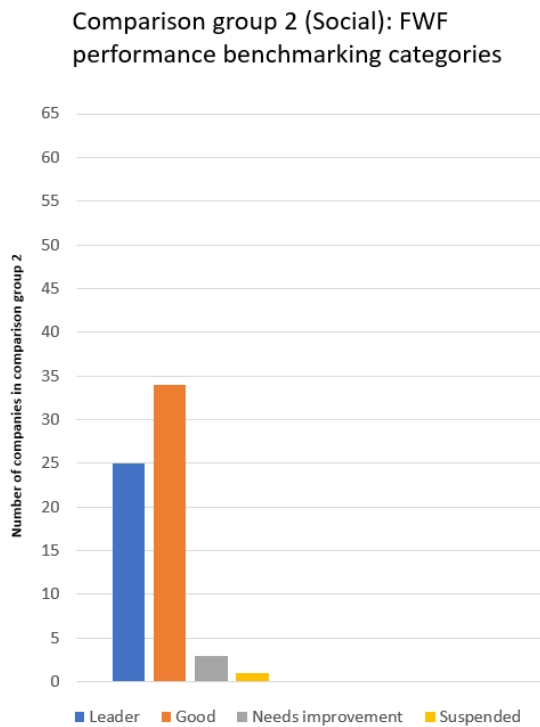
< 50 million €	50-100 million €	100-200 million €	>200 million €	> 1 billion €
12	9	3	8	1

Table 19 distribution of business size according to annual revenue for sample group 2, own illustration

<sup>88</sup> The classification was taken from the Global Fashion Agenda signatory information



In comparison, for only 37 of the 63 companies in sample group 2, financial estimates on turnover or revenue could be found<sup>89</sup>. The latter showed that sample group 2 is comprised of



**Figure 30 Distribution of FWF performance categories for sample group 2, own illustration**

2020 Commitment. Of those 3 companies, *Star Sock* was expelled from the commitment for not reaching the minimum target, despite obtaining a *good* status at the FWF brand performance check. This shows that the ambition of good social conduct and the pursuit of circularity are still distinct topics.

For the analysis, all selected member companies of the FWF comparison group were considered. In order to deepen insights in terms of employment standards and practices, only the group with “leader” status was considered for the best-practice examples in each category. Those 25 companies have shown advanced efforts in improving employment quality, and hence, developed solutions for some of the most pressing challenges.

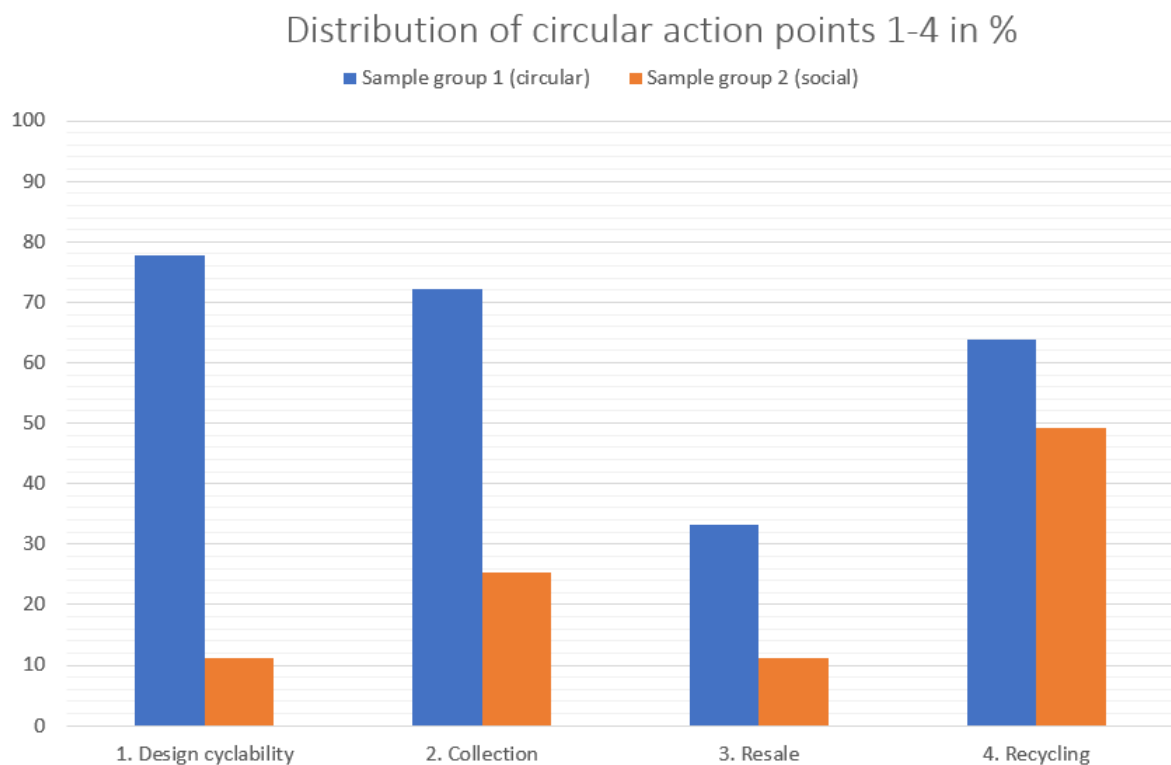
companies that are rather small (see Table 19). This is also confirmed by the lack of media coverage on turnover data, or mandatory reporting on financial data, by about half of the companies. Moreover, sample group 2 is more diverse than sample group 1 because it also comprises workwear, shoes, and textile items such as bags.

Most companies in the sample group 2 received the FWF category of *good* across all indicators, with companies granted the *leader* status for advanced sustainability leadership building the second biggest group (see Figure ). The FWF status verifies companies’ efforts and is not a certificate for the actual impact on the ground. The high share of good ratings, therefore, shows that the member companies of the FWF are exhibiting a relatively high effort to improve their social conduct.

Of the 63 examined companies, 4 companies are also members of the Global Fashion Agenda

<sup>89</sup> The Fair Wear Foundation does not disclose data on member size distribution due to confidentiality reasons

## 10.15 Circular projects within sample groups



**Figure 31 Distribution of circular actions points, own illustration**

The two sample groups showed different commitments to the circular action points as referred to in the Global Fashion Agenda<sup>90</sup>. It becomes clear that sample group 1 shows higher ambitions across all action points, particularly for the implementation of circularity in the design process. The two sample groups are most aligned for action point 4, recycling. This can be explained by the ease of implementation of the action points. Whereas collection and resale require new business models, recycled materials can be implemented in the existing business models. Design cyclability is the most difficult as it involves a strategy towards disassembly and technical requirements towards fibre properties.

Of sample group 2, 11.1% of the companies mentioned circularity as a general goal. 15.9% in this sample group offered repair services or planned to do so. 34.9% of the companies in sample group 2 did not mention circularity nor mentioned any action point activities. Overall, the distribution as shown in Figure 31 underlines the representativeness of sample group 1 as being strongly involved in activities supporting the concept of the Circular Economy.

<sup>90</sup> The action point goals for sample group 1 were taken from the Global Fashion Agenda 2020 commitment. These are defined as targets and goals. Contrary to this, for sample group 2 it was considered whether the companies already applied any of the action points or planned to do so as stated in the documents of analysis and web pages. For example, if recycled content was part of the strategy towards sustainable materials, this was counted for action point 4.

# 10.16 Policy coding

Sample group 2			Human Rights	Human Rights	Diversity and Inclusion	Young worker policy	Migrant workers and refugees	Recruitment/Hiring	Sourcing/sustainable materials	Sandblasting	Restricted substances & chemicals	Climate, energy, water	Reuse, recycling, waste	Business practices	Business practices	Community engagement	Grievance, remediation	Bhics	Labour standards	Labour standards	Freedom of association & collective bargaining	Harassment and discrimination	Health & safety
Code	Company	Policies																					
S52	Acne Studios	Sourcing Policy							x														
S55	Albiro																						
S56	Anchor Workwear	internal CSR policy regarding reduci										x	x										x
S57	Anna																						
S58	Armedangels	subcontracting policy, policy on con													x		x						
S59	B & C Collection																						
S511	Bel & Bo	sustainable sourcing policy							x														
S514	Bierbaum Proenen GmbH & Co. KG																						
S515	blutgeschwister	Anti-discrimination, child labour, co																		x	x	x	x
S518	Continental Collection																						
S522	Dawn																						
S523	De Berkel (teamdress)																						
S525	Deuter																						
S526	DW-Shop																						
S531	Engelbert Strauss																						
S521	European Clothing Group	Transparency policy													x								
S536	Filippa K	quality standards, rules, forbidden d							x	x	x						x						

Sample group 2			Human Rights	Human Rights	Diversity and Inclusion	Young worker policy	Migrant workers and refugees	Recruitment/Hiring	Sourcing/sustainable materials	Sandblasting	Restricted substances & chemicals	Climate, energy, water	Reuse, recycling, waste	Business practices	Business practices	Community engagement	Grievance, remediation	Bhics	Labour standards	Labour standards	Freedom of association & collective bargaining	Harassment and discrimination	Health & safety
Code	Company	Policies																					
S538	FNG (CKS, Claudia Sträter, Espresso etc.)	Sustainable materials policy, restrict							x		x												
S537	Fond OF (ergobag, satch, AEVOR, Affenzahn, funktion schnitt, pinqpong, Salzen)																						
S543	Greiff	[for our suppliers, which we handed																					
S545	Haglöfs	[supplier terms of agreement]																					
S546	Havep																						
S547	Heigo																						
S548	HempAge																						
S550	Hess Natur-Textilien GmbH	product quality policies (fibres, rest							x		x	x											
S552	Hydrowear																						
S553	Iriedaily																						
S554	Jack Wolfskin																						
S555	JBC																						
S557	King Louie	restricted substances list									x												
S558	Kings of Indigo																						
S559	Kjus																						
S561	LaDress																						

Sample group 2			Human Rights	Human Rights	Vulnerable groups	Sustainable products	Restricted substances & chemicals	Climate, energy, water	Reuse, recycling, waste	Business practices	Business practices	Business practices	Labour standards	Labour standards	Labour standards						
Code	Company	Policies	Human Rights	Diversity and Inclusion	Young worker policy	Migrant workers and refugees	Recruitment/Hiring	Sourcing/sustainable materials	Sandblasting	Restricted substances & chemicals	Climate, energy, water	Reuse, recycling, waste	Transparency, Homeworking, Subcontracting	Community, engagement	Grievance, remediation	Ethics	Child labour	Freedom of association & collective bargaining	Harassment and discrimination	Health & safety	
SS65	Living Crafts																				
SS69	Madness																				
SS70	Maier Sports (Gonso, Rono)																				
SS71	Mammut	pf policy, restricted substance list								x											
SS72	Manroof																				
SS74	Mary Rose (Paptex)																				
SS76	Mayerline																				
SS77	Mini Rodini	internal purchase policy, sustainable						x													
SS81	Neue Masche																				
SS82	Nudie Jeans	chemical, environmental, human rights	x							x		x									
SS83	Odd Molly	restricted substances list								x											
SS84	ODLO																				
SS87	Ortovox																				
SS79	OSC (Mountain Equipment, Sprayway, Ronhill, Hilly)																				
SS88	Picture Organic Clothing	Syrian refugee policy				x															
SS90	Pyua																				
SS93	S-Gard																				

Sample group 2			Human Rights	Human Rights	Vulnerable groups	Sustainable products	Restricted substances & chemicals	Climate, energy, water	Reuse, recycling, waste	Business practices	Business practices	Business practices	Labour standards	Labour standards	Labour standards						
Code	Company	Policies	Human Rights	Diversity and Inclusion	Young worker policy	Migrant workers and refugees	Recruitment/Hiring	Sourcing/sustainable materials	Sandblasting	Restricted substances & chemicals	Climate, energy, water	Reuse, recycling, waste	Transparency, Homeworking, Subcontracting	Community, engagement	Grievance, remediation	Ethics	Child labour	Freedom of association & collective bargaining	Harassment and discrimination	Health & safety	
SS94	Salewa	chemical policy (incl. restricted substances)				x			x	x											
SS97	Sandqvist	sustainable materials (fibres) policy,						x		x											
SS99	Schijvens (T'rifric)	the company has adopted the FWF				x															
SS100	Schöffel Sportbekleidung GmbH																				
SS101	Soi's																				
SS105	Stanley and Stella																				
SS106	Star Sock	policy to ban hand linking																			
SS109	Suitsupply + Suistudio	Refugee policy for our EU suppliers			x	x												x			
SS111	Swiss Post																				
SS113	Tailor & Stitch (Thirtyfour)	subcontracting policy incl. homewo											x								
SS114	Takko																				
SS44	Triaz group																				
SS119	Uniform Brands																				
SS122	Vaude	VAUDE Material Policy,						x													
Total:			1	0	1	4	0	8	2	9	3	1	3	0	1	0	2	1	2	0	0

Sample group 1			Human Rights	Human Rights	Vulnerable groups	Sustainable products	Restricted substances & chemicals	Climate, energy, water	Reuse, recycling, waste	Business practices	Business practices	Business practices	Labour standards	Labour standards	Labour standards						
Code	Company	Policies	Human Rights	Diversity, Inclusion	Young worker policy	Migrant workers, refugees	Recruitment, Hiring	Sourcing, sustainable materials	Sandblasting, abrasive	Restricted substances, chemicals	Climate, energy, water	Reuse, recycling, waste	Transparency, Homeworking, Subcontracting	Communication & engagement	Grievance, remediation	Ethics	Child labour	Freedom of association, collective bargaining	Harassment, discrimination	Health & safety	
CS1	Adidas	- adidas Group Labour Rights Principles (Harassment and discrimination,																			
CS3	ASOS	child labour, remediation and young worker policy; chemical policy, env																			
CS5	BESTSELLER	illegal workers policy, child labour policy, human rights policy, homewo				x															
CS78	Burberry Group Plc	Anti - Bribery and Corruption, Child Labour and Young Worker, Global E				x															
CS10	Decathlon	Modern Slavery Statement, restricted substances list,																			
CS13	DK Company	modern slavery statement, human rights policy, child labour policy, ant																			
CS15	Eileen Fisher																				
CS18	Esprit	anti-corruption, anti-trust, sustainable materials,																			
CS19	Filippa K	quality standards, rules, forbidden chemicals, Sandblasting, Animal Righ																			
CS21	Ganni																				
CS22	Gap Inc.	anti-corruption, California transparency in supply chains act, climate, et																			
CS23	Gina Tricot	environment, human slavery and trafficking, syrian refugee, restricted su				x															
CS24	Guess Inc.	conflict minerals, Responsible Sourcing Policies for materials (cotton, m																			
CS25	H&M Group	human rights policy, (chemicals), materials policy, sandblasting policy, m																			
CS29	Hugo Boss	Code of Ethics Business Partners, Sustainability Commitment, Child Labo																			
CS80	Inditex	restricted substances, UK modern slavery statement, child labour																			
CS84	KappAhl	environmental sustainability, diversity & inclusion, csr, forest product, g																			
CS35	Kering	Kering standards for raw materials and manufacturing processes																			

