



# Corporate values and scandals in the fashion industry



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Date: October 15, 2018  
Version: 1  
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## Introduction

In recent years, there has been an increasing interest in sustainable fashion, partly under pressure of increasingly critical consumers and corporate social responsibility of the industry itself. Last year, Nike joined the Sustainable Cotton Communiqué pledge to use 100 percent sustainable cotton by 2025. H&M implemented sustainability in their corporate values, they want to create a truly sustainable and transparent fashion industry that is good for people, communities and the planet. On the other hand, in recent years the fashion industry received negative coverage as a result of different scandals, in relation to sustainability, working conditions, and tax evasion. As lots of clothing is manufactured by underpaid workers in low-wage countries. Zara is a good example of this, November last year, it was revealed that that unpaid Zara factory workers were hiding notes for shoppers inside clothing. Companies are accused of exploiting their employees in their factories. In 2013, a garment factory in Bangladesh collapsed, where clothing for Primark, Benneton, Zara, C&A and Mango were produced. This disaster is world's deadliest clothing industry scandal. Besides scandals related to working conditions, fraud and accounting scandals are widespread within the fashion industry. For example, companies avoid paying tax through tax havens. Many companies in the fashion industry were mentioned in the panama papers or paradise papers. In 2013, Dolce & Gabbana were fined by the Italian tax authority for tax evasion for 343.3 million euros<sup>1</sup>. And the head of LVMH (Louis Vuitton), the largest luxury conglomerate, applied for Belgian nationality because the president of France proposed a new tax rate of 75 percent on earnings over 1 million euros<sup>2</sup>.

Companies in the fashion industry say that they act sustainable, transparent and responsible. However, the way companies actually act is sometimes differently than how they want to be perceived. Companies communicate their formal corporate values on their website and their annual reports. Those corporate values are determined by the board for different reasons, because they want to be like that, and or serve to motivate employees and guide their decisions (Lululemon, 2017), but also partly to impress the environment.

For this purpose, we study the corporate values of the largest companies in the fashion industry and how in practice they compare to firm involvement in scandals. We will examine whether there is a link between scandals and corporate values in the fashion industry. Is it important which corporate values a company has? In other words: do the chosen corporate values of a company play a role in the behavior of a company? The research question is as follows: ***'Is there a link between***

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<sup>1</sup> <https://www.forbes.com/sites/kellyhillipserb/2013/04/03/dolce-gabbana-fined-millions-for-tax-evasion>

<sup>2</sup> <https://www.telegraph.co.uk/news/worldnews/francois-hollande/9532131/Barnard-Arnault-applies-for-Belgian-citizenship-as-Francois-Hollande-plans-new-taxes.html>

***corporate values and scandals in the fashion industry?***. We compare and contrast the corporate values of the involved firms and potential involvement in scandals.

This study is built on the work of Ehrenhard and Fiorito (2018), they looked into the corporate values of the 25 largest firms in the banking sector. They also looked at the downside of corporate values where economic value is not created but destroyed. This study will be comparable to their work, but in this study another specific sector is being studied: the fashion industry. In this study, too, the scandals of recent years will be taken into account and placed next to their corporate values. Only seven out of the 25 searched companies did not have had a scandal in the last ten years.

This study adds substantially to our understanding of the complexity and ambiguity of corporate values in relation to potentially ensuing scandals. Second, by studying the relation between corporate values and scandals, we contribute to a more fine-grained understanding of why in principle desirable corporate values – such as a sustainable supply chain or customer focus – do not prevent undesired behaviors focused on short term economic value creation but possibly leading to economic and social value destruction in the long run. In other words, this research can contribute to possible corporate value choices for companies in the future. Or to change the current corporate values, because of the results of this research.

## Theory

The goal of this study is to gain deeper understanding of corporate values from companies in the fashion industry and their scandals. This section starts with an introduction of the phenomenon 'corporate values' and other important concepts that are linked to this subject. Results on the concept of 'corporate values' in Scopus were used as a starting point for creating this chapter. This yielded 44 results with titles that included the word corporate value(s). The relevant results are elaborated below. After a clear explanation of the concept of corporate value has been given, the concept of 'scandal' is explained on the basis of theory. The definition applied in this study will be elaborated.

## Corporate values

International business leaders recognize that defining and implementing the right corporate values is a top priority for them and a vital influence on the success of their organization (Humble, Jackson, & Thomson, 1994). Ehrenhard and Fiorito (2018) did research on corporate values in the banking sector, and according to them corporate value statements communicate what a company aspires for and what drives their value creation. According to Ireland and Hitt (1999), emphasizing ethical practices is one of the most important concepts in effective strategic leadership. It can serve as an integral component of a firm's strategy and, in some instances, serve as the core or defining component of corporate strategy (Kuratko, Ireland, & Hornsby, 2001). According to Donker, Poff and Zahir (2008) corporate

ethics are vital for management, employees, shareholders, stakeholders, and the community at large. They also found the significance of Corporate Social Responsibility (CSR) for business strategies and practices. Besides, Cambra- Fierro et al. (2008) claim that an organization's corporate values influence not only its employees' behavior within the work environment, but also impacts on their global values system outside of the work environment. In other words, companies need to be aware of their influence on employees' behavior outside of the work environment; this is particularly the case for multinational companies working across many cultures. On the other hand, findings from Joergens (2006) demonstrate little evidence that ethical issues have any effect on consumers' fashion purchase behavior. When it comes to fashion purchase, personal needs motivate consumers primarily to buy garments and take precedence over ethical issues. According to their research it does not matter if a firm is doing business with consumers (B2C) or with businesses (B2B).

Increasingly, companies around the world have adopted formal statements of corporate values, and senior executives now routinely identify ethical behavior, honesty, integrity, and social concerns as top issues on their companies' agendas. Van Lee, Fabish, and McGaw (2005) defined values as "a corporation's institutional standards of behavior." Companies articulate a set of corporate values and attempt to embed them in management practices, which they hope will reinforce behaviors that benefit the company and communities inside and outside the firm, and which in turn strengthen the institution's values. The fundamental findings from Van Lee et al. (2005) are that ethical behavior is a core component of company activities and that most companies believe values influence two important strategic areas, relationships and reputation.

Jenkins and Bourne (2013) have done research to organizational values. Organizational values affect the ethical stance of an organization (Finegan & Theriault, 1997), employee commitment (Ostroff, Shin & Kinicki, 2005) and relationships with external constituents (Voss, Cable & Voss, 2000). Organizational values are the values that top managers sanction through verbal or written statements and formal documents. There exploration of the concept uncovers differences indicating that organizational values adopt a number of forms: espoused, attributed, shared and aspirational. The first form of organizational value are the values who are explicitly stated on the organization website (Bansal, 2003). Top managers espouse values, explicitly or implicitly, in the words and phrases they employ (Kabanoff, Waldersee & Cohen, 1995). This definition of values will be used during the data collection and analysis in this research. Those values are seen as corporate values in this study. Normally, on the organization website there is a link to 'our values', usually a list of four to seven (e.g. 'customer focused', 'entrepreneurial', 'profit driven', 'caring for others') (Jenkins and Bourne, 2013). Hofstede (1998) argues that the espoused values are formally adopt by top managers, and that those values should be the basis for decisions and actions, but that does not necessarily mean that these

equate to organizational values. Hofstede (1998) concluded that espoused values may appear to have greater significance than is actually the case, because organization's values are frequently operationalized by surveying top managers. Furthermore, top managers may espouse values because they legitimise the organization by presenting a face that appeals to certain stakeholders (Ashforth & Gibbs, 1990).

Generally management development is used to transmit corporate values (Kamoche, 2000). However, large-scale corporate values programs can lead to mixed and confused responses among middle managers while they are required to disseminate the message (Turnbull, 2001). In addition, the theory of Becker and Connor (1994) confirms that the operationalization of the value definition can be vague due to ambiguity. Lencioni (2002) mentioned that empty value statements create cynical and dispirited employees, alienate customers, and undermine managerial credibility. So, corporate value statements can lead to value creation, but they also can lead to value destruction.

According to Hollender (2004) it is not clear which corporate values a firm should have. There are various articles whit lists of values companies are using often (e.g. (Donker et al., 2008; Humble, Jackson, & Thomson, 1994; Norburn, Birley, Dunn, & Payne, 1990). Integrity, responsibility, trust, people, competitiveness, customers, quality and productivity, are corporate values which are often mentioned (Donker et al., 2008; Humble et al., 1994).

The effect and meaning of specific values varies across nations. Norburn at al. (1990) conclude that the effect of corporate values for marketing differ per country. Certain core values had an effect in a country, while in another country focus was placed on other corporate values, because they had an effect there. Furthermore, firms with a global scope might encounter problems with the management of their corporate values (Panapanaan, Linnanen, Karvonen, & Phan, 2003). Implementing corporate values is a complicated process. Finegan (2010) highlights the importance of recognizing that values are multidimensional and that each value cluster may affect behavior differently. Corporate values also need to be actively managed (Vilanoma, Lozano, & Arenas, 2009).

### Sustainable fashion

Kong and Ko (2017) did research to get a better understanding in the decision-making processes of consumers regarding sustainable fashion. They indicate that there is increasing demand for sustainable fashion to counter negative environmental effects. But on the other hand consumers sometimes fail to align their behavior with their positive attitudes toward sustainable purchases. Findings suggest that consumers have positive attitudes toward sustainable fashion products when they perceive that the products have value but not when they perceive risks (Kong & Ko, 2017).

## Definition of scandal

'Scandal' is a word that appears frequently in the media and slips effortlessly from the lips. A scandal refers to actions or events involving certain kinds of transgressions which become known to others and are sufficiently serious to elicit a public response (Thompson, 2000). According to Thompson events or circumstances which have the following characteristics can be called a scandal: 1. their occurrence or existence involves the transgression of certain values, norms or moral codes; 2. their occurrence or existence involves an element of secrecy or concealment, but they are known or strongly believed to exist by individuals other than those directly involved; 3. some non-participants disapprove of the actions or events and may be offended by the transgression; 4. some non-participants express their disapproval by publicly denouncing the actions or events; 5. the disclosure and condemnation of the actions or events may damage reputation of the individuals responsible for them (although this is not always or necessarily the case). According to Sherman (1978) a scandal is a symbolic public reaction to an organizational breach of trust. Adut (2005) developed a general theory on scandals. He concluded that scandals are ubiquitous social phenomena with unique salience and singular dramatic intensity. They can mobilize many emotional reactions, at times with serious consequences. Scandals in effect trigger a great deal of the normative solidification and transformation in society.

In this study the definition of Thompson (2000) is maintained: 'A scandal refers to actions or events involving certain kinds of transgressions which become known to others and are sufficiently serious to elicit a public response'. So in this research an event is included as a scandal, when something of the company comes to light, and the company knows it is wrong, but not when and if it comes to light. This can be done through a disaster, an investigative journalist or by a (former) employee.

Now the two core concepts from this research have been elaborated on the basis of theory. The next chapter describes how the corporate values and the scandals are collected, and how these are investigated with regard to relationships and connections.

## Method

This chapter is about the research method. First an abstract description is given, then the selection, the sample and the measurement are described, and finally the data collection and data analysis is given.

## Research design

For this research, we study the corporate values of the largest companies in the fashion industry, in the world<sup>3</sup>. We will investigate if there are links between the corporate values and their scandals in the past ten years. Therefore, we need the current corporate values and the scandals from the 25 companies surveyed. First, the corporate values will be obtained by searching on their sites and / or in the most recent annual reports. When the corporate values of the 25 companies have been obtained, all scandals of the past 10 years will be collected. The scandals from November 2007 until May 2018 were taken into account. It seemed interesting to include the corporate values from other years than just the most recent ones as well, but during the collection of corporate values from the past, it was concluded that these corporate values have not been changed significantly in the past ten years. Therefore, only the most recent corporate values have been included in the results.

## Selection and sample

In order to be able to investigate the relationship between corporate values and scandals in the fashion industry, data is needed from companies in the fashion industry. In this research it was decided to do this for the largest companies in the fashion industry. We will investigate the companies with a market cap above ten billion dollar, this is measured at April 25, 2018. At that moment, there are 25 companies with a market cap above ten billion dollar, see table 1 and attachment 1.

The 25 companies are all listed, fashion related, well-known and they come from all over the world. Although, in the top six, most companies are from France and in general most companies are from the United States. Of the 25 companies there are only four retail companies, the other 21 produce their own products. Four of those companies have the main goal of designing, manufacturing, distributing and selling jewellery. Four companies of the survey are brands, like Nike and Adidas. One company is specialized in the designing, manufacturing, distributing and selling of eyewear. And the other twelve companies are fashion brands, like H&M and LVMH (Louis Vuitton). We will also include their financial performance: profit, turnover and profit / turnover ratio, see table 1. The average profit / revenue ratio is ten percent.

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<sup>3</sup> <https://fashionunited.com/i/top100>

Table 1. Overview of the sample, including revenue, profit and profit/revenue ratio of 2017

	<b>Company</b>	<b>Market cap<sup>4</sup></b>	<b>Revenue (2017) (xMillion)</b>	<b>Net profit</b>	<b>Profit/Revenue ratio</b>
1	LVMH	\$150.130.000.000	\$49.816	\$9.689	19%
2	Nike	\$105.830.000.000	\$34.350	\$4.240	12%
3	Inditex (zara)	\$92.410.000.000	\$29.603	\$3.940	13%
4	Dior	\$67.730.000.000	\$51.019	\$6.721	13%
5	Kering	\$59.930.000.000	\$18.084	\$2.186	12%
6	Hermes	\$56.790.000.000	\$6.483	\$1.432	22%
7	TJX	\$53.010.000.000	\$41.905	\$3.047	7%
8	Richemont	\$46.160.000.000	\$12.440	\$1.414	11%
9	Adidas	\$45.330.000.000	\$24.791	\$1.285	5%
10	Fast Retailing	\$42.960.000.000	\$16.730	\$1.158	7%
11	Luxottica	\$30.530.000.000	\$10.699	\$1.215	11%
12	Ross Stores	\$29.800.000.000	\$12.867	\$299	9%
13	VF	\$29.070.000.000	\$11.811	\$1.118	9%
14	H&M	\$23.810.000.000	\$26.112	\$1.823	7%
15	Swatch Group	\$23.010.000.000	\$8.011	\$760	9%
16	Coach	\$14.520.000.000	\$1.134	\$152	13%
17	Zalando	\$13.520.000.000	\$5.245	\$119	2%
18	Gap	\$13.260.000.000	\$15.855	\$848	5%
19	L Brands	\$12.590.000.000	\$12.574	\$1.158	9%
20	Tiffany & Co.	\$12.560.000.000	\$4.170	\$370	9%
21	Chow Tai Fook	\$11.150.000.000	\$6.532	\$402	6%
22	PVH HQ	\$11.050.000.000	\$8.439	\$536	6%
23	Lululemon	\$10.980.000.000	\$2.344	\$303	13%
24	Prada Group	\$10.860.000.000	\$3.571	\$291	8%
25	Vipshop Holdings	\$10.500.000.000	\$11.197	\$299	3%

## Measurement

A coding scheme has been applied to the data that has been collected. A coding scheme is used to assess the various corporate values and scandals by categorizing them. From this, links and results can then be obtained. This makes it easy to see which categories of corporate values a company has and which categories of scandals a company has been involved. When this is clear for all companies, the links between the two variables can be studied.

## Data collection

First, we collect the corporate values from the companies' websites in the first half year of 2018 and annual reports of 2017. Secondly, we collected the scandals of the companies from the last 10 years (November 2007 until May 2018). This has been done through searching on LexisNexis, Reuters and

<sup>4</sup> on April 25, 2018



Bloomberg. On these sites there were often many results when you typed in the name of the company with 'scandal' behind it. For example, at Nike, the scandal of golfer Tiger Woods came forward. Tiger Woods was discredited in November 2009 after it became clear that he was cheating. Several sponsors and business partners then decided to terminate the relationship with the athlete. This is an example of a situation where the company had no influence on the scandal, so these types of scandals are not taken into account. In other words, only the scandals that were in some way caused by the company itself and fitted the definition as given in the theory chapter, were included during the data collection process. In this study other relevant characteristics of the companies are also taken into account, such as profit, profit margin, target group, type of company etc. The sample is split in three segments (low, middle, or high) and five categories (retail, sport, fashion, eyewear, and jewelry).

The data analyses will be done through a qualitative method. That is where the type of data, the corporate values and the press releases are best suited. Qualitative research concerns all forms of research aimed at collecting and interpreting linguistic material as empirical material (Bleijenbergh, 2015). The analysis will be done on the basis of a content analysis, also qualitative content analysis. A coding scheme is used for both corporate values and scandals.

So first all data is collected and then a coding scheme is used to split the data into categories. Each code / category will be linked to a number of words that are linked to this category of corporate value or scandal. So there will be a categorization for the corporate values and a categorization for the scandals. An attempt was made to use the same coding scheme for the values and the scandals, so that it was easier to analyze and conclude, but this did not work out in relation to the data. The subdivision of the linked words will be done, after collecting all the corporate values and scandals of the 25 companies.

After the collection and categorization of the results, we will look if there are links between categories of corporate values and sort of scandals. The following question can then be asked: Do the current corporate value statements match company behavior in the fashion industry? An hypothesis is that companies that do not include employee wellbeing in their corporate values, are more likely to be involved in scandals related to poor working conditions. This is because deprioritizing employee well-being possibly leads to lack of supervision and monitoring, with a higher chance of unethical behavior as result. The research goal of this study is to investigate if there is a relationship between the sort of corporate value and the sort of scandal in the fashion industry. If companies mention certain values in their corporate values, are those specific values really taken into account in the business operations?

## Results

In this chapter we will cluster the corporate values into categories. Each category is linked to a couple of key words. Subsequently, we show the scandals from the past 10 years, and subdivide into categories as well. Finally, we check if there are links between the corporate values and the scandals, taking into account certain characteristics of the companies.

### Categorising corporate values

The corporate values of the 25 largest companies in the fashion industry have been collected and attachment 2 shows those values. For some companies it was difficult to find their corporate values, their corporate values were not directly listed on their site or in their annual reports. This could be because they do not want to publish their values publicly. Another explanation is that they have not clearly established these values, because stakeholders will then point out these values more and companies will feel more obligated to comply. For the companies where this was hard to find, a '\*' is listed in table 3. Their corporate values were not found directly in their information released.

The analysed corporate values of the 25 companies show that these companies emphasize a diverse set of values, beliefs and ethical standards. The values are categorized in five overarching groups, by means of a coding scheme, see table 2. The clustering is based on the documented values of the 25 companies: (1) craftsmanship and employees, (2) performance and profit, (3) consumers, (4) sustainable, and (5) innovation.

Table 2. The 5 groups of corporate values and some examples

Category	Examples
<b>(1) Craftsmanship &amp; Employees (EMPL)</b>	Craftsmanship, Diversity, Developing talent, Inclusion, Entrepreneurship, Creativity, Passion
<b>(2) Performance &amp; Profit (PERF)</b>	Excellence, Quality, Value
<b>(3) Consumers (CONS)</b>	Consumers, Customers
<b>(4) Sustainable (SUST)</b>	Integrity, Sustainable, Responsible, Ethical
<b>(5) Innovation (INNO)</b>	Innovation, Develop technology, Product design, Experimentation

After dividing the corporate values into categories, we looked into the corporate values of the companies individually. And analysed which of the categories were present in the set of corporate values of the 25 companies. Of course, the set of values can apply to multiple categories.

Table 3. Corporate values of the 25 companies categorized

	<i>Company</i>	<i>EMPL</i>	<i>PERF</i>	<i>CONS</i>	<i>SUST</i>	<i>INNO</i>	<i>Number of categorises</i>
1	LVMH	X	X			X	3
2	Nike		X			X	2
3	Inditex (zara)	X	X		X		3
4	Dior	X	X			X	3
5	Kering	X	X		X		3
6	Hermes	X	X				2
7	TJX		X				1
8	Richemont	X	X				2
9	Adidas	X	X		X		3
10	Fast Retailing	X		X	X	X	4
11	Luxottica	X	X		X	X	4
12	Ross Stores*	X			X		2
13	VF	X	X		X	X	4
14	H&M	X	X	X	X		4
15	Swatch Group	X	X				2
16	Coach	X	X			X	3
17	Zalando*		X	X			2
18	Gap	X			X	X	3
19	L Brands	X		X	X		3
20	Tiffany & Co.	X		X	X		3
21	Chow Tai Fook		X			X	2
22	PVH HQ	X			X		2
23	Lululemon	X	X		X		3
24	Prada Group	X	X			X	3
25	Vipshop Holdings*		X	X			2
	<b>Total</b>	<b>20</b>	<b>19</b>	<b>6</b>	<b>13</b>	<b>10</b>	

### Craftsmanship and employees

Craftsmanship and employees is the most frequently mentioned value. 20 out of 25 companies put their employees and / or their craftsmanship at the centre. Values in this category can all be linked to raising the value or the well-being of the employees, or raising the craftsmanship. Think of diversity, developing talent, inclusion, creativity, passion and entrepreneurial. For example, LVMH has its values 'cultivate an entrepreneurial spirit', they want to encourage individual initiatives by entrusting everyone with important responsibilities. This requires pragmatic thinking and an ability to motivate teams, leading them to achieve ambitious objectives.

### Performance and profit

Performance and profit is the second most frequently mentioned corporate value, 19 out of 25 companies. A logical explanation is that none of the listed companies is a non-profit organization. They all aim to maximize their profit. Linking words in this category are excellence, quality, and value. These words all have to do with increasing performance and thereby indirectly concerned with increasing profits. The six companies who do not say anything about performance or profit in their corporate values, do have a lower profit return ratio than the mean profit return ratio (10%). It is also striking that all those six companies have taken sustainability into their corporate values. An explanation for this may be that they find the value 'performance and profit' contradictory with the corporate value that they take with them.

### Sustainable

13 companies have included sustainability in its corporate values. This category includes words such as integrity, sustainable, responsible and ethical. This value can be linked to the welfare of the society. So included Gap the value 'global sustainability', Gap brand has established the ambitious goal to get 100% of its cotton from more sustainable sources by 2021. Another example is one of the values of Inditex: 'striving to do and be better'. Their aim behind this, is that they want to create fashion that is right to wear.

Striking is that all companies that focus on the lower segment included sustainability in their corporate values, this does not apply to all companies that focus on middle or high segment. One reason for this may be that companies that produce for the lower segment are also more likely not to behave in a sustainable manner about child labor and working conditions, because they generally produce in countries where there is less control and less policy than countries in the United States and Europe. That is why these companies want to prove themselves in terms of sustainable fashion, they are currently under more pressure than the companies that focus on the middle and high segments. And to work in a sustainable manner, companies that produce in countries where costs are lower also need more self-control instead of being controlled by the government. So, for companies who focus on the low segment and want to behave sustainable, it is more important to include sustainability than companies who focus on the middle and high segment. This research shows that it also happens more at companies that focus on the low segment.

### Innovation

Ten companies do mention 'innovation' in their corporate values. At this value, development technology, product design and experimentation should also be considered. For example, Fast Retailing values innovation, this company established a denim innovation center in the end of 2016. The aim of the denim innovation center is to bring specialists in jeans development from premium

denim brand J Brand and other Fast Retailing Group companies together to develop jeans utilizing innovative technologies and materials.

**Consumers**

The corporate value 'consumers' is mentioned the least, only at six companies. One of these companies is Tiffany & Co, one of their values is 'honor the customer', with which they want to build quality relationships, by putting the needs of people they serve at the center of every decision they make and the action they take. Of the six companies who value consumers, four companies mention sustainability in their values. This finding is in line with the previous research, consumers have a positive attitude towards sustainable fashion products, when they experience that the products have value, but not when they experience risks (Joergens, 2006).

**Categorising scandals**

Attachment 3 shows us the scandals from the companies from the past ten years, November 2007 until May 2018. In this section those scandals will be subdivided into categories. The scandals are categorized in seven overarching groups, by means of a coding scheme, see table 4. The clustering of the scandals is based on the type of scandal of past ten years from the 25 companies: (a) child labor, (b) working conditions, (c) environment, (d) tax, (e) advertising, (f) racism, and (g) customers. These categories are based on the data. Under these seven categories, it was possible to subdivide all scandals correctly.

Table 4. The 7 groups of scandals and some examples

<b>Category</b>	<b>Examples</b>
<b>(a) Child labor (CHL)</b>	Child labor
<b>(b) Working conditions (WC)</b>	Poor working conditions. Concerning salary, safety, (labor conditions: no protection against toxic substances, unsafe working environment, unsafe building, etc.)
<b>(c) Environment (ENV)</b>	Environmental pollution, through exploitation animals or water pollution
<b>(d) Tax (TAX)</b>	Tax evasion or avoidance
<b>(e) Advertising (ADV)</b>	'Wrong' advertising, photo shop
<b>(f) Racism (RCM)</b>	Racism both internally to employees, and externally on clothing
<b>(g) Customers (CST)</b>	Disrespect to customers, misleading consumers

After dividing the scandals of the past ten years into categories, we looked into the scandals of the companies individually. And analysed which of the seven types of scandals the companies have, see table 5.

Table 5. Scandals of the 25 companies categorised

	<i>Company</i>	<i>CHL</i>	<i>WC</i>	<i>ENV</i>	<i>TAX</i>	<i>ADV</i>	<i>RCM</i>	<i>CST</i>	<i>Total sort of scandals</i>
1	LVMH	X		X	X		X		7
2	Nike	X	X		X				4
3	Inditex (zara)	X	X	X	X		X		10
4	Dior						X		1
5	Kering				X			X	2
6	Hermes			X					1
7	TJX		X					X	2
8	Richemont								/
9	Adidas	X	X					X	5
10	Fast Retailing								/
11	Luxottica								/
12	Ross Stores		X						1
13	VF								/
14	H&M	X	X	X			X		11
15	Swatch Group								/
16	Coach		X						1
17	Zalando		X						1
18	Gap	X	X						4
19	L Brands	X				X			2
20	Tiffany & Co.						X	X	2
21	Chow Tai Fook								/
22	PVH HQ		X	X		X	X		4
23	Lululemon							X	1
24	Prada Group				X				1
25	Vipshop Holdings								/
	<b>Total</b>	<b>7</b>	<b>10</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>6</b>	<b>5</b>	

### Working conditions

The biggest group are the scandals related to working condition, ten companies have one or more scandals related to work conditions. Scandals belonging to this category all have to deal with poor working conditions. These poor working conditions all relate to the production process, for example: underpaid production workers, unsafe working environment and no protection against toxic substances.

H&M and Inditex are the two companies with the most scandals concerning working conditions. They both have 6 scandals in the past 10 years. This is considerably more than the rest of the companies. These companies focus on the low segment. Companies as H&M and Inditex produce

their products in countries where there is more risk on bad working conditions, because there is less control in these countries than in countries where companies like LVMH and Hermes produce.

### Child labor

Seven companies of the 25 are eligible for child labor in the past ten years. The companies that have a scandal with child labor are all companies that produce themselves. This is logical because child labor occurs in the production process. In August 2016, for example, a scandal revealed that H&M employed 14-year-old workers in Myanmar. Another example is about Victoria's Secret, a brand from L Brands, they used child labor-produced cotton from Burkina Faso (December 2011). In this category, it is mainly the companies that focus on middle and low target groups that have scandals regarding child labor. This can be explained, because these companies want to produce more cheaply and thereby sometimes consciously or unconsciously use child labor. In addition, they produce in countries where this can occur, in contrast to more expensive brands, which produce in countries where this hardly occurs.

### Racism

There are six companies who have a scandal concerning racism. Five of these companies are fashion brands and one is a jewellery brand. A scandal with regard to racism can be categorised in internal racism and external racism. When it comes to discriminating against personnel, there is talk of internal racism. This occurred twice. There has been talk of external racism, when the outside world felt that racism took place in manufactured garments. Four companies had such a scandal. This is explained on the basis of an example. An example of this external racism are the Zara-shirts that resemble uniforms of concentration camps during the Second World War. In Augustus 2014 Zara pulled the kids' shirt from its stores after hearing the complaints.

### Environment

Five companies have scandals regarding to the environment. This may have to do with, for example, water pollution, or with the exploitation of animals. All the five companies are fashion brands, so they produce their own products. The fact that only these companies deal with this category of scandals can be explained by the fact that these scandals occur only in the production process. For example, in October 2012, clothing brands were linked to water pollution scandal in China. The companies from this research that were guilty of this are Zara (Inditex) and Calvin Klein (PVH HQ). Another example is Hermes, in July 2015, the company was involved in a scandal because they would use crocodile leather for their handbags, in which cruelty would have been handled with these animals. Scandals related to the environment cannot be linked to a specific target group, as low, middle or high segment. This type of scandal occurs in all three target groups.

## Advertising

There are only two companies with a scandal related to advertising. This type of scandal has to do with creating a wrong ideal image. This can relate to photo shop or an advertisement that is not well interpreted. In 2014, Victoria's Secret came under fire for launching an ad campaign featuring the slogan 'The Perfect Body'. Critics called it offensive and damaging to women and more than 26.000 people signed a petition calling on Victoria's Secret to apologize and terminate the campaign. The company replaced the slogan with: 'A Body For Every Body'.

## Customers

Five companies do have a scandal related to consumers. These kinds of scandals have to do with lying to consumers. For example, companies give less discount than they say, they use cheaper workers to make their 'handmade' or 'made in Italy' products. This type of production is legal for the employees, but is taken as a scandal because the consumers are being lied to. In June 2017 it is known that many shoes from Louis Vuitton (LVMH) are made in Transylvania, located in Romania, while they are stamped with 'made in Italy'. This type of scandal only occurs in companies that focus on the middle and high segment. This can be explained by the fact that these companies can act as companies that produce in Italy, for example, but do not. Companies that focus on the low segment do not have to lie to consumers because they are known to produce in countries where the production is cheaper. Consumers is a separate category for the scandals, because these scandals all relate to the last process in the sales chain, misleading the consumers. The other categories: child labor, working conditions and environment, are mainly related to the production process.

## Tax

There are five companies who have a scandal related to tax. Striking is that four of the five companies are in the top 5 of The FashionUnited Top 100 Index by market capitalisation. So is Gucci under investigation for tax evasion in January 2018, and Inditex has been accused of using corporate tax avoidance techniques to dodge paying at least 585 million euros in taxes from 2011 to 2014. There is a difference between tax evasion, which is illegal, and tax optimisation through which companies operate within the constraints of the law to minimise the tax they pay. Many tax scandals fall into the grey area and cannot be proved illicitly.

## No scandals

There are seven companies that have no scandal at all. Of these, only one is a fashion brand, while this type of company is the most common in this study. Two of the seven are retail companies. It is logical that retail companies do not have a scandal related to child labor, or the environment, because retail companies do not produce their own products. And those two types of scandals only occurs by companies who produce their own products. Three of the seven companies are jewelry brands, and



one is an eyewear company. An explanation for this is that these companies are less researched and less under attack than fashion brands.

**Relation between corporate values and scandals**

Now that the corporate values and the scandals of the past ten years of all 25 companies have been discussed, we can look at the relationship between specific corporate values and the occurrence of scandals. The values and scandals are displayed from most common to least common category in table 6.

Table 6. Corporate values and scandals ranked

<b>Corporate values</b>	<b>Scandals</b>
1. Craftsmanship and employees (20)	1. Working conditions (10)
2. Profit and performance (19)	2. Child labor (7)
3. Sustainable (13)	3. Racism (6)
4. Innovation (10)	4. Environment (5)
5. Consumers (6)	5. Tax (5)
	6. Customers (5)
	7. Advertising (2)

**Employment conditions**

One clear finding is that although 20 companies value craftsmanship and employees, this does not mean that scandals regarding work condition, child labor and internal racism do not occur. Scandals relating to working conditions is the type of scandal that occurs most often, thereafter child labor, while the corporate value 'craftsmanship and employees' is the most common. This is an unbalanced result and not as expected. Of the values that are most prevalent, you would think that the least scandals relate to that. Because these values are the most appreciated. Of the 25 companies surveyed, 20 companies mention their employees in their values. They claim, among other things, that they find diversity and inclusion important, but scandals around employees appear to be the most common. 10 companies harm the work conditions, and no less than 7 companies have suffered damage regarding child labor, this is absolutely not in relation to the corporate values.

**Exploitation of the employees**

The scandals relating to working conditions, child labor, and internal racism all have to do with the exploitation of the employees. In total, 13 companies are guilty of this. If we look at their values, it is noticeable that values such as employees & craftsmanship and sustainability are just as common as those that have no scandal with regard to the exploitation of employees. This shows that companies

do not always behave according to their values. This is in line with earlier studies, here they confirm that corporate value programs can lead to mixed and confused reactions. This is because values are devised by management and must be translated into operationalization. This can lead to value destruction, instead of value creation (Kamoche, 2000; Turnbull, 2001; Lencioni, 2002; Bourne & Jenkins, 2013). In addition, Becker and Connor (1994) also confirmed that the operationalization of corporate values can lead to ambiguity.

### Tax optimization

Another striking result is that four out of the five companies who had a scandal related to taxation are in the top 5 of The FashionUnited Top 100 Index by market capitalisation, also these four companies have a higher profit margin than average from this research. These scandals are often difficult to fine, because most of those scandals are in a grey area. The companies are multinationals and operate in several countries, they use a tax optimization scheme, and use the lowest tax rates. All the five companies who have a scandal related to taxation, value profit and performance. Our analysis shows that the scandals related to tax, did not have lasting effects on the financial performance. They all score above the average margin. This fits in with the theory of Joergens (2006), he concluded that when it comes to fashion purchases, personal needs motivate consumers primarily to purchase clothing and they take precedence over ethical issues.

### Sustainability

Slightly more than half of the companies (13) have included sustainability in its corporate values. It is striking that companies that mention 'sustainability' in their values, seven companies are still eligible with a scandal that relates to child labor and, or working conditions. Companies who have scandals as child labor cannot really be said that they act sustainable. For example, Adidas, values sustainability by mentioning integrity in their corporate values, yet Adidas has a total of three scandals about work condition and one child labor scandal. In this case, the scandals related to working conditions have to do with safety conditions and poverty wages in appalling conditions to make Adidas goods. The child labor scandal came to light in 2016 when employees could easily report when there were minor employees working in the factory. From this it can be concluded that not all companies pursue their sustainable value. We also noticed that all companies that focus on the low segment value sustainability, in contrast to companies that focus on middle and high segment. This may have to do with the countries in which these companies produce. In addition, these companies want to produce cheaply because they want a low cost price in connection with their sales price.

### Retail companies versus (fashion) brands

If we look at the different values and scandals between fashion brands and retail companies, there is one difference between these two types of companies. The only difference is that certain scandals do

not occur in retail companies. These are child labor, external racism and scandals regarding to environment. This can be explained by the fact that these scandals generally only occur or caused in the production process. That is why it is not possible for retail companies to have that kind of scandal.

### Target group

Norburn et al. (1990) conclude that the effect and meaning of corporate values differ per country, looking at the result of this research, this cannot be confirmed. Many nationalities participated in this study, such as the United States, China, Japan, Spain and Sweden, but no differences in corporate values were found in these different countries. But on the other hand, research by Panapanan et al. (2003) shows that companies with a global scope might encounter problems with the management of their corporate values, what is the case with the companies investigated in this study. In contrast to this, there is a difference between the type of company split into target group, low, middle or high target group. Companies that focus on the middle and high segment are more likely to get a scandal in the consumer category. This can be explained, because these companies have something to lie about when it concerns, for example, where they produce in the world. Companies that focus on the low segment are more likely to get a scandal related to working conditions and child labor. In general, it is known that companies in the low segment produce in countries where the costs are lower. The countries where the companies produce who focus on the low segment is also less control. Those companies therefore value sustainability, to keep a check on this. But on the other hand, those companies do have more scandals related to working conditions and child labor. Which can be explained by the fact that these companies have more risk on that, there is a vicious circle.

### Conclusion and discussion

This research looked for connections and relationships between corporate values and scandals in the fashion industry. The research question was as follows: 'Is there a link between corporate values and scandals in the fashion industry?' Therefore we analysed the corporate values and scandals of the 25 largest fashion companies. This has been researched because many companies in the fashion industry say that they behave in a sustainable, transparent and responsible manner. This is also reflected in their corporate values, but their actual behaviour is not always consistent with this. In practice, there is a gap between the aspirations and actual values and ensuing behaviors of and within a firm.

Values that refer to craftsmanship and employees, such as 'diversity' and 'inclusion' appeared to be the most common values among the 25 companies. Followed by the category 'profit and performance', 'sustainable' and 'innovation'. To a lesser degree, fashion companies attach value to being consumer focused. This is completely the opposite of the outcome in the research of Ehrenhard and Fiorito (2018). They focused on the banking sector, and concluded that banks attach the most

value to consumers and the least value to employees. A reasoning might be that consumers do choose their bank for how they are treated, but this is less the case for selecting a new garment. What is in line with the research of Ehrenhard and Fiorito (2018) are the results with regard to tax scandals. Ehrenhard and Fiorito concluded that sanctions had no lasting effects on the financial stability of the bank. This is in accordance with our findings, because the companies who had a tax scandal did not seem to have any financial disadvantages here.

Corporate values are a top priority of companies and of vital importance to the success of an organization (Humble, Jackson, & Thompson, 1994). Corporate value statements communicate what a company aspires for and what drives their value creation (Ehrenhard and Fiorito, 2018). The importance of corporate values has been demonstrated in many studies (Donker, Poff, and Zahir, 2008; Kuratko, Ireland, & Hornsby, 2001; Ireland & Hitt, 1999). Despite these results, there are many scandals in the fashion industry. Several studies show that corporate values can produce confused results. This is because these values need to be implemented, often by middle managers. If the values are not well understood, these processes will lead to mixed and confused reactions. Besides, Lencioni (2002) confirmed that empty value statements create cynical and dispirited employees, alienate customers, and undermine managerial credibility. In addition, the theory of Becker and Connor (1994) confirms that the operationalization of the value definition can be vague due to ambiguity.

My research generally shows that the link between the corporate values and scandals is unbalanced, the scandals are not in line with the values. The communicated formal corporate values, will not always be expressed in practice. But a striking finding from this research is that it does not seem to have any consequences for the financial results. This result is also confirmed in the research by Ehrenhard and Fiorito (2018), the value destruction caused by scandals is limited. This result corresponds to another previous study. Joergens (2006) concluded that personal interest of the consumer stands for that of ethical problems. The theory shows that there are few indications that ethical issues have any effect on the purchasing behavior of consumers. The fact that companies from the fashion industry comply with this is shown by this research. Therefore, it confirms the already done studies all the more. Behavior of organizations remains a topic of discussion, there is no pattern to discover. Of the values that are most prevalent, you would think that the least scandals relate to that. Because these values are the most appreciated. This was not the case in this study.

### Limitations

The study has a number of limitations. First of all, this study included more than one sort of fashion company: retail companies, fashion, sport, jewelry and eyewear brands. It would have been more comparable if one type of company had been applied in this study. Second, this study has limited sample size. Future research including more firm observations may build further reliability and validity

of the findings. Third, a broad definition of scandals has been used, because scandals sometimes also fall into gray areas. Some events will see one as a scandal and the other as an ordinary event. A broad definition has also been used in this study, because a larger sample size is obtained and the research becomes more reliable. Finally, In this study, the largest companies in the fashion industry were examined, the result may be different for smaller companies. For smaller companies, the operationalization process is probably easier, allowing corporate values to be transferred more easily. Which makes companies more likely to stick to their corporate values.

### Implications and future research

My research provides insights into the theory of corporate values in a specific sector. The research question was: 'Is there a link between corporate values and scandals in the fashion industry?'. The outcome of my research is that including a specific value in a companies' value statement does not necessarily make that company immune to scandals related to this value. On the contrary, there are some indications in this research that the past behavior triggers inclusion of related values in corporate value statements, in order to create a self-controlling mechanism. The finding that the lower segment companies are more likely to include employee well-being in their values but at the same time are more often involved in scandals related to working conditions is the main indication for this relationship. Further investigating the timing of corporate value statement adjustments in relation to the occurrence of scandals is a suggestion for further research to observe this link in more detail. I would recommend conducting a case study into a specific scandal so that specific decision-making processes and ways of thinking come to light. It could also be interesting to look at the corporate values of companies before a major scandal came to light. To then investigate whether and how a company has adjusted its corporate values accordingly. It will also be possible to investigate whether and which type of scandals have an effect on the reputation of companies. And whether corporate values play a role in this. For subsequent research it seems also interesting to look at the various corporate values per industry, as the results from this research (fashion industry) are completely contradictory with the results from the research of Ehrenhard and Fiorito (2018), who researched the banking sector. Consumers were most valued in their research, while this value was the least mentioned in this study. This opposite result could be because consumers do choose their bank for how they are treated, but this is less the case for selecting a new garment.

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## Attachments

### Attachment 1<sup>5</sup>

<b>nr.</b>	<b>Brand/name</b>	<b>Market cap</b>	<b>Country</b>
1	LVMH	\$150.130.000.000,00	France
2	Nike	\$105.830.000.000,00	U.S.
3	Inditex (zara)	\$92.410.000.000,00	Spain
4	Dior	\$67.730.000.000,00	France
5	Kering	\$59.930.000.000,00	France
6	Hermes	\$56.790.000.000,00	France
7	TJX	\$53.010.000.000,00	U.S.
8	Richemont	\$46.160.000.000,00	Switzerland
9	Adidas	\$45.330.000.000,00	Germany
10	Fast Retailing	\$42.960.000.000,00	Japan
11	Luxottica	\$30.530.000.000,00	Italy
12	Ross Stores	\$29.800.000.000,00	U.S.
13	VF	\$29.070.000.000,00	U.S.
14	H&M	\$23.810.000.000,00	Sweden
15	Swatch Group	\$23.010.000.000,00	Switzerland
16	Coach	\$14.520.000.000,00	U.S.
17	Zalando	\$13.520.000.000,00	Germany
18	Gap	\$13.260.000.000,00	U.S.
19	L Brands	\$12.590.000.000,00	U.S.
20	Tiffany & Co.	\$12.560.000.000,00	U.S.
21	Chow Tai Fook	\$11.150.000.000,00	China
22	PVH HQ	\$11.050.000.000,00	U.S.
23	Lululemon	\$10.980.000.000,00	U.S.
24	Prada Group	\$10.860.000.000,00	China
25	Vipshop Holdings	\$10.500.000.000,00	U.S.

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<sup>5</sup> <https://fashionunited.com/i/top100>

Attachment 2

Corporate values 2017/2018

<p><b>1. Louis Vuitton (LVMH)</b></p> <ul style="list-style-type: none"> <li>- Be creative and innovative (INNO)</li> <li>- Deliver excellence (PERF)</li> <li>- Cultivate an entrepreneurial spirit (EMPL)</li> </ul>	<p><b>14. H&amp;M</b></p> <ul style="list-style-type: none"> <li>-value-driven (PERF)</li> <li>-customer-focused (CONS)</li> <li>-creative (EMPL)</li> <li>-responsible fashion (SUST)</li> </ul>
<p><b>2. Nike</b></p> <ul style="list-style-type: none"> <li>- Inspiration (PERF)</li> <li>- Innovation (INNO)</li> </ul>	<p><b>15. Swatch Group</b></p> <ul style="list-style-type: none"> <li>- diversity (EMPL)</li> <li>- beauty (PERF)</li> <li>- quality (PERF)</li> <li>- craftsmanship and industrial know-how (EMPL)</li> </ul>
<p><b>3. Inditex (i.a. Zara)</b></p> <ul style="list-style-type: none"> <li>- Create value beyond profit (PERF)</li> <li>- People and the environment (EMPL)</li> <li>- Striving to do and be better (SUST)</li> </ul>	<p><b>16. Coach</b></p> <ul style="list-style-type: none"> <li>- optimism (PERF)</li> <li>- inclusivity (employees) (EMPL)</li> <li>- innovation (INNO)</li> </ul>
<p><b>4. Dior</b></p> <ul style="list-style-type: none"> <li>-Creative and innovative (INNO)</li> <li>-Excellence (PERF)</li> <li>-Passion (EMPL)</li> <li>-Entrepreneurs (EMPL)</li> <li>-Strive to be the best(PERF)</li> </ul>	<p><b>17. Zalando *</b></p> <ul style="list-style-type: none"> <li>-Value proposition for consumers (CONS)</li> <li>-Value proposition for fashion brands (PERF)</li> </ul>
<p><b>5. Kering</b></p> <ul style="list-style-type: none"> <li>-Empowering Imagination (PERF)</li> <li>-sustainable business (SUST)</li> <li>-empower women (SUST)</li> <li>-Develop talent-Diversity (EMPL)</li> </ul>	<p><b>18. Gap</b></p> <ul style="list-style-type: none"> <li>- innovation &amp; growth (INNO)</li> <li>- global sustainability (SUST)</li> <li>- commitment to equal pay (SUST)</li> <li>- diversity &amp; inclusion (employees) (EMPL)</li> </ul>
<p><b>6. Hermes</b></p> <ul style="list-style-type: none"> <li>-creativity (EMPL)</li> <li>-craftsmanship (EMPL)</li> <li>- quality (PERF)</li> </ul>	<p><b>19. L Brands</b></p> <ul style="list-style-type: none"> <li>- the customer rules (CONS)</li> <li>- leads to success (EMPL)</li> <li>- inclusion makes us stronger (diversity) (employees) (EMPL)</li> <li>- it matters how we play the game (Social responsibility) (SUST)</li> </ul>
<p><b>7. TJX</b></p> <ul style="list-style-type: none"> <li>- combi of: brand, fashion, price and quality (=deliver great value) (PERF)</li> <li>- rapidly changing assortment (PERF)</li> <li>- sale between 20/60% (PERF)</li> </ul>	<p><b>20. Tiffany &amp; Co.</b></p> <ul style="list-style-type: none"> <li>- honor the customer (CONS)</li> <li>- think boldly (creativity and intuition) (EMPL)</li> <li>- lead with passion (EMPL)</li> <li>- do the right thing (integrity) (SUST)</li> <li>- be brilliant together (employees talent) (EMPL)</li> </ul>

<p><b>8. Richemont</b></p> <ul style="list-style-type: none"> <li>- style (PERF)</li> <li>- quality (PERF)</li> <li>- craftsmanship (EMPL)</li> </ul>	<p><b>21. Chow Tai Fook</b></p> <ul style="list-style-type: none"> <li>- product design (INNO)</li> <li>- quality &amp; value (PERF)</li> <li>- trustworthiness &amp; authenticity (PERF)</li> </ul>
<p><b>9. Adidas</b></p> <ul style="list-style-type: none"> <li>- performance (PERF)</li> <li>- Passion (EMPL)</li> <li>- Integrity (SUST)</li> <li>- Diversity (EMPL)</li> </ul>	<p><b>22. PVH HQ</b></p> <ul style="list-style-type: none"> <li>- individuality (EMPL)</li> <li>- partnership (EMPL)</li> <li>- passion (EMPL)</li> <li>- integrity (SUST)</li> <li>- accountability (SUST)</li> </ul>
<p><b>10. Fast Retailing</b></p> <ul style="list-style-type: none"> <li>- Approaching issues from the <b>customer</b> perspective (CONS)</li> <li>- Embracing <b>innovation</b> &amp; challenge (INNO)</li> <li>- Respecting and supporting individuals to foster both corporate and personal growth (EMPL)</li> <li>- Committing to <b>ethical</b> standards and correctness (SUST)</li> </ul>	<p><b>23. Lululemon</b></p> <ul style="list-style-type: none"> <li>- quality products (PERF)</li> <li>- integrity (SUST)</li> <li>- balance (EMPL)</li> <li>- entrepreneurship (EMPL)</li> <li>- fun (EMPL)</li> <li>- greatness (EMPL)</li> </ul>
<p><b>11. Luxottica</b></p> <ul style="list-style-type: none"> <li>- excellence (PERF)</li> <li>- ongoing R&amp;D process: passion, <b>innovation</b>, creativity (INNO)</li> <li>- latest technology (INNO)</li> <li>- master craftsmanship (EMPL)</li> <li>- sustainable business approach (SUST)</li> </ul>	<p><b>24. Prada group</b></p> <ul style="list-style-type: none"> <li>- excellent know-how (PERF)</li> <li>- manual abilities (EMPL)</li> <li>- passion (EMPL)</li> <li>- desire for experimentation (INNO)</li> </ul>
<p><b>12. Ross stores*</b></p> <ul style="list-style-type: none"> <li>- empowering our associates (EMPL)</li> <li>- supporting our communities (EMPL)</li> <li>- operating sustainably (SUST)</li> <li>- Conducting business ethically (SUST)</li> </ul>	<p><b>25. Vipshop Holdings*</b></p> <ul style="list-style-type: none"> <li>- Relationship with brands (PERF)</li> <li>- Understanding of consumers (CONS)</li> <li>- Business intelligence system (PERF)</li> </ul>
<p><b>13. VF</b></p> <ul style="list-style-type: none"> <li>- design &amp; innovation (INNO)</li> <li>- demand creation &amp; brand experience (EMPL)</li> <li>- insights &amp; analytics (PERF)</li> <li>- retail excellence (PERF)</li> <li>- demand &amp; supply chain agility (SUST)</li> <li>- talent (EMPL)</li> </ul>	

## Attachment 3

Scandals 2007 – 2018

<p><b>1. Louis Vuitton (LVMH)</b></p> <ul style="list-style-type: none"><li>-Nov 2017: LVMH boss Arnault says assets referred to in "Paradise Papers" known to tax bodies <b>(TAX)</b></li><li>-Jun 2017: Revealed: the Romanian site where Louis Vuitton makes its Italian shoes <b>(CST)</b></li><li>-Oct 2016: Early Warning Systems Reveal Child Labor in Bangladesh's Garment Industry <b>(CHL)</b></li><li>-Jul 2014: Louis Vuitton Sued Over Racist Comments (manager racists comments to employee) <b>(RCM)</b></li><li>-Jul 2013: France's stock market regulator fined LVMH Moët Hennessy Louis Vuitton \$10.4 million for failing to follow market rules when it accumulated a significant stake in Hermès International // French probe finds LVMH built up Hermes stake in secret-paper (May 18, 2013) <b>(TAX)</b></li><li>-Sep 2012: inancial: French supertax: Will the rich take the money and run?: Vuitton tycoon denies he is fleeing to Belgium to cut higher tax bills// As Taxes Rise, France's Richest Man Eyes Belgium <b>(TAX)</b></li><li>-Jan 2010: Fashion star Vuitton faces hunting scandal <b>(ENV)</b></li></ul>
<p><b>2. Nike</b></p> <ul style="list-style-type: none"><li>-Nov 2017: Offshore Havens Show Policy Failures at Home <b>(TAX)</b></li><li>-Oct 2016: Early Warning Systems Reveal Child Labor in Bangladesh's Garment Industry <b>(CHL)</b></li><li>-Apr 2013: For 25 Cents, You Can Wash the Blood Off Your T-Shirt <b>(WC)</b></li><li>-Mar 2012: Olympic brands caught up in abuse scandal: While Adidas, Nike and Puma make millions out of the Games, their employees are claiming exploitation. Gethin Chamberlain investigates <b>(WC)</b></li></ul>
<p><b>3. Inditex (i.a. Zara)</b></p> <ul style="list-style-type: none"><li>-Nov 2017: Zara customers find upsetting notes hidden in garments from unpaid labourers in Turkey <b>(WC)</b></li><li>-Jun 2017: H&amp;M, Zara, M&amp;S and others found buying from highly polluting factories in Asia <b>(WC)</b></li><li>-Dec 2016: Zara Under Fire as Greens Warn EU Tax Dodging Still in Vogue// Zara scandal shows tax dodging still in fashion, says Oxfam// Zara parent company denies allegations of tax avoidance <b>(TAX)</b></li><li>-Oct 2016: Early Warning Systems Reveal Child Labor in Bangladesh's Garment Industry <b>(CHL)</b></li><li>-May 2015: Zara owner Inditex faces fines in Brazil over poor working conditions claim; Parent company disputes labour ministry report claiming widescale employment abuses in supply chain <b>(WC)</b></li><li>-Aug 2014: Zara shirt resembles a concentration camp uniform and other clothing store controversies <b>(RCM)</b></li><li>-Apr 2013: Rana Plaza factory collapse in Bangladesh <b>(WC)</b></li><li>-Okt 2012: Top clothing brands linked to water pollution scandal in China (Zara) <b>(ENV)</b></li><li>-Aug 2011: Zara Accused Of Alleged 'Slave Labor' In Brazil <b>(WC)</b></li><li>-Jul 2011: Cambodia factory faintings put big brands under pressure <b>(WC)</b></li></ul>
<p><b>4. Dior</b></p> <ul style="list-style-type: none"><li>-Mar 2011: Dior Fires John Galliano After Bigotry Complaints ((John Galliano, the head designer for Dior, was caught on camera making anti-Semitic remarks in a Paris café in 2011. Galliano can be heard saying to fellow diners, "I love Hitler" and "People like you would be dead today. Your mothers, your forefathers would be f**ing gassed and dead."</li></ul>

Following the release of the video, Galliano was fired from Dior and retreated from publicity while spending time in rehab.)) <b>(RCM)</b>
<b>5. Kering</b> -Jan 2018: Kering, Gucci Rebut Tax Evasion Allegations // Gucci Is Under Investigation for Tax Evasion <b>(TAX)</b> -Dec 2014: Gucci says undercover report on its production 'false'; 'Not reality', says luxury goods company // Hidden cameras showed Chinese workers in Italian factories <b>(CST)</b>
<b>6. Hermes</b> -Jul 2015: Jane Birkin Tells Hermès To Take Her Name Off Cult Bag After Crocodile Cruelty Allegations (exploitation animals) <b>(ENV)</b>
<b>7. TJX</b> (off price retailer) -Nov 2016: Forever 21, TJ Maxx, Ross use factories that paid workers \$4 an hour, according to Labor Dept <b>(WC)</b> -Jul 2015: TJ Maxx Sued Over 'Compare At' Prices <b>(CST)</b>
<b>8. Richemont</b> /
<b>9. Adidas</b> -May 2018: Skechers Sues Adidas Over NCAA Bribery Scandal <b>(CST)</b> -Oct 2016: Early Warning Systems Reveal Child Labor in Bangladesh's Garment Industry <b>(CHL)</b> -Jun 2012: War on Want criticises Adidas 'sweatshops' <b>(WC)</b> -Apr 2012: Factory workers are 'forced to lie' during Adidas safety inspections <b>(WC)</b> -Mar 2012: Olympic brands caught up in abuse scandal: While Adidas, Nike and Puma make millions out of the Games, their employees are claiming exploitation. Gethin Chamberlain investigates <b>(WC)</b>
<b>10. Fast Retailing</b> /
<b>11. Luxottica</b> /
<b>12. Ross stores</b> -Nov 2016: Forever 21, TJ Maxx, Ross use factories that paid workers \$4 an hour, according to Labor Dept <b>(WC)</b>
<b>13. VF</b> /
<b>14. H&amp;M</b> -Feb 2018: H&M faces another scandal in Ethiopia (salary money) <b>(WC)</b> -Jan 2018: H&M Apologizes After Using Black Child in 'Monkey' Hoodie Ad <b>(RCM)</b> -Jun 2017: H&M, Zara, M&S and others found buying from highly polluting factories in Asia <b>(WC)</b> -Feb 2017: Beckham's H&M fashion range in child labour shame <b>(CHL)</b> -Aug 2016: H&M factories in Myanmar employed 14-year-old workers <b>(CHL)</b> -Jun 2016: Walmart, Gap supplier factory workers exploited in India <b>(WC)</b> -Oct 2014: The company received backlash in 2014 for a green jumpsuit, which some said resembled the uniforms of female Kurdish soldiers fighting ISIS. H&M apologized and said it had no "intention to offend." <b>(RCM)</b> -Apr 2013: Rana Plaza factory collapse in Bangladesh <b>(WC)</b> -Jul 2011: Cambodia factory faintings put big brands under pressure <b>(WC)</b> -Mar 2010: 21 workers die in fire at H&M factory <b>(WC)</b> -Jan 2010: H&M; Caught in "Organic" Cotton Fraud <b>(ENV)</b>
<b>15. Swatch Group</b>

/
<p><b>16. Coach</b>        -Aug 2014: Unpaid intern sues Coach after claiming fashion giant uses free labor to 'retain a higher profit margin' <b>(WC)</b></p>
<p><b>17. Zalando</b>        -Apr 2014: Online retailer Zalando under fire over work conditions <b>(WC)</b></p>
<p><b>18. Gap</b>        -Jun 2016: Walmart, Gap supplier factory workers exploited in India <b>(WC)</b>        -Apr 2013: Rana Plaza factory collapse in Bangladesh <b>(WC)</b>        -Aug 2009: Gap factory is danger to children <b>(CHL)</b>        -Nov 2007: Gap clothes were being made by children as young as 10 at a factory in India <b>(CHL)</b></p>
<p><b>19. L Brands</b>        -March 2013: Victoria Secret Campaign Stirs Up Controversy // After angering many, the lingerie company quietly changed an ad campaign in 2014 from "The Perfect 'Body' " to "A Body for Every Body." <b>(ADV)</b>        -Dec 2011: Victoria's Secret Uses Child Labor-Produced Cotton From Burkina Faso <b>(CHL)</b></p>
<p><b>20. Tiffany &amp; Co.</b>        -March 2017: Jewelry expert goes undercover to show Tiffany overcharges <b>(CST)</b>        -May 2014: Black Employee Accuses Tiffany &amp; Company Of Racial Discrimination <b>(RCM)</b></p>
<p><b>21. Chow Tai Fook</b>        /</p>
<p><b>22. PVH HQ</b>        -Okt 2015: Tommy Hilfiger (the person) Addresses Racist Comment Rumors <b>(RCM)</b>        -Jan 2015: Justin Bieber Calvin Klein Photoshop Scandal <b>(ADV)</b>        -Okt 2012: Top clothing brands linked to water pollution scandal in China <b>(ENV)</b>        -Mar 2012: Workers Die at Factories Used by Tommy Hilfiger <b>(WC)</b></p>
<p><b>23. Lululemon</b>        -Mar 2013: Lululemon's See-Through Yoga Pants Problem Takes a Turn for the Scandalous // Lululemon releases ad for new Full-On yoga pants made from 'evolved fabric' in a bid to move on from too-sheer leggings scandal// Lululemon's yoga pants criticised for being see-through// Lululemon co-founder Chip Wilson found himself in hot water when he blamed women's thighs for defects in the brand's yoga pants. The \$98 pants were recalled in 2013 for being too sheer and pilling after only a few wears. In a Bloomberg interview, Wilson responded to the complaints saying, "They don't work for some women's bodies ... it's really about the rubbing through the thighs." Wilson stepped down as chairman in 2013. <b>(CST)</b></p>
<p><b>24. Prada Group</b>        -Sep 2014: Prada bosses under investigation for alleged tax evasion <b>(TAX)</b></p>
<p><b>25. Vipshop Holdings</b>        /</p>