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## Legitimacy strategies in sustainability reporting

A study of negative disclosure  
strategies' impact on stakeholders

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## **Abstract**

Sustainability reports should provide a balanced picture of a company's sustainability aspects, but because of its voluntary nature, overly positive aspects are often presented (Holder-Webb et al., 2009; Lougee & Wallace, 2008). Though, negative disclosure may also be released as it could improve transparency, enhance trust, and decrease the risk of green or whitewashing tendencies (Hahn & Lüfs, 2014, Hahn & Reimsbach, 2013). However, when disclosing negative information, it is important for companies to legitimize the negative aspects, as the negative information could otherwise harm the company. As a result of this, different legitimacy strategies are used by companies when disclosing negative information (Hahn et al., 2021). Based on this, this thesis explores and analyses strategies for disclosing negative sustainability information. In particular, the study examines companies within the fast fashion industry, a heavily debated sector in regard to sustainability, which indicates that the companies within the business should try to legitimize themselves.

To fulfil the purpose of this study the choice was made to conduct a content analysis and semi-structured interviews, where four fast fashion companies' (H&M, SHEIN, Boohoo and American Eagle) sustainability reports were analysed to identify negative sustainability disclosure and assess how the companies' tried to legitimize these negative aspects. Later, the disclosure strategies' impacts on stakeholders were examined through 10 semi-structured interviews with concerned stakeholders. The results show that the companies subject to research did use the strategies corrective action, marginalization, abstraction, and preventive action to legitimize negative sustainability issues. The strategies were often not effective in enhancing legitimacy mainly because of too vague measures, but also because of the disbelief from stakeholders regarding the industry's will and ability to change. However, the findings also indicated that the negative disclosure could enhance a bit of legitimacy as it signalled transparency and accountability, which is preferred compared to denial or compliance.

The study's implications are important for scholars and practitioners. The theoretical contributions were added to the research field of negative disclosure and legitimacy strategies, and the implications are important for managers working within the fast fashion industry as well. This is because the results of this study will develop their knowledge of how certain negative disclosures strategies can play a both positive and negative role in enhancing the legitimacy towards stakeholders.

Keywords: Negative sustainability disclosure, legitimacy, legitimacy strategies

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# 1. Introduction

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*In the first section of the thesis, a background and problem discussion regarding the research area are presented. Also, the study's aim and research questions have been stated.*

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## 1.1 Background

The concerns of sustainability never stop, where environmental issues, poverty or problems regarding basic human rights are some of the biggest challenges faced by society (Herold, 2018). When considering sustainability, corporations are also seen to play a leading role because of their great impacts on their surroundings (Gunawan et al., 2020). One of the most debated industries regarding sustainability is the fast fashion industry, which is one of the largest polluters and contributors to several social and ecological issues (McNeil & Venter, 2019). Fast fashion is described as “*low-priced but stylish clothing that moves quickly from design to retail stores to meet trends, with new collections being introduced continuously*” (Investopedia, 2022), and the carbon footprint created by these fashion products is one of the largest (Zhang et al., 2021). The industry is surpassing the amount of emissions created by the aviation and shipping industries combined, and additionally contributes to many human right issues. This is mainly because most fashion products are outsourced and shipped internationally (Zhang et al., 2021).

This thesis focuses on the fact that sustainability has become strategic priorities for many companies around the world (Herold, 2018), which is particularly true for fast fashion companies as they have been subject to a number of scandals. As these sustainability related issues must be addressed and erased in order to reach sustainable development (SD) (Gunawan et al., 2020), it is crucial for companies to consider these challenges as they are not only seen as a threat to SD itself, but also as a threat to existing business models (Herold, 2018). This is because the issues related to SD and the corporate involvement within these issues are often under scrutiny from various stakeholders. This is especially the case for the fast fashion business model which is often seen to encourage over-consumption with its low prices and speedy product rotations (Zhang et al., 2021).

Henceforth, issues related to SD and the corporate involvement in regard to these issues have led to a high stakeholder pressure on companies to work with not only their economic motives, but also their environmental and social ones (Ashby et al., 2012). Thus, companies are continuously being held accountable for their influence on sustainability (Hahn et al., 2021, Herold & Lee, 2017). The fast fashion companies are no exception when it comes to this stakeholder pressure, as different stakeholders have during the recent decades started to call for higher transparency among these companies, based on the underlying negative sustainability aspects within the clothing industry (Jestratišević et al., 2021). As a response to this, many companies have become involved in different sustainability related initiatives and activities which are often communicated by disclosing this information in their so-called sustainability reports (Herold, 2018; Maditatti et al., 2018; Dubrovnik et al., 2018).

Sustainability reports can be seen as a growing communication tool used towards stakeholders (Siew, 2015). They can be defined as useful channels for information disclosure, which focuses exclusively on sustainability impacts and topics (Wang et al., 2023). Furthermore, the reports are largely characterized as being a voluntary practice (Hahn & Lüfs, 2014; Hahn et al., 2021). The voluntary nature of sustainability reporting, along with the fact that much of a company's operations are not visible for external stakeholders, makes it easier for the company's management to influence the release of information. This makes certain that only carefully selected information about their sustainability operations and performance are provided to the external stakeholders, making it difficult for the stakeholders to gain any insights to the company's practices (Herold, 2018). This can be seen as a major reason for the occurrence of information asymmetries between the companies' management and their external stakeholders (Herold, 2018; Sarkis et al., 2011).

### **1.1. Problematization**

A well formulated and transparent sustainability report can often be viewed as a tool to increase trust and loyalty among certain stakeholders (e.g. investors or employees) and as a tool to reduce the information asymmetries between these companies and their stakeholders (Herold, 2018; Reimsbach & Hahn, 2015; Hahn & Lüfs, 2014). In contrast, "a lack of transparency represents a source of information risk for external stakeholders" (Archambeult et al., 2008, p.377). Thus, the usage of sustainability reports is seen as a crucial aspect within disclosure to the extent that it can be used to fulfil stakeholder needs, to legitimize certain action, and to signal certain information. Many theories within the research area of sustainability disclosure, such as stakeholder theory, legitimacy theory, and signalling theory are used by several researchers to discuss the reasons behind voluntary disclosures (Carmo & Miguéis, 2022). Thus, the discussion of this thesis will be based on these theoretical perspectives.

Even though it has become compulsory in some countries, sustainability reporting is largely a voluntary practice conducted by companies, and they are able to determine which tools or guidelines they want to implement to measure their sustainability and environmental performance (Herold, 2018). Thus, they are still relatively free to report (or not report) what they want, as the rules within the reporting of non-financial information are vague and broad (Hahn & Reimsbach, 2015; Hahn et al., 2021). As a result of this voluntary aspect of sustainability disclosures, most voluntary disclosed information in sustainability reports is often seen as overly positive and could therefore be quite misleading (Hahn & Lüfs, 2014). Previous research has for example been able to identify an abundance of positive information in corporate sustainability reports while there seems to be a lack of negative voluntary disclosures (e.g. Holder-Webb et al., 2009; Lougee & Wallace, 2008). These overly positive reports could sometimes be whitewashed, which can be quite problematic as they are not always helpful for external stakeholders to assess the correct sustainability performance of these companies, thus creating an information asymmetry (Hahn & Lüfs, 2014).



Despite being written about and highlighted several years ago, the research problem related to a lack of negative voluntary disclosures, presented by previous articles (e.g. Holder-Webb et al., 2009; Lougee & Wallace, 2008), is still a research problem in which research is relatively scarce (Hahn et al., 2021). Though, what research has indicated is that negative disclosure is seen as important for companies in order to provide transparent and balanced sustainability reports (Hahn & Reimsbach, 2013). But even if the release of negative information could enhance transparency, which in turn could lead to certain positives such as good reputation and brand trust among stakeholders, prior research has concluded that several companies, for example in the fashion industry still lacks transparency, e.g. in their reporting regarding supply chain information (Wulff, 2019). A supply chain which is associated with the generation of large amounts of waste and negative impact on the environment (Brewer, 2019; Zhang et al., 2021). Previous research has for example been able to establish that the harmful waste produced by fashion products, such as textiles, chemicals and dyes, inflicts harmful damage to the environment (Zhang et al., 2021). Despite these established issues, several companies within this industry still choose to not be fully transparent in their sustainability reports and instead often risk any negative information or incidents being exposed by a third party which can be seen as a threat to the companies' reputation (Hahn & Lüfs, 2014). For instance, H&M were exposed in the report book *Modeslavar* for child labour, and another retailer, SHEIN, has been exposed by Bloomberg for underpaid forced labour. A reason for why companies may lack transparency is because it can hurt their legitimacy if a certain incident or negatively disclosed information is perceived by stakeholders as something wrong in terms of social values (Hahn & Lüfs, 2014), why it might be better to keep quiet and hope that nothing will ever be revealed.

Thus, negative sustainability reporting is a quite problematic phenomenon as it could be both positive and negative for a company. The reporting on negative aspects could on one hand increase transparency and trustworthiness, but on the other hand the negative aspect itself could hurt the company. This means that when companies actually do report *negative* information, they often use different disclosure strategies to *legitimize* themselves (Hahn & Lüfs, 2014). These legitimation strategies can influence the perception of an organization by its stakeholders which highlights the importance of exploring the strategies and their influence. For example, Schiopoiu Burlea & Popa, (2013) stated that such strategies should be empirically explored to understand the factors that are used for maintaining legitimacy. Furthermore, according to Hahn & Lüfs (2014), the effects of disclosing negative sustainability information are largely neglected in research.

During the recent decade, studies regarding the above mentioned negative disclosure and legitimacy strategies have started to be conducted by for example Hahn & Lüfs, (2014); Hahn et al. (2021); Belluci et al. (2021) and Jahn & Brühl (2019). However, it is still a relatively scarce and novel research field. Furthermore, a study of disclosure strategies used in the fast fashion industry is missing, despite the vast amount of sustainability issues that have occurred in the business, and that previous research has indicated that the sector may need to start legitimizing themselves (Hahn & Reimsbach, 2013). Thus, it would be interesting to perform a study by exploring and analysing if there exists negative sustainability disclosure in fast fashion companies' sustainability reports, and which strategies they use to legitimize this information. Further, it would also be interesting to see how these strategies impact the companies' concerned stakeholders. By doing

this, a deeper understanding will be made on how legitimacy could increase or decrease among stakeholders based on the companies' disclosure of negative sustainability aspects. Adding to this, studies have shown that concerned and aware stakeholders have increased, as for example customers and investors have developed a higher interest in sustainability issues (Ashby et al, 2012; Belucci et al., 2021; Hahn et al., 2021), which further strengthens the motivation of the study.

Based on this, it is possible to see that previous research has been able to highlight the importance of disclosing negative sustainability information in order for companies to legitimize themselves and their corporate conduct. However, a gap exists regarding how fast fashion companies disclose negative sustainability aspects, and how well this may work to create or maintain legitimacy among their stakeholders.

## **1.2. Aim**

The aim of this study is to explore the legitimacy of negative sustainability disclosure. The objective is to examine legitimacy strategies in fast fashion companies' sustainability reports, and how these strategies impact concerned stakeholders.

## **1.3. Research questions**

To conduct this study, three research questions are stated:

1. Why do businesses disclose negative sustainability information to legitimize their sustainability work?
2. Which strategies do fast fashion companies use to legitimize disclosed negative sustainability information?
3. How do negative disclosure/legitimacy strategies impact concerned stakeholders?

## 2. Theoretical Framework

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*In this chapter, a theoretical framework in relation to the thesis is presented. First, voluntary sustainability disclosure is regarded based on the three theories: stakeholder, signalling and legitimacy theory, where the role of negative disclosure and legitimacy is discussed. The next part of the chapter is a review of prior studies regarding strategies for legitimacy and CSR, based on negative sustainability disclosure.*

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### 2.1. Voluntary Sustainability Disclosure

The foundation for voluntary sustainability disclosure is based on the fact that there exists sustainability concerned stakeholders. SD is a concern for everyone (Rogers et al, 2008), but because of the economic growth, it has further been stated that the challenge to maintain sustainability requires good governance from especially major social actors and businesses (Sachs, 2015). Considering businesses and their vital role in SD, stakeholders have started to expect companies to not only care about money and obey the law, but they should also strive to be more sustainable in their operations, i.e., establish corporate social responsibility (CSR) (Buhran & Ramanti, 2012; Carroll, 2015). This means that it has become important for companies to consider sustainability challenges as they are not only seen as a threat to SD itself, but also as a threat to existing business models because of the high stakeholder pressure (Herold, 2018). Henceforth, *stakeholder theory* has recognized that sustainability issues have in some cases become equally important interests in an organization as with the economic and financial ones (Carmo & Miguéis, 2022). This means that an organization cannot exclusively be responsible towards its investors, they must also take other stakeholder interests into consideration and balance these (Bartolacci et al., 2022). In regard to this, stakeholders with an interest in SD have for the past thirty years urged companies to disclose information regarding the sustainability aspects of their organizational activities (Ali et al., 2017). The sustainability concerned stakeholders have become increasingly involved in recognizing how companies impact their society and the environment, to the extent that they are prepared to hold companies responsible for any harm that their corporate activities could produce (Lokuwaduge & Heenetigala, 2017). Therefore, in order for managers to create value, they need to consider the concerns and demands of sustainability aware stakeholder groups (Duran & Rodrigo, 2018). Because of this, many companies attempt to build a relationship with the stakeholders through voluntary non-financial disclosures (Lokuwaduge & Heenetigala, 2017). The disclosures can for example be issued in the form of sustainability reports (Gallego-Alvarez et al., 2017; Thorne et al., 2014), and here companies can communicate their CSR information.

In relation to stakeholder theory, *signalling theory* suggests that it is important for companies to voluntarily disclose different aspects in order to reduce information asymmetry. The theory is based on the existing information asymmetries between insiders (e.g., managers) and outsiders (e.g., shareholders) and strives to shed light on the procedures that help reduce these asymmetries (Carmo & Miguéis, 2022). To reduce the information asymmetry, the party with more information (the signaller) communicates the information (sends the signal) to the party with less information (the receiver). In turn, the receiver interprets the information and reacts to the signal

sent by the signaller (Connelly et al., 2011). Traditionally, signalling theory claims that the main objective for voluntary disclosure is to report relevant information of the company to investors and analysts (Spence, 1973), hence companies want to reduce information asymmetry for financial reasons. However, because of an increased interest in sustainability, the theory has also been put in a sustainability context. Carmo & Miguéis (2022) argue that information asymmetries arise as a result of the difficulties that exist for external parties to access trustworthy information regarding a company's sustainability strategies, performance, and risks. Therefore, voluntary sustainability reports can be a crucial component in reducing these asymmetries (Carmo & Miguéis, 2022). However, according to signalling theory, companies who perform better from a sustainability perspective are likely to be more motivated to voluntarily disclose sustainability information, as it could shed a positive light on the company. These companies are also more likely to construct separate reports such as sustainability reports (the signal) to share with their less informed stakeholders (the receivers) (Carmo & Miguéis, 2022). Taking this into consideration in the context of this study, the question is if companies in the fast fashion industry may use their sustainability reports to signal negative information or not, as they are generally not seen as companies performing well in terms of sustainability. But even if so, companies could try to voluntarily disclose negative information and reduce information asymmetry, because of other reasons. This leads to the last theory regarded in this section, *legitimacy theory*.

According to Suchman (1995) legitimacy within organizations regards the perception or assumption that the actions within an entity are in accordance with socially constructed norms, values, and beliefs. As a result of this, legitimacy theory is conceptualized as a theory that supports companies to voluntarily disclose social and environmental aspects in order to “*fulfil their social contract that enables the recognition of their objectives and the survival in a jumpy and turbulent environment*” (Burlea Şchiopoiu & Popa, 2013, p:1). It is vital for companies to legitimize themselves, because if they fail to respect a society’s constructed values, it could lead to heavy “sanctions” by stakeholders. In turn, these sanctions may result in a company’s complete downfall. Thus, the theory states that an organization needs to justify their performance through legitimate social and environmental issues, to not jeopardize the part of society or environment that the company is operating in (Burlea Şchiopoiu & Popa, 2013, p:1) Regarding legitimacy and negative sustainability disclosure, there are two sides of it. On one hand the negative disclosure could risk a company’s legitimacy if the incident is seen as such an unacceptable behaviour by the society, to the extent that there is no return (Bansall & Clelland, 2004). But on the other hand, not disclosing negative information could backfire if the issue is later disclosed by a third party (Reimsbach & Hahn 2013; Våland & Heide 2005). Thus, it could be a good idea for companies to release the information themselves, as third-party disclosures could be even more harmful and legitimacy decreasing (Bansall & Clelland, 2004). Moreover, signalling negative aspects could enhance trust and the appearance of working proactively and preventing risks (Hahn & Lüfs, 2014; Hahn & Reimsbach, 2015).

### ***2.1.1. Defining Negative Sustainability***

As this thesis will study and discuss negative disclosure in sustainability reports, a definition of a negative sustainability aspect should also be stated. Disclosure guidelines, such as GRI, fail to provide a clear understanding of what a negative aspect is, but this paper will follow the

characterization proposed by Hahn & Lüfs (2014). Thus, a negative aspect in a sustainability report will “include any corporate statement referring to factual and/or potential corporate conduct that had or has a (potentially) negative impact on the realization of sustainability” (Hahn & Lüfs, 2014, p. 404). Given the environmental and social focus of this study, negative environmental aspects would concern any corporate processes connected to the pollution of the ecosystem while the negative social aspects could be corruption, discrimination, child labour etcetera (Hahn & Lüfs, 2014; Reimbach & Hahn, 2013). Hence, this study *will not* consider negative financial information.

## **2.2. Legitimacy Strategies**

The previous section presented initiatives for why companies may disclose negative sustainability information, i.e., as an attempt to decrease information asymmetry towards sustainability concerned stakeholders, and by so gain or keep legitimacy for different reasons. The next section will consist of a literature review of prior studies regarding how companies implement strategies to work with legitimacy and corporate social responsibility, based on negative voluntary sustainability disclosure.

### ***2.2.1. Disclosure and Organisational Learning of CSR***

Various researchers have discussed how companies should work with legitimacy and CSR, but as this thesis is written in the context of fast fashion and negative sustainability disclosure, it has adopted a model by Zadek (2004). The model was based on several companies, but above all with Nike. Nike is a large company in the sports fashion industry and by Zadek (2004) they were described as a company that has gotten a lot of attention when it comes to their previous (lack of) work with sustainability, just as many other fast fashion companies have gotten during the last decades. By Zadek (2004) it was concluded that Nike had developed in corporate responsibility, and they were seen to be “in a much better place for its troubles”, while the lesson they have learned has helped other companies as well. The model shows five stages of how companies work with their learning of corporate responsibility, and it takes into consideration how to handle negative sustainability issues that companies have been associated with. The model does not describe legitimation in particular but it does describe what companies do to “develop a sense of corporate responsibility”, which has a great connection to legitimacy.

Zadek’s (2004) described stages of organisational learning in terms of CSR and sustainability issues are as follows: (1) *Defensive*, (2) *Compliance*, (3) *Managerial*, (4) *Strategic*, and (5) *Civil*.

1. Defensive, means that a company denies responsibility and negative outcomes in order to defend their reputation which otherwise can harm the company’s sales, recruitment, productivity, or brand.
2. Compliance regards when a company has developed a policy-based compliance approach as an effect of doing their business, where a negative sustainability aspect is trying to be justified in order for the company to reach certain important objectives, such as demand or production.

3. Managerial, means that the company has taken a certain societal issue into consideration in their management process. By doing this they may achieve long-term success by taking responsible actions into their business process.
4. Strategic, reminds of the third step but it means that companies integrate the issue into their core business strategy. They adopt their strategies based on the issue and develop process innovation to combat it.
5. Civil, considers when companies encourage broad participation from the whole industry, when it comes to working with corporate responsibility. By doing this they could overcome the issue, enhancing long-term economic value, and gain positives through collective action.

**Table 1. The Five Stages of Organizational Learning (Zadek, 2004, p:5)**

The Five Stages of Organizational Learning		
When it comes to developing a sense of corporate responsibility, organizations typically go through five stages as they move along the learning curve.		
STAGE	WHAT ORGANIZATIONS DO	WHY THEY DO IT
<b>DEFENSIVE</b>	Deny practices, outcomes, or responsibilities	To defend against attacks to their reputation that in the short term could affect sales, recruitment, productivity, and the brand
<b>COMPLIANCE</b>	Adopt a policy-based compliance approach as a cost of doing business	To mitigate the erosion of economic value in the medium term because of ongoing reputation and litigation risks
<b>MANAGERIAL</b>	Embed the societal issue in their core management processes	To mitigate the erosion of economic value in the medium term and to achieve longer-term gains by integrating responsible business practices into their daily operations
<b>STRATEGIC</b>	Integrate the societal issue into their core business strategies	To enhance economic value in the long term and to gain first-mover advantage by aligning strategy and process innovations with the societal issue
<b>CIVIL</b>	Promote broad industry participation in corporate responsibility	To enhance long-term economic value by overcoming any first-mover disadvantages and to realize gains through collective action

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### ***2.2.2. Strategies for Disclosing Negative Sustainability Information.***

Zadek (2004) emphasizes that the model of the five stages is a process. This means that the closer a company gets to the fifth stage, they reach a “higher opportunity zone”, while if it is the other way around, companies are in a risky zone. Zadek’s (2004) findings indicate that it would be beneficial for companies to admit negative sustainability aspects, rather than deny or comply. However, it is also important to disclose ideas and strategies on how to combat the issues, in order to appear socially responsible and legitimate. Regarding this, different strategies for legitimation could be used by companies, which are subject to research within this study, in the context of fast fashion companies. Such legitimacy strategies have (under other circumstances than fast fashion) already been studied by Hahn & Lüfs (2014). They define legitimacy strategies as a tool for restoring legitimacy when a negative incident already has occurred, or when

proactively preserving legitimacy if the incident is not disclosed yet but is planned to be. In their paper (Hahn & Lüfs, 2014), six strategies that companies use to legitimize negative sustainability information were identified. These are: (1) *marginalization*, (2) *abstraction*, (3) *indicating facts*, (4) *rationalization*, (5) *authorization* and (6) *corrective action*.

1. Marginalization means that a company defends their negative incidents by trying to scale it down, by for example stating it as something un-relevant or not important. With the marginalization strategy companies often use the terms “not serious” or “minor”. By using this tactic, the company has evaluated the magnitude themselves and downplayed it, but in the same way “taken responsibility” by admitting it.
2. Abstraction means that companies try to point to the fact that a problem exists throughout the whole certain industry, thus it is not a fault only made by the company in question. With abstraction, the attention is moved from the particular company to the rival companies as well.
3. Indicating facts is about mentioning a negative fact, but not having any comment on it. By this, companies are admitting what they have done, thus it is up for the readers to interpret it. However, without references or benchmarks it could be hard for the readers to understand its impact.
4. Rationalization regards the justification of a certain negative action, by mentioning the positives of it. By using an “economic rationale” the company defends themselves. For instance, a reported negative action could be described as vital in order to meet demand, sales, or production figures.
5. Authorization considers when companies are referring to some sort of external authority when doing something negative, hence it could be said that the companies put the responsibility to judge something in the hands of others. An authority could be regulatory bodies or academic researchers. Here, the company does not evaluate an action themselves, and instead justifies it by collaborating with a third party. The amount of legitimacy depends on the reliability of the third party, as some may be objective, and some may not.
6. Corrective action means that the company has noted the problem, and also presented ideas on how to combat it. Here, the companies are displayed as taking responsibility for the problem, but also responsibility in solving it. However, in this strategy, some correctives are clear where others are vaguer. And vaguer remedies question the legitimacy.

Furthermore, the strategies defined by Hahn & Lüfs (2014), have been divided into two sub-groups by Hahn et al. (2021). These groups are (1) substantive legitimation and (2) symbolic legitimation. Included in substantive legitimation is the strategy: corrective action, thus substantive legitimation means that a company is presenting ideas on how to combat or avoid the negative aspect presented. In symbolic legitimation the strategies marginalization, abstraction, rationalization, and authorization are included, while “indicating facts” does not belong to any of these groups.

Table 2. Strategies for disclosing negative information (Hahn & Lüfs, 2014, p: 948 ).

Substantive legitimation	Symbolic legitimation
<p>Corrective action: provision of ideas, intent, or measures on how to tackle or avoid the negative aspect in the future</p> <p>Type 1: imprecise provision of ideas, intent, or measures</p> <p>Type 2: concrete provision of ideas, intent, or measures</p>	<p>Marginalization: rendering negative aspects nonrelevant, unimportant, or negligibly</p> <p>Abstraction: generalizing negative aspects as being prevalent throughout (typically) a whole industry</p> <p>Rationalization: highlighting benefits, functions, or purposes, which excuses the negative incident or emphasizing some form of “normal” or “natural” behavior or development, which indicates an inevitable nature of the negative incident</p> <p>Authorization: referencing to authorities, which excuse the negative incident</p>
<p>Indicating facts: mentioning existence of negative aspect as neither substantive nor symbolic strategy</p>	

Some of the legitimacy strategies can be connected to Zadek’s (2004) model for responsible learning. The marginalization strategy goes in line with the denial phase, while rationalization is similar to the compliance approach. The managerial and strategic steps described by Zadek (2004) correlate more to the corrective action, as sustainability issues are taken into consideration and could be solved. As said, Zadek (2004) emphasizes that it is a process, and the closer a company gets to the fifth stage, you reach a “higher opportunity zone”, while if it is the other way around, the company exists in a risky zone. This goes in line with Hahn & Lüfs (2021) results, which showed that the more substantive action applied, the better stakeholder response the company gets. This emphasizes further that negative sustainability issues should be disclosed, but how the companies actually handle the negative aspects are vital for legitimacy, and to appear socially responsible.

### ***2.2.3. Negative Disclosure Impact on Stakeholders***

Some academic research exists regarding different legitimacy strategies’ and negative disclosures’ impacts on different stakeholders. By Bellucci et al. (2021) hypocrisy and legitimacy in the aftermath of a corporate scandal were explored, where an experiment was made on stakeholder perception on the nonfinancial disclosure regarding the scandals. The results of their study indicated that when companies take responsibility, but also develop an activity that counteracts the negative aspect, they are seen as more legitimate. Further, Bellucci et al. (2021) describes the importance of appearing legitimate rather than hypocritical, when a company has been involved in a scandal or something seen as negative. Because when a scandal has occurred, the company’s image is naturally in danger, but it is the methods used afterwards that decide whether the company can rebuild themselves, or completely lose legitimacy and credibility. Hence, even if the company tries to show legitimacy, the stakeholders may not accept it depending on what



strategies are used by the certain corporation. Regarding this, Hahn et al.'s (2021) findings indicated that investors distinguished between substantive and symbolic strategies, where symbolic legitimation strategies were not enough to change an investor's divestment decision, but that substantive action could be. However, substantive strategies were no guarantee for legitimation, because the remedial action needed to be strong and concrete enough, and it often was not. Thus, this means that after a scandal or negative sustainability disclosure, it is hard to regain legitimacy even if different substantive strategies are applied.

Previous research has also been able to establish that a company that chooses to self-disclose a negative incident suffer less consequences compared to companies that are continuously being exposed by a third party (Hahn et al., 2021; Reimsbach & Hahn, 2015). These findings are essential as many companies have a tendency to focus on positive information and exaggerate their sustainability reports (Holder-Webb et al., 2009). However, simply focusing on the positive information or exaggerating sustainability reports can often lead to the opposite of the desired effect, especially if the real information turns out to be negative and is later on disclosed by a third party (Reimsbach & Hahn, 2015). Thus, proactiveness is an important factor when it comes to the effectiveness of sustainability disclosure (Reimsbach & Hahn, 2015). Proactive disclosure of negative incidents or information can in some cases send positive signals to certain stakeholders as it shows that the company is actively committed to managing certain risks to avoid any issues in the future. This was especially the case if the disclosures were strengthened by mentioning what measures will be taken to solve the incidents (Hahn & Lüfs, 2014).

Jahn & Brühl's study (2019) indicated that disclosure of negative CSR information could have both positive and negative effects on a company's trustworthiness among stakeholders. This is because stakeholders like companies that appear trustfully but may also be suspicious toward companies if they appear *too* trustful. Also, their results showed that trustworthiness in turn has a positive effect on CSR perception. However, based on their study, the negative CSR information disclosed had no negative effect on CSR perceptions at all (even if it had an effect on trustworthiness). This was seen as a bit surprising, but the authors said that a reason for this could be because of the overall CSR impression a company gives/has given throughout the history. In their experiment they had created a fictitious company, and they admit that they may have created a too credible picture of the company used for the experiment, in such a way that the overall impression put a shadow over the negative disclosed information. The findings however indicate that if a company successfully has presented a good image of themselves, stakeholders could more easily ignore the negative disclosure of a sustainability incident. The findings from Jahn & Brühl (2019) differ a bit from other studies, as it takes CSR impression into consideration. Here, stakeholders' opinions on negative disclosures seem to be based on the overall CSR impression rather than the incident itself.

### **2.3. Summary**

In conclusion, this chapter has considered voluntary disclosure, legitimacy, certain legitimacy strategies and their impact on stakeholders. The existing theories stakeholder, signalling and legitimacy theories have often discussed voluntary disclosure in the sense of positive disclosure, where companies often disclose positive sustainability aspects to appear as socially responsible. However, there may also exist some advantages if companies also disclose negative sustainability

issues, as it could keep or increase legitimacy (e.g., Hahn & Lüfs, 2014). By disclosing negative sustainability aspects to its less informed stakeholders, the company could reduce information asymmetry. And by doing this, a company's legitimacy may not be as harmed compared to if they were disclosed by a third party and only "puts out fires". By disclosing negative sustainability aspects, companies could also appear as more legitimate in terms of honesty, proactiveness and better risk management. Thus, what the theories propose can be seen as the reasons for how negative disclosure could enhance legitimacy and why companies are reporting negative sustainability information.

It is also possible to see that some existing research exists regarding how companies work when it comes to negative disclosure (e.g., Hahn & Reimbach, 2021). This has indicated the importance for companies to present different solutions on sustainability issues, and that different legitimacy strategies could be used when disclosing negative sustainability information. Furthermore, the impacts these strategies have on stakeholders has also been researched. For instance, studies regarding negative disclosure have indicated that legitimacy is an important factor when it comes to the reporting of sustainability information, where substantive rather than symbolic measures need to be taken from corporations in order to sustain stakeholder trust and legitimacy (e.g. Belluci et al., 2021). However, when a negative incident has been disclosed, it is still difficult to gain legitimacy even if substantive remedial actions are made. Further, CSR perceptions of the companies in question appear to play a role when it comes to disclosing negative incidents (Jahn & Brühl, 2019).

### 3. Method

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*In this section, the authors present and argue for the research methods used for collecting and analysing the data. The choice of research method and data analysis method will be argued and presented from a theoretical standpoint, and the practical execution of the chosen methods will be thoroughly presented. The section is concluded with a review of the research quality and research ethics.*

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#### 3.1. Research design

The aim of this study was to explore the legitimacy of negative sustainability disclosure. The objective was to examine legitimacy strategies in fast fashion companies' sustainability reports and see how these strategies impact concerned stakeholders. Based on this, the choice was made to conduct a qualitative research design. Furthermore, consideration had to be taken regarding which theoretical reasoning the researchers would use to approach the study as this is vital for the research process (Gray, 2016). For this study, an inductive approach was chosen as inductive reasoning is generally associated with qualitative research (Gray, 2016), and based on the aim and objective of this thesis, a qualitative research design with an inductive approach was thought to be a fitting choice. Specifically, the objective was to use a content analysis to collect data of fast fashion companies' sustainability reports, to assess negative disclosure strategies. Following this, the objective was to use semi-structured interviews to present these strategies to stakeholders, and through this approach get an understanding of how the legitimacy strategies used by fast fashion companies impacted the concerned stakeholders. As a result of this, the researchers felt that a qualitative research design was seen as the most suitable approach and as the theory was the outcome of our research, an inductive approach was also thought to be the most appropriate choice (Gray, 2016).

#### 3.2. Research Method

In this study two different qualitative methods have been used in order to fulfill the purpose of this study. First, a content analysis of four different fast fashion companies' sustainability reports was conducted, with the purpose to assess different disclosure strategies when reporting negative sustainability aspects. The second method used was qualitative semi-structured interviews made with a total of 10 concerned stakeholders regarding how they were impacted by different disclosure strategies. Given the aim of this study, the use of two different qualitative methods felt appropriate as both methods allowed the researchers to get an in-depth understanding of the studied problem. (Gray, 2016). The conducted content analysis allowed us to get an in-depth assessment of different disclosure strategies used by the fast fashion companies when disclosing negative information, while the semi-structured interviews allowed us to examine how these strategies impacted concerned stakeholders.

### 3.3. Data collection

As mentioned, this study used two different data collection methods (see figure 1) to succeed with the aim and to answer the research questions. Firstly, to assess the disclosure strategies used by the four chosen fast-fashion companies for reporting negative information, a content analysis of their sustainability reports was made. After doing the content analysis and thus having assessed strategies for negative sustainability disclosure, semi-structured interviews were performed to explore the strategies' impact on stakeholders. Below, a more detailed walkthrough of the two data collection methods will be described.

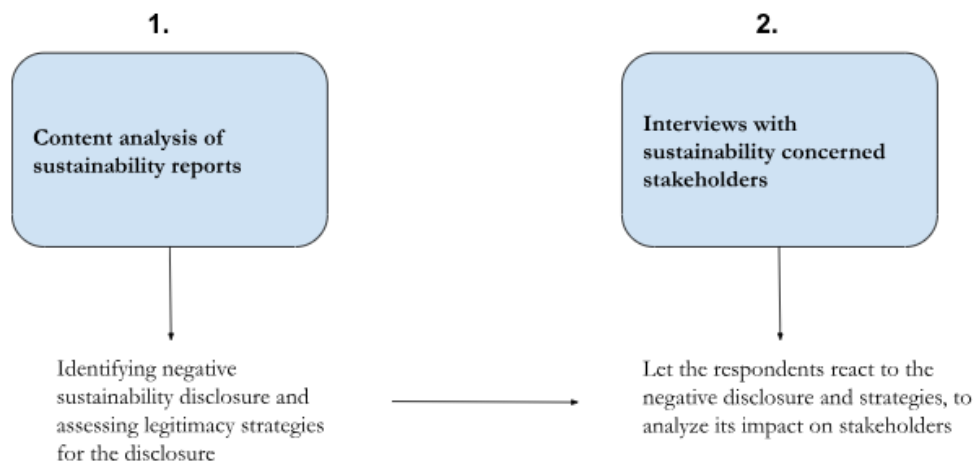


Figure 1: Data collection process

#### 3.3.1. Content analysis

When choosing which sustainability reports to analyse, they needed to fit the criteria that are important when doing a content analysis and to help the researchers succeed with their purpose. The reports needed to reach the criteria in terms of authenticity (the document represents what it is meant to represent), credibility (reflect about if the contents of the documents have been manipulated in any way), and representativeness, which are important factors when performing a content analysis according to Bryman & Bell (2011). Thus, as the objective with the content analysis was to explore strategies for negative sustainability disclosure, released sustainability reports covering these fields needed to be found. This meant that the reports chosen were of a large scale as they were considering social and climate issues, and the certain problems the fast fashion industry is connected to. Companies such as Zara or UNIQLO would have been interesting to explore because of their sustainability impacts, but they were ignored as their sustainability reporting only consisted of one or a few pages on their websites which only included positive disclosure. This could not help the researchers succeed with their aim and objective, which the chosen reports could, as they were more extensive and included negative disclosure.

The sustainability reports chosen were seven reports released by H&M, SHEIN, Boohoo and American Eagle (see table 3). All of these are fast fashion companies that have been criticized for unsustainable behaviour, e.g., child labour, violating security aspects and contribution to over-consumption (Expressen, 2016; Aftonbladet, 2022; Daily Mail, 2022; Business & Human Rights Resource Centre, 2015; BBC, 2013; The Guardian, 2022), and it is the messages about these problematic sustainability areas the authors wanted to review and understand. Why the particular reporting years were chosen was because of their availability, and because the coverage period and the data obtained from the analysis was enough to provide relevant and sufficient data. The reason to analyse four reports from H&M was because the researchers wanted to collect as much data as possible from the chosen companies' sustainability reports, thus they reviewed all reports available from H&M which were the reports from the years 2018, 2019, 2020 and 2021. From the other companies, no older reports were found than the ones from 2021. The reports were downloaded or viewed from the particular company's official website.

When performing the content analysis of the sustainability reports, they were read through by both researchers. Some division took place to be more efficient, but the researchers were discussing continuously what they have read and how they interpreted different aspects. The researchers looked after negative sustainability disclosure, to see how they reported regarding those, to identify potential legitimacy strategies. As mentioned in the theoretical part of this thesis, the definition of a negative sustainability aspect used by Hahn & Lüfs (2014) was adopted. Hence, negative sustainability aspects looking for were both how the companies reported in the aftermath of something actual negative, but also how they reported about a potential issue. E.g., the researchers found a true case of child labour and how they reported around that. But also, the researcher considered how disclosure around factories where "only" the risk of child labour exists. The researchers searched for words such as "child labour," "forced labour" and "unsustainable", but generally the researchers read through the different sections of the report without searching for particular words, in order to see if the different sections regarded any negative sustainability disclosure from the company in question.

**Table 3: Information about the analyzed sustainability reports.**

Company	Year of Sustainability Report	Number of pages	Link to Sustainability Report	Date accessed
H&M	2018, 2019, 2020, 2021	2018: 109 2019: 85 2020: 84 2021: 74	<a href="https://hmgro up.com/investors/reports/">https://hmgro up.com/investors/reports/</a>	2022/03/01
SHEIN	2021	28	<a href="https://us.shein.com/2021-Sustainability-and-Social-Impact-Report-a-1218.html">https://us.shein.com/2021-Sustainability-and-Social-Impact-Report-a-1218.html</a>	2022/03/01
Boohoo	2021	33	<a href="https://www.boohooplc.com/sites/boohoo-corp/files/boohoo-sustainability-report-2021.pdf">https://www.boohooplc.com/sites/boohoo-corp/files/boohoo-sustainability-report-2021.pdf</a>	2022/03/01
American Eagle	2021	61	<a href="https://www.ae o-inc.com/esg-report/">https://www.ae o-inc.com/esg-report/</a>	2022/03/01

### ***3.3.2. Semi-structured interviews***

The aim of this study was to explore the legitimacy of negative sustainability disclosure, by examine legitimacy strategies in fast fashion companies' sustainability reports, and how these strategies impact concerned stakeholders. In order to examine what impact the strategies had on stakeholders, the choice of conducting qualitative interviews alongside the content analysis felt appropriate and is supported by Gray (2016). A concerned stakeholder in this study is seen as a person that is concerned and has knowledge about sustainability issues, and somebody that could be impacted by how companies report regarding sustainability, when it comes to for example their purchase behaviour or brand perception. The characteristics of the respondents (see table 4) in terms of sustainability interests and shopping habits are presented to illustrate in what way the respondents are concerned stakeholders in terms of sustainability and fast fashion. Except for one respondent who had an interest in sustainable investing (respondent 9), the respondents are stakeholders in terms of being sustainability concerned customers. 10 Swedish stakeholders were interviewed (see table 4), and the selected stakeholders were either sampled from the researchers' own contact network or were contacted via a Facebook group concerning sustainability communication. It was hard to decide how many respondents the study needed to have, thus the researchers stopped collecting data when they felt that they had been given a sufficient number of insights and views regarding the subject, thus reaching empirical saturation.

The interviews were conducted with both researchers present, which allowed them to have different areas of focus. The interviews were conducted through Zoom and Microsoft Teams and the audio was recorded through the researchers' phones. Afterwards, the audio was manually transcribed by one of the researchers. A test interview was conducted before the real interviews, which let the researchers assess the interview guide and allowed them to make a few necessary

adjustments.

Semi-structured interviews were conducted, and this approach was chosen as it offers a great deal of flexibility when it comes to data collection, as suggested by Gray (2016). It allows respondents to answer freely and give in-depth answers (Bryman & Bell, 2011), which contributed with valuable information for the study. An interview guide was used, which allowed the researchers to guide the interviews into the research topic. The guide was not followed meticulously but was merely used to guide the respondents into the right area of discussion. E.g., some respondents had a tendency to discuss other sustainability issues and moved away from the fast fashion context, and here, the guide was useful.

Firstly, general questions about the respondents and their attitudes towards sustainability were asked. This was done to make the respondents feel more comfortable instead of directly going into specific scenarios and strategies in which their knowledge could be limited, which goes in line with Wallendorf & Belf (1989) strategies for good interviewing techniques. Furthermore, the general questions were asked to assess the respondents' perception of fast fashion in the context of sustainability. After the introducing questions, the main part of the interview started, where the respondents were presented with certain scenarios derived from the content analysis. I.e., the respondents read real scenarios from the sustainability reports where fast fashion companies disclosed negative information and how the reporting company strived to handle these scenarios etcetera. In total, the respondents were introduced to eleven scenarios and once a scenario was read through, the researchers asked follow-up questions to assess how the respondents were impacted. For example, this could be a question regarding the measures the companies have implemented, or if the disclosed information were clearly presented or not.

To minimize any respondent bias, the respondents were not allowed to know which scenario belonged to which company. It could have been interesting to let the respondents know the company, to see how their perception of that company would affect their views. However, the researchers thought that there may have been a risk that the respondents would have reacted too positively to less established companies in Sweden, such as Boohoo, while it could have been the other way around regarding H&M, which are often mentioned in Swedish media. By so, it would be hard to interpret the legitimacy and impact of a certain disclosure strategy which was the objective of the study. To instead let the respondents only know that the scenarios came from different fast fashion companies' sustainability reports, made the researchers believe that their perception of the industry would still influence the answers, even if they did not know exactly which companies that were subject to research.

Table 4: Stakeholder characteristics and interview information

Respondent	Gender	Interest in sustainability	Shopping habits	Date	Time
1	Female	Interest in sustainability, specifically environmental aspects. Strives to be more sustainable and is making choices based on this goal.	Has a great interest in fashion and often shops at fast fashion companies for economic reasons. Shops more second hand to be more sustainable	23-03-21	53:23
2	Male	Mostly interested in environmental sustainability. Has studied several sustainability courses at university-level	Shops sometimes at fast fashion companies for economic reasons but feels bad about doing so.	23-04-02	38:18
3	Female	Great interest in sustainability, especially for environmental reasons. Studied fashion at university level. Now studying rhetoric with a focus on sustainable development.	Goes shopping on fast fashion chains as it is cheap clothes and accessible, but does it with a bad mind.	23-04-03	1:30
4	Male	Cares about sustainability issues, especially environmental ones. Would have liked to be even more environmentally friendly.	Wants to be sustainable. However he goes shopping at fast fashion retailers for economic reasons.	23-04-06	41:18
5	Male	Thinks sustainability issues are very important, especially social aspects, but is not as involved as he should be.	Shops at fast fashion companies because of the price but tries to avoid the chains he feels are "worse"	23-04-07	39:16
6	Male	Has an interest for sustainability and is also politically active on a local level in a green party. Environmental aspects are seen as the most important.	Shops at fast fashion because of its accessibility, but has a sustainability awareness when buying clothes.	23-04-10	46:35
7	Female	Great interest in sustainability and is a member of Greenpeace. Firstly, she cares about environmental issues but also thinks social problems are important.	Is trying to buy clothes from second hand stores and avoids buying clothes from fast fashion companies.	23-04-12	1:03
8	Male	Has a care for sustainability but it is not his biggest interest. Thinks social issues are the most important things to consider.	Stopped buying clothes from fast fashion chains 10 years ago. Instead goes to second hand or other retailers.	23-04-12	1:08
9	Male	Interest for both sustainable consumption but also sustainable investing. Values environmental sustainability aspects the most.	Is trying to buy clothes from other chains, but admits that he buys sometimes clothes from fast fashion because of its accessibility.	23-04-13	50:00
10	Male	Great interest in sustainability and is a member of Greenpeace. Has been active within other environmental friendly organizations.	Does not buy clothes often but when he does it could be on H&M. Likes second hand but sometimes it is harder to get the right size etcetera.	23-04-13	1:15

### 3.4. Data analysis

To analyse the data, a thematic analysis method was used both for the content analysis and the interviews. According to Braun & Clarke (2006), a thematic analysis is a method for identifying and analysing patterns (themes) in qualitative data. To count as such a theme there should be several instances of it in the data (Gray, 2016). Here, the themes within the content analysis came from the disclosure of negative information, where the disclosure strategies used by the chosen fast fashion companies became different themes. In the case of the interviews, the impacts and the general perception of the different scenarios/strategies formed the themes. Below, a more detailed description of the different thematic analysis is presented. When conducting the analysis, the six working phases identified by Braun & Clarke (2006) were followed.



**Phase 1:** The first step was to become familiar with the data. In this study, the relevant sections from the chosen sustainability reports were transcribed by both researchers and summarized and put into a document. When this was done, the data was carefully examined to get an initial idea of what was collected. Here, the researchers were looking for parts of the reports where the fast fashion companies were disclosing negative sustainability information. The difficult part here was when we did not completely agree on whether or not a certain part of the report should be included. When a disagreement occurred, the researchers re-read the specific part of the report and discuss if it was relevant to our study. To help assess if the part was relevant, it was discussed based on the previously mentioned definition of negative sustainability aspects by Hahn & Lüfs (2014). If we saw that a part of the chosen sustainability reports did not entirely fit the definition by Hahn & Lüfs (2014), that specific part was excluded.

The familiarization of the conducted interviews was quite similar. The interviews were recorded and later on transcribed and read thoroughly to get an initial sense of the respondents' thoughts and opinions. As ten stakeholders in total were interviewed, the choice was made to divide the transcription of the conducted interviews so that each researcher transcribed 5 interviews. This was done to use the time as effectively as possible. The transcription was done in a shared document so that both researchers would have easy access to the data. Furthermore, when the interviews were being transcribed, the choice was made to continuously highlight larger sections that were seen as generally important. This was done to make the large amount of data collected more manageable before moving on to the second step of the analysis which consisted of highlighting more specific sections related more to the aim and research questions of the study.

**Phase 2:** The second step was to generate the initial codes. When creating codes for the content analysis, this was done by reading through the summarized data and highlighting anything of interest in relation to the aim of the study and its research questions. Codes are seen as patterns within the data (Gray, 2017), thus the researchers were looking for repeating data which were connected to disclosure of negative sustainability information. For instance, many companies mentioned that they performed audits on their suppliers' factories, as a result of the risk of child or forced labour, thus "*audit*" was one code. The researchers used Hahn & Lüfs' already existing framework of disclosure strategies as "a lens," thus the researcher especially highlighted sections which they knew could be put in relation to the strategies defined by Hahn & Lüfs (2014), where for example "audit" could be connected to the strategy: corrective action. Though, other patterns were defined as well, which had a less connection to the pre-existing framework.

For the transcribed interviews, the same process of generating initial codes was applied. Here, the codes were found in the stakeholder perception or opinions regarding certain disclosures. For example, the code "marketing" was created after many thought that disclosing only one case of child labour and how that was solved appeared as some sort of advertisement and cherry picking. All highlighted sections were later on put into a separate document to identify any potential themes.

**Phase 3:** The third step during this process is to search for the actual themes within the data. In the content analysis this happened by putting the defined codes in relation to the framework by Hahn & Lüfs (2014). By doing this, it became easier to identify and define certain disclosure

strategies (themes) used by the companies. It is common to use “thematic maps” in this phase, and it is reasonable to say that the researchers mapped the codes into the already existing themes, which were marginalization, abstraction, and corrective action. For instance, H&M claimed that they only had a medium impact on some parts of their supply chain, this was seen as marginalization and mapped to that theme. Furthermore, a new theme/strategy was defined, called “preventive action”.

In the analysis of the interviews, themes were generated in the same way, but no mapping or pre-defined themes were used. Here, the defined codes were together forming themes. Codes such as “marketing”, “appear as good”, “not truthful” formed for example the theme “legitimacy decreasing disclosure”, while “admitting major problems” and “concrete action” were some of the codes creating the theme “legitimacy increasing disclosure”.

**Phase 4:** Here, the themes were reviewed to see if they were valid in relation to the generated codes and data. In this phase it was important to see if the themes were supported by sufficient data. Also, two themes could be integrated into one new, or the other way around, i.e. one theme is broken down into two separate ones. Within the content analysis, many of the defined codes could be mapped to the existing strategies, but some problems occurred. When identifying the strategies in the content analysis, some disclosure could be put in relation to more than one disclosure strategy, or in some cases also form a potential new one. But to mitigate this risk, the sections were reviewed multiple times, both in relation to the framework and without. This was especially true when the theme “preventive action” was formed, as it could also be seen as the theme “corrective action” or “authorization” (as preventive measures could be seen as concrete action in one sense, and also it was often performed together with external organizations).

For the interviews, the themes were generally connected to codes which either were seen as legitimacy increasing or decreasing. Also, as much of the collected data regarded the perception of the fast fashion industry, a theme called (the fast fashion) system was created. A final theme was created which were connected to remaining insights which could not be connected to any of the other three themes.

**Phase 5:** In the fifth step the themes were finally defined and named. Here, the story and the content *each* theme tells should be explained, but also how each theme is connected to the “whole story”. Regarding this, the themes identified in the content analysis were marginalization, abstraction, corrective action, and preventive action. Hence, the strategy rationalization and indicating facts defined by Hahn & Lüfs (2014) were not seen as main themes in our analysis. There were a few cases where the fast fashion companies rationalized or indicated facts, but it was nothing reported frequently, and they did not use it in a *negative* context very often. The four themes identified on the other hand, are all connected to different ways of reporting about negative sustainability information.

Within the interviews the themes legitimacy increasing disclosure, legitimacy decreasing disclosure, the system (as said, named after respondents’ already negative perception of the industry and its “system”), and general perceptions and affects were identified as themes. These themes are all concluding the different opinions and impacts the concerned stakeholders have

regarding the disclosure strategies used by the fast fashion companies when disclosing negative information.

**Phase 6:** In the last phase a thematic analysis report was done. The researchers have saved two different documents (one for the content analysis and one for the interviews) which include transcripts from the interviews, print screens and notes from the content analysis of sustainability reports, and thematic maps/tables. In these documents relevant extracts relating back to the research questions and theory will be found, and sufficient evidence of what have been identified as themes also exists.

### **3.5. Trustworthiness**

As qualitative research tends to be based on data, which is contextual and subjectively interpreted, it becomes crucial to make sure that the findings of the study are consistent, applicable, credible, and believable. Therefore, the analysis must be evaluated after applying a specific method in the given study. The criteria chosen in this study to evaluate its trustworthiness are the different criteria presented by Wallendorf & Belk (1989) which are credibility, transferability, dependability, conformability, and integrity.

#### ***3.5.1. Credibility***

Credibility is concerned with the researchers' confidence in their findings, and it represents "adequate and believable representations of the constructions of reality studied" (Wallendorf & Belk, 1989). In this study, the credibility has been strengthened through an in-depth study of the chosen sustainability reports, which have been studied for approximately one month in order to find disclosure strategies. Lastly, all the findings within this study have been internally audited multiple times to limit the occurrence of any errors.

When it comes to the data collected from the chosen sustainability reports, it has been analysed and thoroughly examined by both researchers to make sure that both researchers were confident in the interpretations made and that the data was viable. Moreover, to strengthen the credibility of this study, the choice was made to collect data through both a content analysis and semi-structured interviews. Thus, the collected data could be triangulated which means using more than one method or source of data in the study (Wallendorf & Belf, 1989). This was also done to help the researchers answer the research questions, as it would not have been possible to answer those without using multiple data collection methods.

Regarding the interviews, the choice was made to conduct a test-interview before conducting any real interviews, to limit any errors that could have occurred. However, despite multiple internal audits one mistake was made during the first two interviews. When asking the respondents a question about a specific scenario, a figure presented in the sustainability report in question was missed and therefore not presented to the respondents, which could have given them a more negative opinion compared to the other respondents. Though, this was only one smaller part in

two out of ten interviews, thus the researchers believe that it did not affect the overall results, even if the particular answers on that question could have differ during those interviews.

### ***3.5.2. Transferability***

Transferability is related to the extent that the research in question can be applied to other contexts (Wallendorf & Belf, 1989). The purpose of this study was not to generalize the findings but to gain a deeper understanding of a certain context. This makes it difficult to achieve a satisfying degree of transferability as the results are specified towards fast fashion companies. Nevertheless, attempts were made to strengthen transferability by making sure that the research questions, context, research design, and findings are clear and described in-depth. By providing these in-depth descriptions, it becomes possible for other researchers to apply the research questions, research design, and theories chosen to other contexts (Wallendorf & Belf, 1989). However, it is not likely that the results will be similar because the context in which this study was applied was vital for the results. Other researchers could for example apply the study in a context where sustainability is not seen as an equally important issue compared with the fast fashion industry. It could also be applied to another industry where the sustainability problems are of another type, thus also the strategies used when reporting regarding those, why it is further difficult to generalize the results of this study.

### ***3.5.3. Dependability***

Dependability is concerned with if the research process is thorough, structured, and properly documented (Bryman & Bell, 2011). To strengthen the dependability of this study, the researchers made certain that the process of finding the sustainability disclosure strategies among fast fashion companies is described in detail. By being transparent of the process, it becomes possible for other researchers to imitate the research process presented by following the presented research and analysis method. It was done by keeping complete and understandable records of all phases of the research problems. In other words, the formulation of the research proposal, selection of respondents and sustainability reports, transcribed interviews and content analysis, data analysis records, etc were all thoroughly documented and kept in an accessible manner. By keeping these records, the necessary steps to strengthen the dependability of this study were taken which is also in line with how Bryman & Bell (2011) argue for strengthening dependability.

### ***3.5.4. Conformability***

Conformability is the ability to trace a researcher's interpretation of data. Conformability is concerned with making sure that the researchers have conducted the study in good faith while still acknowledging that it is impossible to achieve complete objectivity in qualitative business research (Bryman & Bell, 2011). In the case of this study, it should be obvious for a reader that the researchers have not let their personal opinions and values affect the conduct of the research

and its findings. As the studied topic is an ethically important subject for many people, it becomes easy to be affected by individual values and opinions about what is ethical or not.

Regarding the content analysis, the researchers did not use any “own material” as the data came from a secondary source, the sustainability reports. These reports are available on the companies’ websites, and are easily traceable and accessible for all. Thus, only sustainability reports that are easy to find for an average reader have been used.

For the conducted interviews, the researchers have worked hard to ensure that no individual opinions or values regarding the topic have affected the conduct of this study or its results, by for example not asking leading questions, rather open questions. This was done to ensure as little bias as possible and to make sure that the researchers have not influenced the respondents’ answers. The transcribed data records of these interviews are also, as already mentioned, saved and accessible. Furthermore, as said, it is important to note that no qualitative study can be completely unbiased as they tend to be based on the interpretations of the researchers (Bryman & Bell, 2011). Nevertheless, a high degree of confirmability was still pursued during this study by striving for transparency and having an objective reasoning during the study and when analysing the conducted interviews.

Finally, all analyses of the data have been made accessible for external audit by making them available for the authors’ supervisor which in turn helps further strengthen the confirmability of this study (Wallendorf & Belf, 1989).

### ***3.5.5. Integrity***

To further increase the trustworthiness of this study, the researchers have gone to great lengths to strengthen the integrity of this study. Integrity represents the extent to which the interpretations presented in the study were not impaired by lies or any other forms of deception (Wallendorf & Belf, 1989).

When it came to the content analysis, some interpretation problems occurred, which was also mentioned in the data collection section of this chapter. It was helpful using Hahn & Lüfs (2014) framework for interpretation of the data, but as said it became in some cases difficult to define a theme as the data in some ways were connected to more than one strategy. For example, results from an audit could be seen as both “corrective action” or “indicating facts”. Or using an external party could be authorization, but on the other hand it could be “preventive action”. However, the researchers believe that there exist many arguments for the interpretations made, especially when considering Hahn & Lüfs framework, and the interpretations will be clearer in the results and discussion sections of this paper. Also, the fact that all data from the sustainability reports is accessible on the companies’ websites, makes it possible to review the researchers’ interpretations.

Within the interviews, the work towards strengthening the integrity of the study was mainly done by making sure that the interviews were conducted with good interviewing technique. This

included making the respondents feel comfortable in sharing their opinions and not being influenced by the aim of the study. Initially, the interviews started off with the researchers presenting themselves and the practicalities of the interviews, where they also told the respondents to only describe their own views, thoughts, or beliefs, hence not trying to answer in a way they believed the researchers would like them to do. By using the interview guide to pinpoint their attitude towards the subject, it became easier to make more accurate interpretations of their collected answers, in other words, strengthening the integrity of the study as suggested by Wallendorf & Belf (1989). Lastly, when the scenarios from the sustainability reports were presented, no company names were mentioned, in an attempt to decrease the risk of respondents taking their previous opinions about a certain company into consideration.

### **3.6. Research Ethics**

When conducting any type of research it is important to have some moral principles guiding the research, especially any research involving data gathering or contact with people (Gray, 2016). In this thesis, the main focus of the research ethics has been in regard to the conducted interviews. This is because the researchers had the belief that the ethical considerations regarding the content analysis was limited as the sustainability reports used were already published and easily accessible for all. Thus, the ethical focus have been on the conducted interviews and in line with Gray (2016), the researchers worked to ensure informed consent, respect of the privacy of the participants, and avoiding all use of deception. Specifically, the researchers made sure to clearly present themselves, the aim of the thesis, how much of the respondents' time were required and any other important practical information regarding the interviews. At the start of each interview, the researchers put much emphasis into explaining the aim and the structure of the interviews, to make sure that the respondents would not feel mislead or deceived by for example the time of the interviews or the questions. After presenting this information, the researchers made sure to clearly ask for permission to record the interviews and also explained how the data will be stored and who will have access to it. This was done so that the participants would have all the important information regarding the practicalities of the interviews and so that they would be comfortable in sharing their thoughts without worrying about their anonymity. However, this step could have been further improved by asking for written consent with for example a consent form instead of asking verbally. Moreover, in terms of respecting the privacy of the respondents, careful considerations in regard to GDPR were made, by for example making sure that all recordings were only accessible by the researchers and by deleting all recorded interviews immediately after the transcripts were finished. Furthermore, all the interviews were anonymous and neither the recordings nor the transcripts contained any private personal information about the respondents. To make sure that the respondents felt that the researchers respected their privacy and that the research was conducted in accordance with GDPR, the researchers communicated the transcription and storage process to all respondents. Lastly, the researchers also made sure to let respondents know that the researchers would send them a copy of the transcribed interviews and thesis if they wished.

## 4. Empirical study

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*Here, the results from the study will be presented in two sections. The first section will present the main results from the content analysis, while the second part will consist of findings from the stakeholder interviews. Hence, section 1 will include data on how fast fashion companies disclose negative sustainability information and the assessed strategies that are being used for this. Section 2 will then regard how stakeholders are impacted by the disclosures and assessed strategies. Thus, the findings from the first section will help the researchers answer research question: 2 and the second section will help the researchers answer research question: 3. By doing this, the results should be of relevance to the stated aim and purpose of this study.*

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### Section 1 - Empirical findings of the content analysis

The seven sustainability reports were selected from the following fast fashion retailers:

**Hennes & Mauritz (H&M):** Swedish company founded in 1947 with both E-commerce and over 4400 physical stores internationally (H&M, 2022).

**SHEIN:** Chinese company founded in 2008. Mainly E-commerce.

**Boohoo:** British company founded in 2006. Only E-commerce.

**American Eagle:** American company founded in 1977 with both E-commerce and over 1200 physical stores internationally (American Eagle, 2021).

#### 4.1. Assessed strategies.

After reviewing the seven sustainability reports from the four fast fashion companies H&M, SHEIN, Boohoo and American Eagle, and looking after disclosure on negative sustainability information, the researchers found scenarios that could be put in relation to the legitimacy strategies defined by Hahn & Lüfs (2014). Those were *Corrective action*, *Marginalization*, and *abstraction*. Further, a new strategy was defined: *Preventive action*.

##### 4.1.1. Corrective action

Corrective action means that a company has noted a problem and presents an explanation on how to combat it. All companies that were analysed had parts in their reports where they were doing this. In H&M's SR from 2018 they mentioned that they were auditing their suppliers' factories and found one case of child labour. The child was compensated as H&M paid his schooling fees and his minimum salary until he reached legal working age. Another company, SHEIN, disclosed results from 700 audits that were made on their supplier's factories, where 83 % of the factories had risks of for example forced or child labour, environmental pollution, or security aspects. Depending on how big the risks were, the suppliers had 30, 60 or 90 days to remediate the violations, or else the contracts with the suppliers would be terminated according

to SHEIN. Furthermore, Boohoo responded to allegations from newspapers about weak working conditions and low salary among their suppliers. They started to perform spot checks on the suppliers' factories and let a third-party agency also investigate the matter. After this was done, they admitted the problems and developed a plan on how to solve the issues.

In the reports, it was mentioned that sourcing of material may be problematic. This is because it could have both negative environmental and social effects. H&M mentioned that they did not source leather from Brazil anymore, because they do not want to indirectly contribute to the depreciation of the Amazon rainforest. American Eagle wrote that they have banned cotton from Uzbek and Turkmen cotton because of issues connected to child and forced labour in the region. The same goes for the Xinjiang region in China, where both American Eagle and Boohoo have prohibited sourcing from within that area, because of the bad treatment and forced labour of the muslim Uygur population. Boohoo acknowledged that there is evidence saying that they have sourced cotton from Xinjiang earlier.

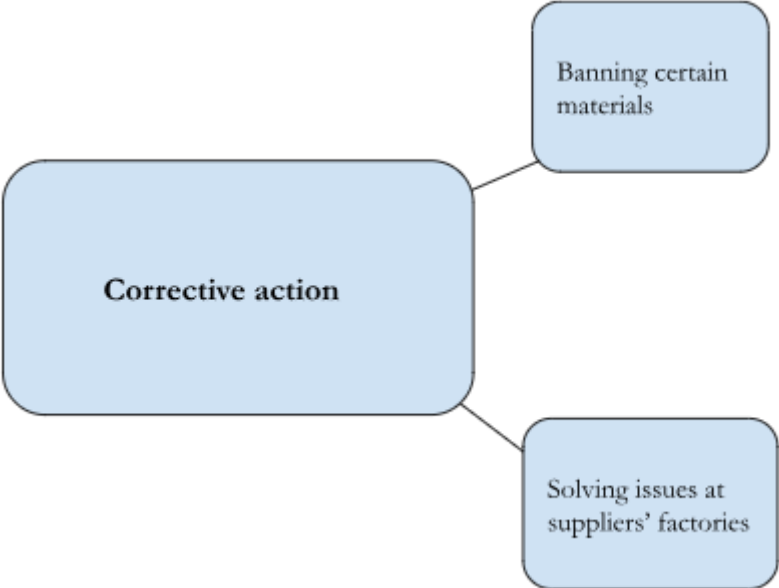


Figure 2: Characteristics of Corrective action

**4.1.2. Marginalization**

As marginalization regards when companies are scaling down their impacts on different issues, there was not much evidence found of this strategy. SHEIN reported that because they are only e-commerce retailers that use on-demand manufacturing technology, they do not contribute to the overconsumption of clothes, which other retailers do. However, this is rather seen as complete denial than only scaling it down, thus not seen as a legitimacy strategy for disclosing negative information, as no negative information was disclosed. H&M on the other hand had illustrated how the different parts within the production chain influenced the climate, water usage, and social issues. And in all parts, they wrote how much their own specific influence was. For example, they admitted that they had a high influence when it comes to design and sales of clothes, and how that may affect the climate or society. But when it came to fabric and yarn



production which in itself had a great impact on the climate and social issues, H&M stated that their influence on this was “medium”.

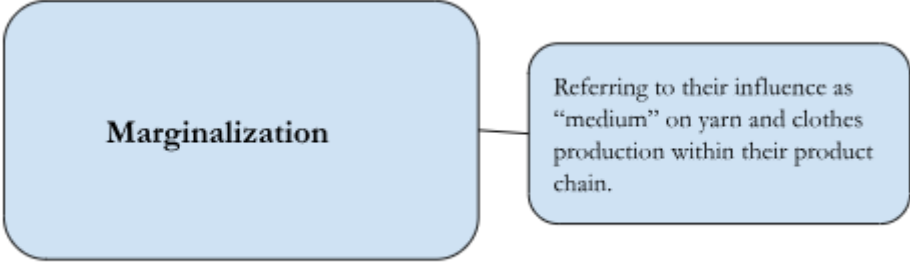
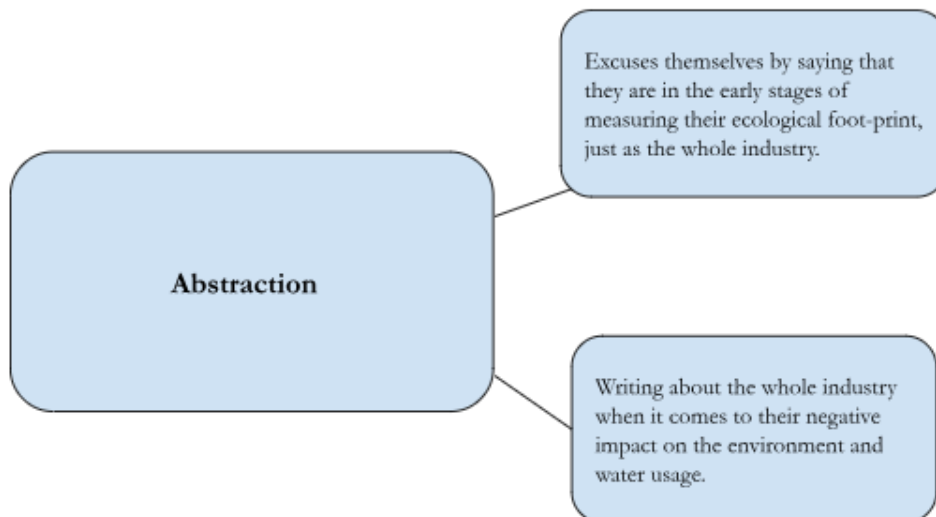


Figure 2.1: Characteristics of Marginalization

**4.1.3. Abstraction**

Abstraction, a strategy companies use when they try to point to the fact that the negativeness exists throughout the whole certain industry they are involved in, thus it is not a fault only made by the company in question. With abstraction, focus could be shifted from the particular company to the rival companies as well.

In the reviewed reports, several sections regarding the whole industry and supply chain were mentioned, and that they together need to take responsibility. However, abstraction was mentioned only a few times in the context of concrete negative sustainability information. H&M mentioned in their 2019 report that the water crises are in the top 10 of the total global risks, but yet the fast fashion industry uses billions of cubic meters of water each year, which they admit is not sustainable. In a part of H&M's 2021 report, they acknowledge that they are in the early stages of measuring their impacts and dependency on nature, which the whole industry is, which is seen as abstraction as the company is saying that the whole industry may have problems seeing their ecological footprints, not only H&M themselves. Moreover, SHEIN wrote that: "... Fashion has an undeniable impact on the health of our environment".



**Figure 2.2: Characteristics of Abstraction**

#### ***4.1.4. Preventive action***

Even when no specific issue was confirmed, the companies often admitted in their reports that there do exist risks within their product chain. This could be potential sourcing of unsustainable material, or risks of child/forced labour or security violations at the fast fashion companies' suppliers' factories. In response to this, all companies reported different types of preventive supply chain management, which often meant that they collaborated with different external organizations to learn and train their suppliers. Different authorities were so frequently mentioned that all could not be presented in this result section, but to only mention a few International Labour Organization, Mekong Club, Cotton Connect, International Finance Collaboration, Better Work, Slave Free Alliance, OpenView, Amsterdam Coalition, and Bangladesh Garment Manufacturers and Exporters Association. This indicates the extent of how often external organizations were named in order to work preventively with the risks within their supply chain.

Moreover, H&M and American Eagle wrote that they were founding signatories of the Bangladesh Accord. The accord is a legal agreement between retailers, trademarks, and trade unions, to ensure safe working conditions in the Bangladesh textile industry. The agreement was signed in the aftermath of a collapse of a garment factory building in Bangladesh, and in order to work preventively with the risks it includes independent inspections, public disclosures, and training programs to refuse unsafe work at the factories.

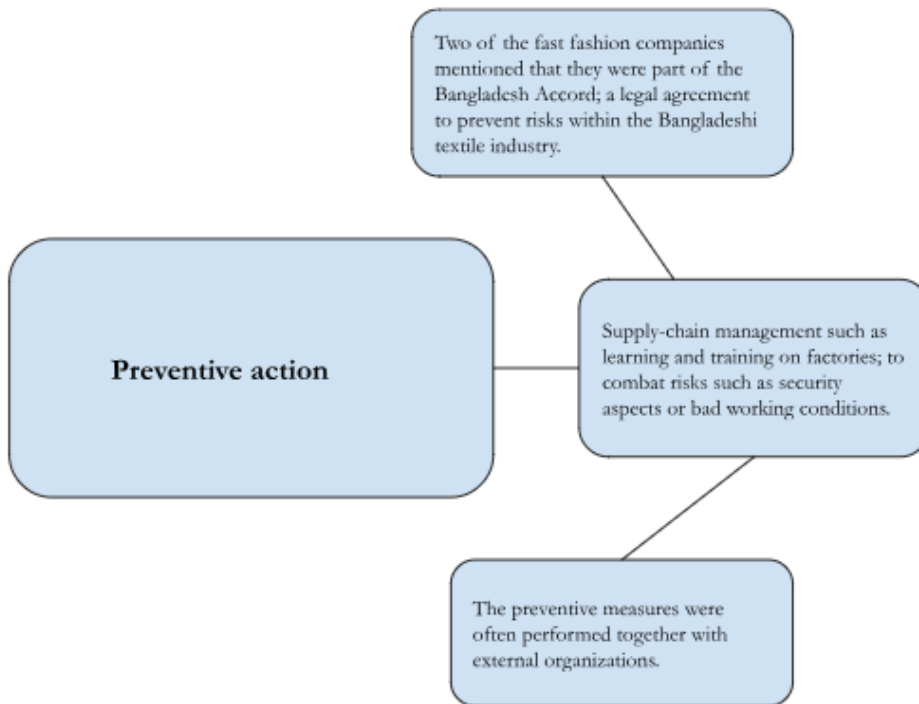


Figure 2.3: Characteristics of Preventive action

## Section 2 - Empirical findings from the semi-structured interviews

### 4.2. Disclosure strategies impact on stakeholders

The respondents had different opinions, insights, and perceptions about the presented scenarios from the sustainability reports, where the fast fashion companies disclosed negative sustainability information. Below, the findings from the stakeholder interviews are presented, where legitimacy increasing or legitimacy decreasing characteristics are illustrated. The results will once again be described along each defined strategy. The sections are followed with quotes from the interviews, where “RX” refers to a specific respondent based on which order they were interviewed.

#### 4.2.1. Corrective action impact on stakeholders

When companies reported on negative sustainability information and presented different types of corrective action, mixed answers were given by the respondents. When short and concrete measures were presented, many respondents reacted positively to the particular case, where the company admitted a problem and solved it, such as H&M’s identification of one case of child labour. However, several respondents wished for more information about how their process of identifying child labour cases looked. But most predominantly of all, they felt that only giving one small concrete example of child labour and how they solved it was a bit like “cherry picking” and

marketing. In general, many respondents thought that the company in question wanted to appear as good, even if they are not, thus not legitimate. The scenario gave the respondents the feeling that they have picked this scenario for good reasons, while there exist many other cases, that have not been solved in the same manner.

My spontaneous feeling is like... kind of greenwashing but with human rights - R3.

It feels a bit like whitewash... They have solved this case in a good way, but it seems like child labour still exist - R1.

It is clear what they have done, but it feels like they want to appear as the “good guys” - R5.

It is hard for me to believe that this situation has not occurred more times - R2.

When the interviewees read disclosures which had a more extensive approach, where SHEIN wrote that they had perform 700 factory audits during a year, and identified many risks at many factories, respondents liked that they admitted major problems, even if they would have liked to have more insights about what the risks actually meant. Also, some respondents were frightened about the high number of risky factories, thus too much transparency could jeopardize their legitimacy. However, some respondents said that they knew this was the reality, and many respondents did not seem too surprised. In general, respondents liked that SHEIN presented these negative results. Anyhow, what was expressed frequently by the stakeholders was their view on SHEIN’s potential measures, that they were not reliable. With so many of SHEIN’s factories lacking in different areas, it was not seen as believable that SHEIN would terminate their contracts with the suppliers if they did not remediate. In other words, respondents explained that they felt that fast fashion companies are part of a big system where cheap clothes are produced, which in turn will result in factories which violate human and security aspects. It is not seen as trustworthy that they would potentially break agreements with so many suppliers that are so vital for their business. Several respondents said that it would be interesting to see a follow-up regarding how many suppliers that have shown improvement, and how many that have not, in order to believe the measures that were stated by SHEIN beforehand.

It would be interesting to see the figures next year, if something actually has changed - R7.

It is a good requirement... but how do you follow up on these things?... It is good that they admit problems, but the concept with fast fashion is cheap clothes, having factories in other countries, it is hard to change - R9.

These are good incentives but... as over 80 percent of their factories have these problems, will they really terminate the contract with those? Or is it more like empty threats? - R10

Henceforth, when it comes to audits and action of supplier’s factories, one small example with a positive solution on that problem is often not seen as legitimate because of the risk of many things being omitted, and that they appear to only put a positive light on themselves. Though, the other way around, where a large proportion of negative aspects are acknowledged, is not seen as

completely satisfying either, as it is seen as unreliable for the fast fashion industry and its system to solve these many problems in order to function. On the positive note respondents appreciated different forms of transparency instead of complete denial, but in general different aspects of the disclosures showed that legitimacy could be hard to create, as it could not be too shallow but neither too “good”.

When it came to decreasing the use of unsustainable material, many respondents liked the concrete measure of banning material from certain regions such as leather from Amazonas or cotton from the Xinjiang region in China. Though, several people answered that they would have liked to know where they source material instead. Moreover, a majority of the stakeholders interviewed thought that companies should be able to trace their material, even if the fast fashion companies said that it is difficult. Once again, respondents referred to the system and the whole industry, that it has become too big, with too long product chains, which means that companies cannot trace their material, but the majority of the respondents felt that they should be able to do so. Hence, they did generally not legitimize explanations that it could be hard to trace its origin. If the material is banned, it should be banned for real.

Overall, the corrective action from fast fashion companies to clearly ban or stop sourcing was appreciated by the respondents, even if some negatives existed. By banning certain material, the companies were often seen as caretaking, and they could put pressure on suppliers to change which appeared legitimate by the stakeholders.

It is really good that they stop using material which has a bad influence on people or the environment - R1.

I think they are clear with the problem and what measures they have performed in order to combat the issues - R2.

They are very clear and transparent about the problem and show signs of responsibility, however it would be nice to know where they source leather instead (of Brazil) - R3

I think it is their responsibility to be able to trace the material's origin - R5.

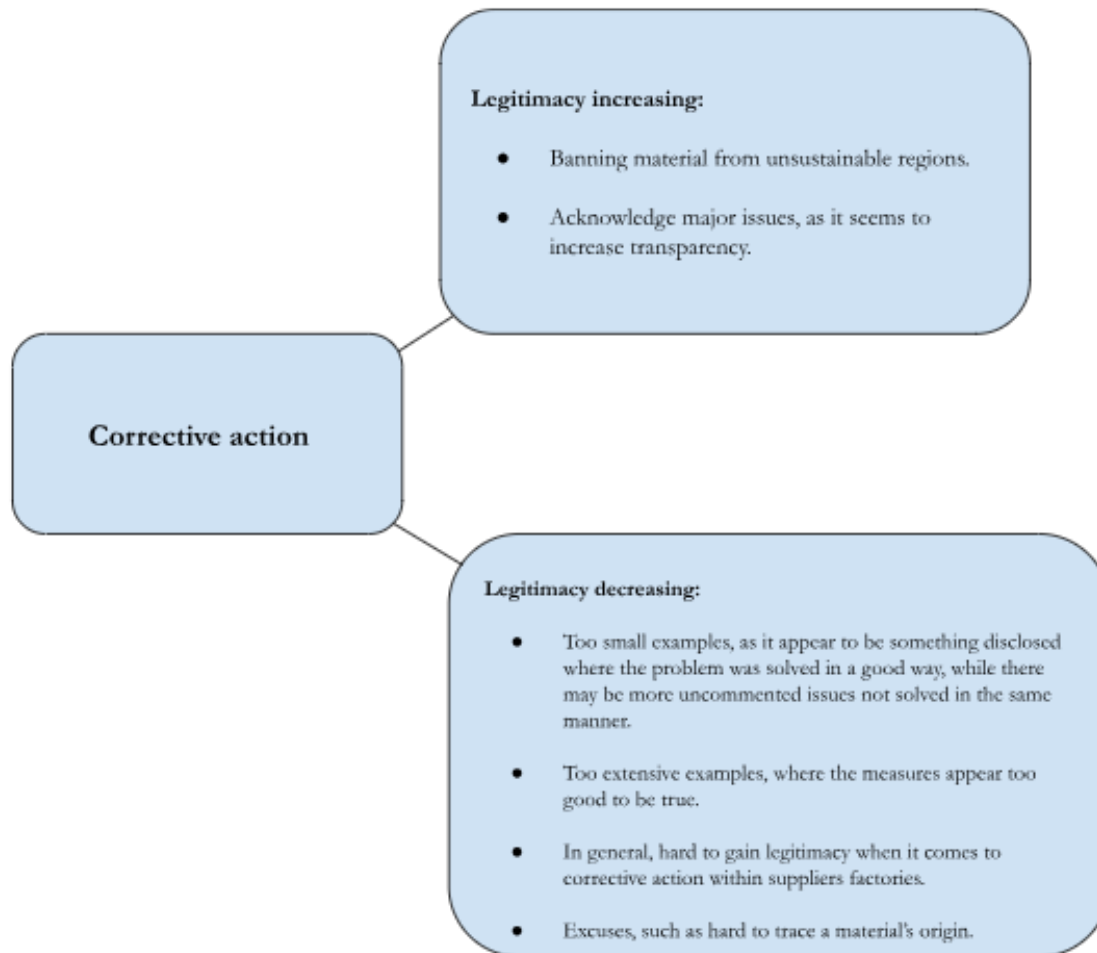


Figure 2.4: Legitimacy increasing and decreasing aspects of the strategy: Corrective action

#### ***4.2.2. Marginalization impact on stakeholders***

The disclosure where H&M described their influence on the different parts of the product chain was not positively viewed from the stakeholders. Almost all of the interviewed found it badly that the company admitted problems along their chain, but that they stated that their (as a retailer) influence was only medium when it came to the yarn and clothing production, i.e., when they “marginalized”. The respondents felt that the company has more than only a medium influence on their suppliers, and many respondents felt that they have accountability and also ability to affect how their suppliers influence the climate or society. According to the stakeholders it was strange to admit sustainability issues within their chain, but then to a certain extent disclaim responsibility. Furthermore, some respondents talked once again about the systematic problems within fast fashion. That the retailers are a part of a circle where unsustainable circumstances inevitably exist, and even if they know about this, the companies do not put much effort in resolving, as it could hurt their business.

It is really strange... The production is a great part of their business, and they need to be aware of that - R7.

Absolutely, they have a big influence, just the same as for design I would say -R6.

Even if it could be hard to change the water consumption for example, they cannot disclaim their responsibility - R8.

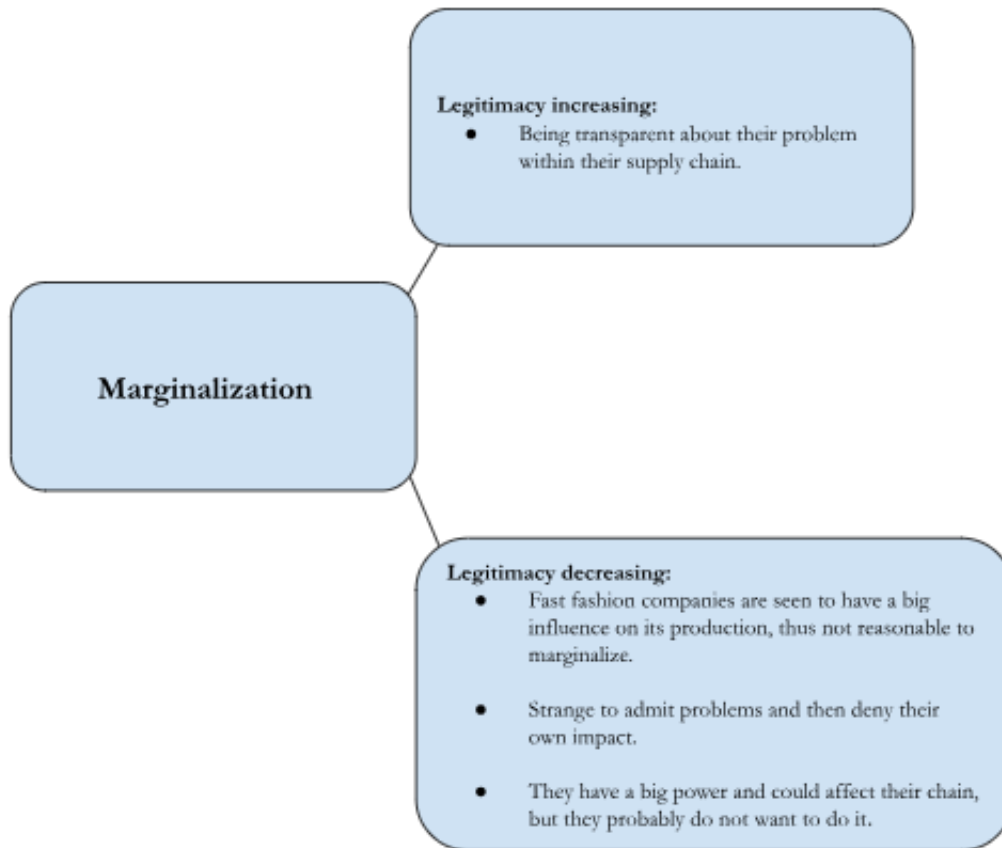


Figure 2.5: Legitimacy increasing and decreasing aspects of the strategy: Marginalization

#### 4.2.3. Abstraction impact on stakeholders

H&M wrote that the fast fashion industry uses billions of cubic meters of water each year, and that it is not sustainable, while SHEIN said that “...*Fashion has an undeniable impact on the health of our environment...*”. Admitting problems but focusing on the whole industry is seen as abstraction, but when the interviewees read these scenarios, they did not react to the strategy in question. When asked follow-up questions regarding the fact the companies blame the whole industry, some respondents said that they did not think about it directly, but that they think that companies should admit more personal responsibility, and not make it a general problem or problems created by others (such as the manufacturers). However, respondents did not appear to see it as negative nor positive when talked about the whole fashion industry as a problem maker. Rather, they gave other opinions about the rest of the scenario’s context.

No, I did not really think about that (on abstraction) - R3.

I did not react to the fact that they talked about the whole industry, no - R8.

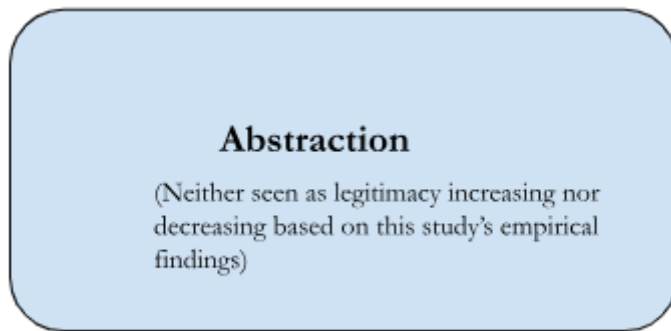


Figure 2.6: Abstraction

#### ***4.2.4. Preventive action impact on stakeholders***

As written earlier in the results section of this thesis, the fast fashion companies often reported on preventive action, many times together with an external organization or authority. Generally, the respondents liked the idea of working preventively from scratch and avoid incidents in the future. Though, solving actual problems appeared as better because it seems more distinct and legitimate. Many respondents felt that preventive action could also mean everything from teaching school children democratic rights, or just sending out some codes of conduct to suppliers. Thus, it has a broader meaning according to the stakeholders and not so concrete.

On the positive note, preventive action, especially the case of the Bangladesh Accord, gave some respondents the feeling that the companies actually care. Agreeing on terms which means that the companies preventively contribute to avoiding risks of different kinds was seen by some as good accountability. Some interviewees explained that they got the feeling that the company has a will to change and perform better instead of just solving problems to save themselves.

In terms of authorization, respondents described it almost as preventive action in general, that it could be good or bad, depending on how well the respondents knew the authority or organization in question. For example, Amnesty or Rädde Barnen were mentioned as trustworthy and legitimate.

Moreover, many respondents questioned the ability to work preventively, because of the wide supply chain, often established in different countries with different laws and values. They also doubted the power of the preventive measures, as it could only work to some extent before it could harm the business and its pursuit of profit.

In conclusion it could be said that the respondents like the foundation of preventive action, and that it gives hope for a better future as the companies seem to acknowledge sustainability issues. But overall, the respondents think that the measure may be too shallow and hard to really establish, especially in this problematic industry.



It is very good if it works. It is always better to see evidence on an actual problem being solved, but it is good to try to prevent - R1.

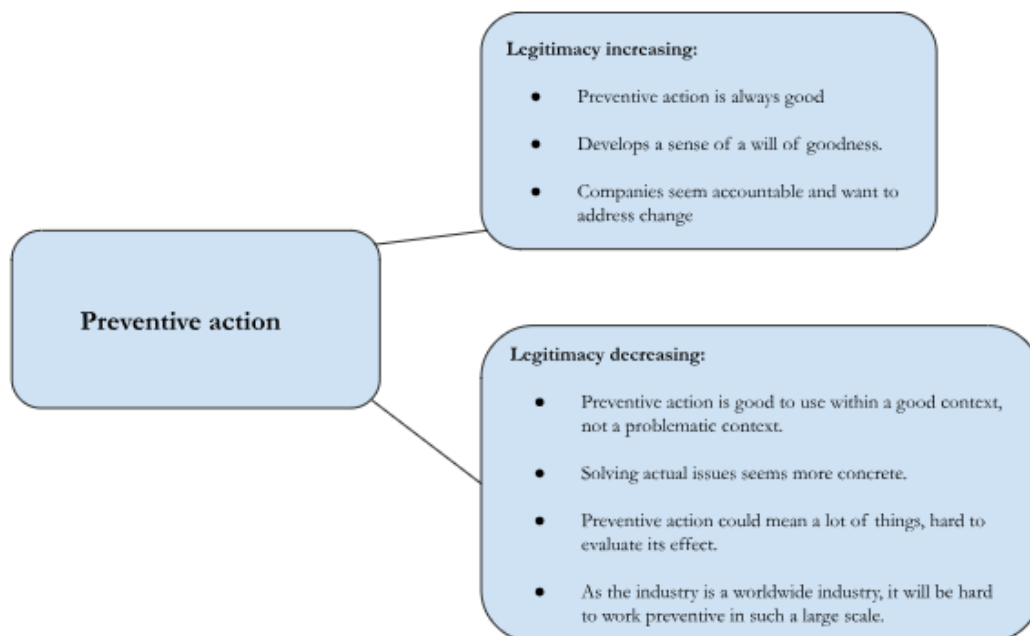
You could prevent things if things are good already, but when things are bad it feels a bit weak. You maybe should actively remediate rather than trying to prevent catastrophes - R3.

With the system and all problems such as child labour we will never reach them... I think preventive actions is a bit unclear, it could mean a lot of things.

Concrete action seems better. With preventive actions you have a wide arsenal, while when solving an actual issue you have a concrete example -R8.

It is good that they are part of a legal agreement - R2 and R4

They actually show a will of goodness. But the question is if they really want to pay for these measures? - R10



**Figure 2.7: Legitimacy increasing and decreasing aspects of the strategy: Preventive action**

### 4.3. Summary of the chapter

To summarize the empirical findings, the first section's findings help the researchers answering the second research question of this thesis, I.e., which strategies fast fashion companies use when disclosing negative sustainability information. Here, the researchers assessed four different legitimacy strategies for negative sustainability disclosure, after analysing the fast fashion companies' sustainability reports. Those were corrective action, marginalization, abstraction and preventive action.

After having performed the interviews, the third research question could be answered. This question regarded how the disclosure strategies impacted concerned stakeholders, where

corrective action of banning unsustainable material was seen as a positive incentive according to stakeholders, while factory measures could be both too vague and too extensive. The marginalization strategy was widely criticized, while abstraction neither got a positive nor negative reaction among the stakeholders. Lastly, preventive strategies are seen as good by stakeholders as they signal accountability and working preventively is always good. However, preventive actions are still too vague according to the respondents, and more concrete measures are preferred, especially in the fast fashion industry.

Generally, the respondents' perception of these companies did not change or became more negative after taking part of the negative disclosures. Many of the stakeholders said that they were aware of many issues within the fast fashion industry, and they thought that it is good to be honest with the problems with which you are associated. They meant that it is better to show transparency rather than denial, but generally the solutions presented were not enough, and many respondents saw the disclosure more as putting the company in a better light instead of actually trying to do something good. One respondent had boycotted the low-price chains and felt that he would not change anything regarding that. Two other respondents said that their negative opinions about fast fashion have increased rather than decreased, and one of the interviewees pointed out that he potentially would be even more careful when going shopping. Four out of the remaining six respondents said that they have had their negative perception of fast fashion companies and that it had not changed in any direction after the interview. Moreover, two respondents were positively surprised about the disclosures and felt that the companies have started to show accountability, and that it could be a good start to become even better in the future. Those were respondents that said that they do buy fast fashion even if they would like to act more sustainable, thus their purchase pattern may not change but they felt better for the fast fashion industry in large.

In conclusion, this means that the stakeholders liked that the companies admitted incidents, showed awareness and sometimes performed concrete action. The companies appeared more transparent to the stakeholders, and that was seen as a sign of moving in the right direction. But overall, their sceptic view on the industry and the system was enhanced and sometimes even strengthened, as the measures appeared too shallow, more marketing-alike and not trustworthy based on the industry's idea of business. Below, a figure that summarize the assessed strategies' impact on stakeholders in terms of legitimacy is illustrated.

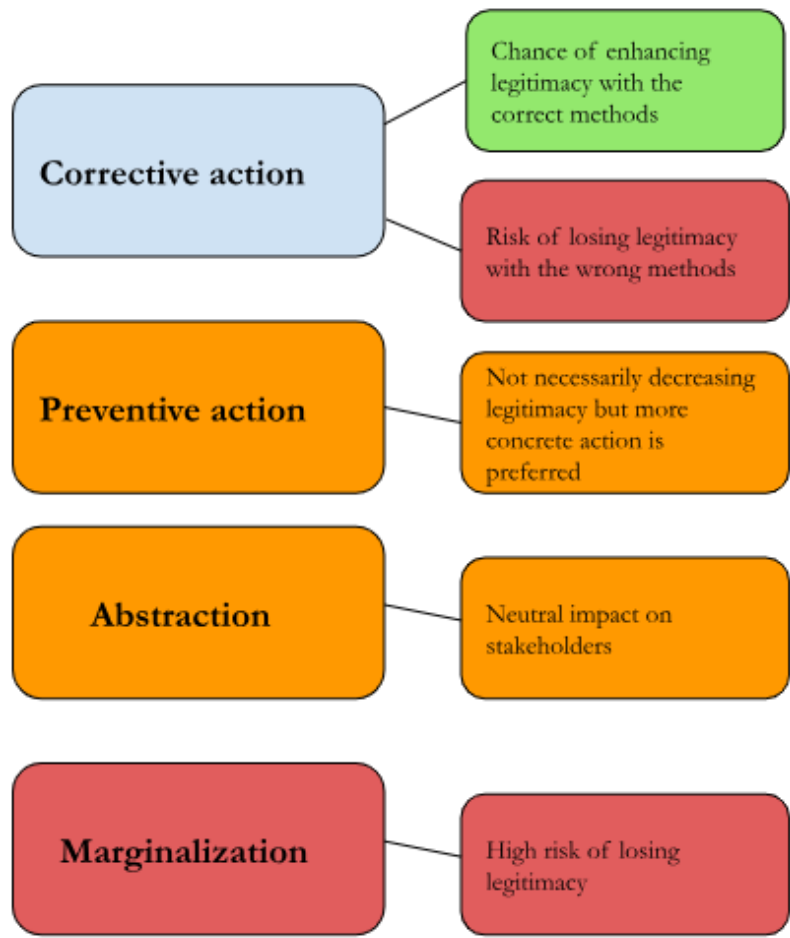


Figure 2.8: Summary of the legitimacy strategies' stakeholder impact.

## 5. Analysis & Discussion

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*In this chapter, the insights gathered from the study will be discussed and analysed in relation to existing theories and previous research. This will be done by first putting it in the context of voluntary disclosure theories, and then relate it to prior research regarding negative disclosure, strategies for negative disclosure, and its impact on stakeholders.*

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### 5.1. Analysis based voluntary sustainability disclosure and legitimacy

Within the analysed sustainability reports, the companies appear as companies past a “denial stage,” as they signal a broad picture of their work within SD, including admitting negative incidents. All of the companies acknowledged problems along their supply chain and wanted to manage these issues in different ways. The companies reported on audits being carried out on factories, acknowledged negative results from these, and presented ways of solving those. Also, the banning of materials from well-known problematic regions was mentioned frequently within all reports, along with different types of preventive action often together with external organizations or persons. This thesis has not researched the incentives for negative disclosure by for example interviewing managers, but the usage of negative disclosure within the analysed reports, corresponds well in relation to the existing theories regarding voluntary negative disclosure, and what they propose. Traditional signalling theory suggests that it is more common for companies performing well on sustainability, to disclose their sustainability results (Carmo & Miguéis, 2022). However, the four companies analysed within this study show evidence of companies willing to disclose negative sustainability aspects, even if they are operating in a debated industry. Why they do this could be described by what in particular legitimacy theory proposes; that legitimation could be gained or at least less damaged when companies themselves disclose a negative incident to their less informed stakeholders, rather than being disclosed by a third-party (Bansall & Clelland, 2004; Reimsbach & Hahn 2013; Våland & Heide 2005). This could especially be true for companies within the fast fashion industry as they often are monitored and there is a risk that scandals are revealed in the media. This means that legitimacy, together with stakeholder and signalling theory regarding voluntary disclosures, also could be used to explain the usage of voluntary negative disclosure. This is as the findings indicate that fast fashion companies have started to *signal* quality in terms of negative information, to their *stakeholders* who may not be aware of the incident, in an attempt to increase or keep legitimacy.

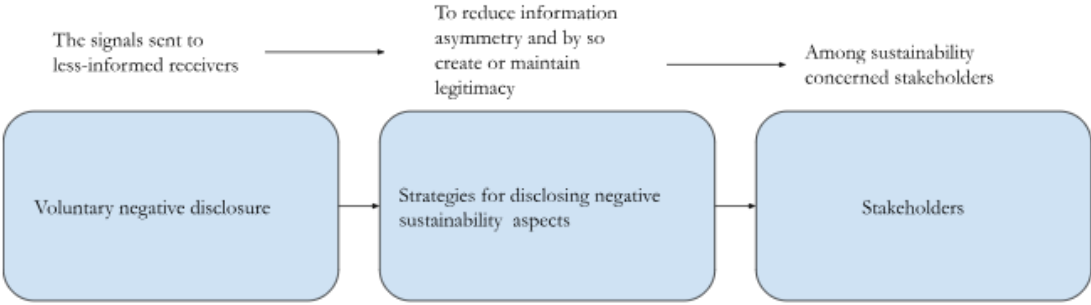


Figure 2.9: Theoretical examination of voluntary negative disclosure and legitimacy

## 5.2. Discussion in relation to prior studies

### 5.2.1. *Fast fashion companies' process towards corporate social responsibility*

*Based on the sustainability reports*, the analysed companies seem to have taken steps within the process of organizational learning and developing a sense of corporate responsibility, in regard to Zadek's (2004) adoption. Even if one example of marginalization was found within H&M's 2018 report, the companies did not completely deny accusations or risks of different sustainability issues within the fast fashion companies' supply chains. Thus, they have moved from the first step in Zadek's model (denial). There was no evidence of the companies using a compliance approach (the second phase) either, as they did not rationalize any of their negative impacts. It is difficult to place them in an exact phase of the process, but what could be seen is that they have taken their sustainability reporting as an important issue into consideration based on the extensive disclosure within the reports. Disclosing negative aspects, admitting problems, and communicating their willingness to combating issues within their product chain, are seen both as a managerial but also a strategic tool, which corresponds to the third and fourth step of Zadek's (2004) model. As the analysed companies also mentioned that they want to train and learn suppliers and change their routines when it comes to certain issues, they appear to also touch the final step within Zadek's (2004) model, civilisation. Civilisation means that a company tries to influence a whole industry, and many sustainability issues within fast fashion lie at the retailers' suppliers. This makes civilisation a step that the fast fashion companies automatically will touch on if they want to appear as legitimate and socially responsible based on Zadek's (2004) model. In terms of negative disclosure, the companies have not clearly urged/tried to help other companies to also disclose, admit and take responsibility for certain problems. But by influencing suppliers to be better in terms of sustainability, the whole industry could develop in that area. Also, a possible development by the suppliers could also mean that other fast fashion retailers become more sustainable as well, as suppliers often deliver to a range of different fast fashion retailers.

### 5.2.2. *Legitimacy strategies and impact on stakeholders*

Considering the analysed sustainability reports and their relation to Zadek's model, the four companies were seen to exist in an opportunity zone in terms of social responsibility and legitimacy. Though, prior studies have indicated the importance of working with the correct particular strategies when disclosing and admitting negative sustainability aspects, as only disclosing negative aspects itself often is not enough for interested parties. When discussing how the fast fashion companies disclosed negative information and how interviewed stakeholders were impacted by it, many similarities with previous research were found. Firstly, evidence on the strategies corrective action, marginalization, abstraction and in one sense authorization (even if it was included in the preventive action strategy) existed within the sustainability reports, which correlate with Hahn & Lüfs (2014) defined strategies for negative sustainability reporting. Considering preventive action, this was a new legitimacy strategy identified, which has not been written about in previous literature. This strategy was commonly used by fast fashion companies to train and learn their suppliers. Fast fashion companies belong to an industry where the "fast"

supply chain plays a major role in terms of both business and sustainability. This could explain why preventive actions were so frequently mentioned within the sustainability reports of this study, while it has not been the case in the existing research field regarding legitimacy strategies for negative disclosure within other industries.

Some corrective actions were the only disclosure that could be seen as substantive and legitimate to satisfy stakeholders, while the other strategies were too vague/symbolic or neutral (preventive action and abstraction), and marginalization was seen as frightening by the respondents. This goes in line with Hahn et al. (2021) and Bellucci et al. (2021) findings, i.e., that companies seem more responsible when admitting problems, but also develop an activity that counteracts the negative aspect. For the fast fashion companies subject to research, the actions where banning certain unsustainable material such as cotton, were the most positively perceived remediations according to the stakeholders. What was harder for companies to legitimize was corrective action within the fast fashion companies' suppliers' factories. Here, corrective action could be seen as symbolic if the disclosure is too vague but also if it is too extensive. The child labour case presented by H&M 2018 was by many seen as a negative example which was solved in a good way, but that it was chosen because it still signals positiveness even if it was a negative issue from the beginning. Thus, it was seen as more of marketing than an actual legitimate action. As said it could also be the other way around, where corrective action appeared "too good" and "too extensive." Regarding this, many of the stakeholders did not believe that the fast fashion companies want or can require their suppliers to change that much of their operations, because it will be too costly for their business. Here, similarities with Jahn & Brühls (2019) findings regarding effects of negative disclosure exist. Firstly, the paper by Jahn & Brühl (2019) indicated that some disclosure appears too truthful, which makes stakeholders suspicious. This correlates with the fact that the stakeholders within this study doubted fast fashion companies' ability to stop collaborating with unsustainable suppliers. This means that depending on what industry or companies that are being subject to research, it may be more difficult to gain trustfulness for some sectors. This also links well to what was said by Jahn & Brühl (2019), that good CSR perception of a company makes stakeholders "forgive" negative incidents, but within this study it appears to also be the other way around. Concerned stakeholders had such a bad CSR perception about the fast fashion industry, that it was hard for them to accept these companies' workarounds even if they have presented ideas about how they have or will combat the issues.

Henceforth, both corrective action and preventive actions appear to be problematic for fast fashion companies in order to increase or keep legitimacy when it comes to their attempts to redress certain conditions within the suppliers' factories. While combating the issues by not sourcing unsustainable material seems to be a more substantive and legitimate way to handle the issues of the industry. This is similar to Hahn et al (2021) conclusions which pointed out that even if the actions are substantive, it does not necessarily change a stakeholder's view, as the remedial action may not be strong and concrete enough. In the context of fast fashion companies, banning material from well-known problematic places often seemed to be both strong and concrete, while remedies in factories easily appeared as neither concrete nor strong. Adding to this, it appears to be hard for companies within the fast fashion industry to be trustful, even if they do present extensive measures on different sustainability issues, because of many concerned stakeholders' already pessimistic attitude towards the industry.

When it comes to potential effects on the stakeholders and to conclude the discussion section of this thesis, it is important to think of two of the most important parts within the existing literature. I.e., it is important for companies to, with the right methods, try to legitimize themselves when a scandal or something negative has occurred, as the company's image naturally is in danger (Hahn et al, 2021). But also, that it could, after a scandal or negative sustainability disclosure, still be hard to regain legitimacy even if different strategies are applied (Bellucci et al., 2021). Taking fast fashion companies into consideration, this study has shown that because of the problematic industry the companies are associated with, it is difficult for them to gain legitimacy. Some of the interviewees got a more positive perception about the companies after reading the negative sustainability disclosure, as the companies appeared as good and truthful. Overall though, the reactions were more negative or "the same as before.", because the measures were not satisfying enough for different reasons.

## 6. Conclusion

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*In this section the authors conclude the thesis based on the main findings from the study. The authors also present theoretical and managerial implications of the thesis, and suggestions for future research.*

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The aim of this thesis was to explore the legitimacy of negative sustainability disclosure, with the objective to examine legitimacy strategies in fast fashion companies' sustainability reports, and how these strategies impacted concerned stakeholders. To succeed with the aim, the researchers conducted a qualitative study with two data collection methods. This was done by first analysing sustainability reports from the four fast fashion companies H&M, SHEIN, Boohoo and American Eagle, where different legitimacy strategies for negative disclosure were found. After this, the second method was applied, where concerned stakeholders were interviewed in order to see the strategies' stakeholder impact. For the thesis, three research questions were also stated, which were:

1. Why do businesses disclose negative sustainability information to legitimize their sustainability work?
2. Which strategies do fast fashion companies use to legitimize disclosed negative sustainability information?
3. How do negative disclosure/legitimacy strategies impact concerned stakeholders?

The theoretical framework helped the researchers answer the first question, where negative disclosure could legitimize companies in terms of reducing information asymmetry and the risk of being disclosed by a third party, thus increasing transparency, demonstrating proactiveness and enhancing stakeholder trust. Further, performing the content analysis of the sustainability reports helped the researchers answer the second research question of the thesis, while the stakeholder interviews helped the researchers to answer the third research question. The findings from the content analysis showed that the analysed fast fashion companies do disclose negative sustainability information and the results indicates that they do try to legitimize these aspects with the strategies: corrective action, marginalization, abstraction, and preventive action. In terms of the stakeholder impact of these strategies, the outcomes from the interviews displayed that substantive corrective actions could increase or keep legitimacy, such as banning of unsustainable material. Though, many of the strategies for disclosing negative information were not enough to gain legitimacy as many strategies were seen as not concrete or corrective enough. Furthermore, even extensive measures were not satisfying either as the stakeholders were sceptical if the remedy was actually going to happen because of the fast fashion industry, and the system of cheap clothes being produced in developing countries. Disclosing negative aspects was seen as good for transparency, and compared to complete denial or seeing companies being disclosed by a third party it was preferred. But nevertheless, the fast fashion companies analysed in this study generally seem to have difficulties when trying to legitimize their negative sustainability impacts, as many measures were not enough, and the negative stakeholder perception of this industry appears as hard to change.



## 6.1. Theoretical Implications

The empirical findings contribute to the existing theoretical framework, as fast fashion companies voluntarily choose to disclose negative information, and evidence was found regarding the attempt to legitimize these disclosures. Thus, the researchers argue that fast fashion companies do disclose negative sustainability information to reduce information asymmetry, enhancing trust and proactiveness instead of the risks of being disclosed by a third party. In doing so, fast fashion companies try to signal legitimacy to sustainability concerned stakeholders. Legitimacy, stakeholder and signalling theory have examined incentives for voluntary disclosure, which potentially could be negative disclosure. The findings of this study have thus added even further evidence that voluntary negative disclosure could be done for legitimacy, stakeholder and signalling reasons. Moreover, the study has added insights into the research field of negative disclosure and legitimacy strategies as a new industry, fast fashion, has been taken into consideration. The results correspond to prior research saying that legitimacy could be hard to gain after participating in negative sustainability issues, and also strengthens the view that the CSR perception of companies play a big role in terms of legitimacy. Regarding research of legitimacy strategies in particular, besides being able to identify some legitimation strategies already presented by Hahn & Lüfs (2014) in the fast fashion sector, this thesis has identified preventive action as a new legitimacy strategy, which has not been noted in prior studies. This is a legitimation strategy that has been seen in all of the four fast fashion companies' sustainability reports. As this strategy has not been described in previous research, it is a new aspect that future researchers can take into account when for example analysing other industries.

## 6.2. Managerial Implications

The results of this thesis have generated managerial implications in terms of sustainability reporting, legitimacy and stakeholder knowledge. This is as insights regarding characteristics of the most successful or unsuccessful legitimacy strategies for disclosing negative aspects could be found within the thesis. The thesis also discusses sustainability aware stakeholders, and the vital part of working with legitimacy and CSR perception towards those. Furthermore, the empirical findings show that fast fashion companies that engage in the practice of reporting negative sustainability information are perceived by stakeholders as being transparent and proactive. Fast fashion companies that chose to report negative sustainability information are able to enhance transparency, reduce information asymmetry, which could result in legitimacy.

It is possible to summarise the above stated managerial implications into three more concrete points.

- Firstly, even if the information can be perceived as negative, fast fashion companies should strive to disclose all sustainability related information rather than being hesitant towards disclosing. This is because negative sustainability disclosure could make the company appear as more transparent and proactive by their stakeholders.
- Secondly, even the disclosure of negative sustainability information includes some advantages, it is vital to use a strategy that appears truthful and concrete such as banning

of unsustainable material or reasonable measures on suppliers' factories. Using a correct strategy, along with being transparent, has in this study shown to be highly valued by stakeholders.

- Finally, it is important to not use a strategy which appears vague, not credible or whitewashed. Fast fashion companies should not only pick a small case and display their remedies of that, but they should also not promise extensive measures which appear too good to be true. It is also vital for the companies to not try to marginalize their own influence within the problematic fast fashion supply chain, as it can be seen as hypocrisy.

### **6.3. Future Research**

In regard to future research, this is a phenomenon that is likely to exist in several sectors that are responsible for many of the sustainability issues that we are facing today, e.g. construction or tech industry. Therefore, future researchers are highly encouraged to increase the understanding of negative sustainability disclosures and their impact on concerned stakeholders by putting this study in another context, i.e. by studying the negative sustainability disclosures in a different sector. By doing this, it would be interesting to see if the strategies identified in the fast fashion industry would be possible to identify in for example the tech industry. Furthermore, it would be interesting to see if the concerned stakeholders within a different sector would be impacted in the same manner as the concerned stakeholders in this study, I.e., future studies regarding CSR perception of certain industries would be interesting. Additionally, we would suggest analysing if there are certain individual factors among concerned stakeholders that affect how they are impacted by negative sustainability disclosures. Finally, it would also be interesting to explore managers' view on the release of negative sustainability information, to get a further understanding of a company's incentives for negative disclosure.

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