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To Disclose or Not to Disclose? Fashion Brands' Strategies for Transparency in Sustainability Reporting

Rationale. Aligned with the verifiability school of thought (Albu & Flyverbom, 2019), transparency has been conceptualized as the quantifiable degree of a fashion brand's information disclosure, clarity, and accuracy (Schnackenberg & Tomlinson, 2016), and as a norm closely related to sustainability (Dando & Swift, 2003). Although conceptualizations of transparency are still prevalent among scholars, from the stakeholder theory lens (Freeman et al., 2010), transparency in this study is perceived not as a choice for fashion retailers to consider, but as a requirement they need to fulfill in order to avoid reputational damage, prevent potential financial destruction, and ensure their business survival (Bhaduri & Ha-Brookshire, 2011; Jestratijevic et al., 2020). Hence, transparency is hereafter described as a business strategy to manage sustainability reporting by disclosing relevant information through websites and/or sustainability reports (Vaccaro & Madsen, 2009; Granados & Gupta, 2013). While transparency in sustainability disclosure among brands represents an increasingly important business domain (Fashion Revolution, 2020), several conceptual and methodological challenges potentially explain the scarcity of research in this area (Eijffinger & Geraats, 2006). Extant literature acknowledges conceptual problems, mainly related to the unstandardized nature of reports and their content, where an incoherent jumble of business information often emerges under the banner of sustainability reporting (Fulton & Lee, 2013; Sherman, 2009). Hence, existing knowledge in sustainability reporting in the fashion industry has derived predominantly from content examination of stand-alone sustainability reports, or parts thereof (Ho, 2014). Nevertheless, because disclosure is a time-bound task, and reports are disclosed and evaluated almost exclusively on an annual basis, there is a realistic difficulty of capturing diachronic disclosure patterns, strategies and trends across fashion brands (Marshall, et al., 2016). Consequently, disclosure strategies for transparency in sustainability reporting are yet to be assessed.

Method. The framing of disclosure strategies for transparency in sustainability reporting is the first scholarly effort to diachronically investigate sustainability disclosure among a big sample of major fashion brands. This research has two specific research objectives: 1.) to capture progress towards greater transparency across sustainability reporting areas, across fashion brands and years, and 2.) to identify strategic approaches for transparency in sustainability reporting by revealing common patterns in business disclosure. To overcome the limitation of the verifiability approach that treats transparency as information disclosure without proposing a solution to its measurement (Eijffinger & Geraats, 2006), four consecutive Fashion Transparency Index (FTI) datasets were employed to cross-sectionally and diachronically analyze secondary data. The FTI assesses disclosure based on the availability of information on 220 sustainability key performance indicators analyzed across five reporting areas (Fashion Revolution, 2020). Thus, the index provides a snapshot of annual ratings in the form of cumulative and area-specific scores for each fashion brand; it does not provide comparisons across years or brands. To extend the information provided by the Index, 1,960 individual datapoints/scores across the five areas for the sample of 98 brands (N=98) were examined cross-sectionally over the period of four consecutive years, 2017–2020 (98 brands × individual score in 5 areas × 4 years = 1,960). Brands included in this study sample include all fashion brands that were featured in the index since its inception. Where needed, corporate websites and sustainability reports were used to contextualize the information. The brand scores were often skewed, and thus where relevant, the median was reported as an alternative to the arithmetic mean (Wilcox & Keselman, 2003).

Findings. This study reveals that the majority of brands, except in the area of sustainable policies, still hesitantly disclose sustainability-related improvements, thus preventing stakeholders from knowing whether and how their sustainability commitments are implemented in day-to-day business operations. Disclosure in the fashion industry, during the investigated time frame, was disproportionally distributed between 30% transparency leaders and 70% transparency laggards. As a result of cross-sectional data assessments across brands, years and sustainability reporting areas, four strategic approaches to disclosure have been identified. They include measurable, ambiguous, policy-only, and secretive strategy. 70% of brands were identified as transparency laggards since they had an unsatisfactory disclosure approach. This is mainly because brands' transparency laggards disclosed information in preferential order (*policy-only strategy*), or the information disclosed was either wittingly or unwittingly distracting (*ambiguous strategy*), or, in the worst case scenario, they've deliberately decided not to disclose corporate information at all (*secretive strategy*). Brand transparency leaders, on the contrary, included 30% of brands with a measurable strategic approach to transparency, and those brands demonstrated, to varying degrees, sizeable and traceable progress toward greater transparency across sustainability reporting areas.

Implications. This study's findings confirm that transparency in the fashion industry is still limited, with a significant potential for improvement. Even transparency leaders have realistic room for greater transparency improvement across the sustainability reporting areas, but particularly from within the supply chain reporting areas. As most brands hesitantly disclose their sustainability information, stakeholders cannot know whether these business policies equate to more than a corporate wish list. Furthermore, the fact that some brands choose not to disclose very minimal business information (e.g., including location of business headquarters, Code of Conduct) is very problematic, and even illegal. It shows both non-compliance, and also weak enforcement of existing national and international laws (e.g., The California Transparency in Supply Chains Act). If there is no inspection of mandatory business disclosures, and if there is no penalty for disclosure violations in the fashion industry, some retailers will continue to generate profits while operating in an uncompliant and "opaque" manner. This is without a doubt something that urgently needs to change. Current laws should be enforced, and transparency in sustainability reporting should be legislated into law in order to positively and strategically support fashion industry change.

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