Business and Management Department
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GLOBLAL ENVIRONMENTAL GOVERNANCE: HOW DO MNCs CONTRIBUTE IN FIGHTING CLIMATE CHANGE AND INFLUENCE GLOBAL DECISIONS ?

CASE STUDY: THE KERING GROUP

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INTRODUCTION

If the International Relations theory of realism, on one side, considers Multinational Corporations (MNCs) - as well as Non-governmental Organizations (NGOs) - derivative and secondary to states, the theory of liberalism claims international relations are made by a plenty of interconnected actors. Namely, from a liberal point of view the main actors of the international system are not only states, but also individuals, groups, IOs, NGOs as well as MNCs. Without doubts, there is no one good theory to understand the current international system but there are many points of view that can be used to read it and gain some insight on its future developments.

Nonetheless, the reason why some corporations have started to be considered international actors can be easily reconducted to the globalization process. As demonstrated by Robertson and White (2007) globalization consists primarily of two major directional tendencies, an increasing global connectivity and an increasing global consciousness - where consciousness does not imply consensus, but merely a shared sense of the world as a whole. The outcome of these tendencies has been an economic, social and cultural integration that involved many world's areas. Origins behind the globalization process can be found in industrial revolutions. Within this context, it happened that companies took advantage of the lowering of trade costs and innovations and expanded their horizon. Consequently, they started to act on a global scale resulting in the emergence of a single integrated economy shaped by corporate networks and their financial relationships (Reinicke, 1997). This way MNCs were born and may have become international actors shaping world dynamics in many contexts and actively participating in the global rulemaking system - also known as global governance.

As of today, one of the most pressing and urgent problems in global governance is climate change. Indeed, until now, global temperature has warmed by more than 1°C compared to the 20th century average, causing the melting of glaciers and the related sea level rise, as well as the distortion of seasonal transitions. Furthermore, typical weather patterns have also changed. Indeed, nowadays, hurricanes, floods, downpour and winter storms have actually become more frequent, intense and unpredictable. Climate change regulation has proven to be uniquely vexing. However, MNCs' knowledge happened to have led to important standard settings on valuable issues such as the sustainable development, both collectively working and through self-regulation.

Among the various activities causing the fostering of climate change, the Intergovernmental Panel on Climate Change (IPCC) has calculated fashion industry to contribute to the 10% of global carbon dioxide emissions a year (Davis, 2020). As a matter of fact, the fashion pipeline consists in a series of activities fostering the GHG effect. Specifically, the fashion industry implies high levels of energy consumption, waste production, and chemical leading to a large quantity of GHGs' emission. In addition, the water consumption in clothing production is consistent so that the industry also plays a role in the reduction of resources - such as water. For this reasons the fashion MNCs are some of the most impacted by the sustainability trends. Furthermore, the increasing spread of a climate change contiguousness among the population - especially among those who have easy information access through the internet - has resulted in a great influence on younger generations - Gen. Z and Millennial - and consequently consumption changes.

Starting from the liberalist claim of an international system populated by many interconnected actors, among which there are also MNCs. The aim of this study is that of critically analyzing the role of MNCs within the international fight against climate change and demonstrating the actual key position these companies cover. Since fashion MNCs and the fashion industry happen to produces a significant quantity of world's carbon emissions, they are taken as research focus. This been said, the Kering Group is presented as case study being a practical example of MNC international engaged and providing an innovative environment footprint reporting tool.

The goal of Chapiter 1 is that of contextualization of the role of Multinational Corporations within the international system. First of all, the International Relations theoretical framework on the international system actors is presented, focusing on the IR's major debate between realism and liberalism. Secondly, the reason why some corporations have started to be international actors with responsibilities is explained. Finally, the dynamics of MNCs participation within the international rulemaking is described: from informal regulation to self-regulation and Corporate Social Responsibility (CSR). Once proved the prominent role of MCs in international rulemaking, the emphasis is given on certain CSR that still find the way to shape the international system.

Chapter 2 focuses on the positioning of the fashion industry in the global fight against climate change. As a matter of fact, considering climate change means alteration of temperature and weather caused by the intensive GHG effect fostered by human activities, the fashion industry is reported to be the second largest polluter in the world, just after the oil industry (Charpail, 2017). Consequently, it is worth describing the environmental impact along the fashion garment pipeline distinguishing between fast fashion and luxury fashion. Eventually, the global environmental governance frameworks the fashion MNCs operate in is presented.

Finally, the third and last Chapter takes into analysis the Kering Group trying to demonstrate how MNCs may shape international system's dynamics with regard to the global fight to climate change, both through collective actions and self-regulation. The Kering Group has been chosen as subject of the case study being a listed fashion MNC engaged in international standard setting. Notably, the Group has led the fashion coalition that gave birth to The 2020 Fashion Pact - the largest alliance for a sustainable development in the fashion and luxury industry worldwide. Furthermore, Kering happens to be the only fashion luxury group that has developed a program publicly providing data on its environmental footprint as part of its self-regulation setting, thus representing a possible way out in CSR transparency, disclosure, standardization and comparability. This regard, it was considered appropriate to carry a sample quantitative analysis using the Kernig footprint database as demonstration of the disruptive nature of the tool. For this reason, the Group's environmental footprint costs will also be discussed.

CHAPTER 1 – MNCs IN THE INTERNATIONAL SYSTEM

The actors of the International System are no longer solely states. Since the end of the second World War, the international system made by states has taken a different shape due to a growing number of non-state actors and non-state centered problems (Ataman, 2003). Because of the increasing economic interdependence state sovereignty has started to be questioned, it has been an overlapping of foreign and domestic politics and military actions have been marginalized in international affairs. Specifically, the erosion of states' sovereignty come from the rising of dense interlinks between the inside and the outside of nations that drive the military power to become less relevant. So it is that over time, the intentional relations' focus has shifted from the nation-state to expansive area of non-state actors such as the international non-governmental organizations (NGO), international organizations and multinational corporations: all these actors becoming significant participants in the global governance scenario (Ataman, 2003).

This been said, the current Chapter's goal is that of contextualization of the role of Multinational Corporations within the international system. First of all, the International Relations theoretical framework on the international system actors is presented, focusing on the IR's major debate between realism and liberalism. Secondly, the reason why some corporations have started to be international actors with responsibilities is explained. Finally, the dynamics of MNCs participation within the international rulemaking is described: from informal regulation to self-regulation and Corporate Social Responsibility (CSR). Once proved the prominent role of MCs in international rulemaking, the emphasis is given on certain CSR that lacking of international standardization find their own way be considered affordable and comparable.

1.1 THEORIES OF INTERNATIONAL RELATIONS

When studying the role of MNCs within the international system the academic discipline of reference happens to be that of the International Relations (IR). As a matter of fact, the IR discipline is defined as the study of relationships and interactions between countries, including policies and activities of national governments, international organizations, NGOs and MNCs (Jackson, Sørensen and Møller, 2018c). MNCs do represents a way through which countries interact.

The IR focus on countries, instead of people, comes from the assumption that eventually almost every human being lives within an independent country which influence its life and behavior. An independent country refers to a delimited territory with a permanent population and its own governmental jurisdiction, constituting a sovereign state - meaning there is no authority beyond the state and the state itself is autonomous and independent[1]. All these delimited populated territories - states - form the international system. Nowadays, the international system is global in its extent, its states are independent one from the other but still they need to enter into relations because of multiple reasons - i.e. trade. Indeed, contemporary IR is concerned not only with political relations between states but also with a host of other subjects: economic interdependence, human rights, transnational corporations, international organizations, the environment, gender inequalities, economic development, terrorism, and so forth (Jackson, Sørensen and Møller, 2018a).

From the very beginning the IR discipline has been characterized by many approaches: realism, liberalism, International Society, International Political Economy, and the alternative constructivism and post-positivism. Nonetheless, the major debate has always been that between realism and liberalism.

Influenced by the historical events of the WWII, the realist approach was developed on the idea that international relations are based on conflicts of interest between states and individuals; these relations have been considered to easily become aggressive, since the main assumption has been that of a bad human nature[2]. Namely, individuals are competitive actors ready to do almost everything to obtain what they want and prevail: power in realism means weapons and arm. This been said, form a realist point of view, the international system is a system of anarchy whose main actors are states focused on defending their interests, thus their national security. MNCs and NGOs are derivative and secondary and international institutions only exist as means for power consolidation. However, security defense is characterized by a huge dilemma: national security defense practices inevitable lead to situations of international insecurity. Indeed, the more a state grows and accrues its power the more other states will feel threaten and create resistance to the growth, eventually reducing the defense effort. Although the international system being anarchical do not imply a government to keep things under control, dynamics can be managed by that/those state/s that despite the security dilemma succeed in going absolute power. When the number of dominant states that tries to balance each other happens to be more than one the system is generally pointed out as bipolar/multipolar. Anyway, all great powers are eventually meant to decline (history is cyclical).

As above mentioned, realism's historical alternative is liberalism. While realism focus on the state, liberalism claims a universalism view: international relations are made by a plenty of interconnected actors. Namely, from a liberal point of view the main actors of the international system are not only states, but also individuals, groups, IOs, NGOs as well as MNCs. All the actors actually build relations to each other. Thus, the system is so interdependent that everyone needs each other, and everyone can help each other to be safe and be free. There is no need to fight for power, transnational relations their-selves with the help of international institutions, can improve the ease of cooperation, making war an unlikely

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[1] It was the peace of Westphalia that established the principle of sovereign giving birth to sovereign states and the modern international system: from an historical point of view the end of the Thirty Years' War (1618-1648) and the peace of Westphalia (1948) are seen the beginning of the Modern age (Jackson, Sørensen and Møller, 2018a).

[2] See Jackson, Sørensen and Møller (2018).

scenario. IR liberal theory was theorized at the beginning of the XX century as the continuum of the liberal ideas previously emerged with the modern state's birth. Although time has passed, this theory evolved with it and is still completely applicable nowadays. The complex interdependence at present times have actually shifted the focus of actors on issues such as trade and economic development, so that war conflicts between states are getting more difficult to rise and global politics is becoming a liberal matter of managing NGOs and MNCs as well. As a matter of fact, a state is made of many actors that express their interests thus influencing the features of the international system and the international relations.

The basic assumptions behind liberalism are the belief in progress and a generally positive view of human nature. Notably, liberal thinking is closely connected with the emergence of the modern constitutional state and that modernization idea that would have brought better lives with its improved technologies (Jackson, Sørensen and Møller, 2018b). Hence, progress was expected. Nonetheless, for liberals progress has always been possible thanks to human reason and rationality. Liberals recognize that individuals are self-interested and competitive up to a point. But they also believe that individuals share many interests and can, thus, engage in collaborative and cooperative social action, domestically as well as internationally (Jackson, Sørensen and Møller, 2018b). In other words, as claimed by Jackson, Sørensen and Møller (2018b) "conflict and war are not inevitable but when people employ their reason they can achieve mutually beneficial cooperation" within states and across international boundaries, triumphing over fear and lust for power. Assuming collaboration is a positive sum game, within the international system interdependence in necessary for each one's welfare optimization. Individuals remain the focus of the liberal analysis but so even social aggregations are as promoters of different interests. So it comes that, states are seen as international system's important actors, although they are not the only actors that can have a voice in it.

Last but least, liberalism is not the only IR theory gravitating around the placement of MNCs within the international system. Marxism represents a very strong political alternative to liberalism. Marxists see the international system as shaped on the class struggle between bourgeoisie (industrialized countries) and proletariat (developing countries). Corporations in this context do embody the imperialistic conduct of the industrialized countries: they are means to exploit poor countries and make them dependent and underdeveloped to gain more power. Marxists claim poverty is a functional necessity of global economy.

On one side, what can be said is that here liberalists may be right in recognizing the importance on Multinational Corporations and NGOs given the globalized world we live in. On the other side, MNCs did happen to exploit poor countries through Foreign Direct Investments because of a lack of regulation. This matter remains a huge problem since the international system is basically anarchic and the core MNCs' feature is that of going globally beyond states. Eventually, it is worth assuming that MNCs' action do have a relevant role within the system and FDI cannot be avoided. Therefore, because of the inevitable role MNCs embodies, what has been demanded them is a more responsible and transparent business that care about climate and people. States cannot stand globalization alone, so why should not MNCs be seen as a valuable resource to take actions in the international system and to raise voices?

As demonstrated there is no one good theory to understand the current international system but there are many points of view that can be used to read it and gain some insight on its future developments. In this study the assumption will be that of a liberal international system populated by many interconnected actors, among which there are also MNCs.

1.2 GLOBAL GOVERNANCE

The reason why some corporations have started to be considered international actors can be easily reconducted to the globalization process. As demonstrated by Robertson and White (2007) globalization consists primarily of two major directional tendencies, an increasing global connectivity and an increasing global consciousness - where consciousness does not imply consensus, merely a shared sense of the world as a whole. The outcome of these tendencies has been an economic, social and cultural integration that involved many world's area. On the origin side, reasons behind the globalization process can be found in industrial revolutions. Within this context, it happened that companies took advantage of the lowering of trade costs and innovations and started to expand their horizon. Consequently, they started to act on a global scale resulting in the emergence of a single integrated economy shaped by corporate networks and their financial relationships (Reinicke, 1997). This way MNCs were born and have become international actors. As a matter of fact, they can be easily defined as "business organization whose activities are located in more than two countries - they are the organizational form that defines foreign direct investment" (Way *et al*., 2000).

Indeed, as previously mentioned IR liberal theory was theorized at the beginning of the XX century as the continuum of the liberal ideas previously emerged with the modern state's birth that was followed by the industrial revolutions. Hence, the emergence of MNCs within the international theories can be easily linked to the economical an historical development of times. Among revolutions, the ICT revolution has been the latest exogenous shock that fostered forward globalization. Long distance information sharing was revolutionized as development in telecoms were complemented by the rise of the internet (Baldwin, 2012). The expansion within new foreign countries and markets has become more and more easy to actualize. Last but not least, the Covid-19 pandemic itself has accelerated even more technology-based integration processes, allowing MNCs from some peculiar sectors such as pharmaceutical and high-tech to boost their returns. The globalization era has transformed many multinational enterprises (e.g. Amazon and Alphabet) into highly efficient and productive entities that outweigh small countries and grow in power and control (Kyove *et al*., 2021). States their selves could not resist to the health crisis without the MNCs' huge network of worldwide collaborations. This inevitably shows MNCs are worth to be considered international actors challenging the operational sovereignty of a government (Reinicke, 1997). To put it differently, while the so-called globalization's first unbundling made it easier to buy and sell goods internationally - for a century and a half globalization was driven by lower trade costs that separated production and consumption internationally while clustering it locally into factories - the after ICT fundamental change is that comparative advantage has become a multi-national concept (Baldwin, 2012)[3].

It is commonplace to state that many of the most intractable contemporary problems are transnational - ranging from climate change, migration, pandemics, to terrorism, financial instability, and the proliferation of weapons of mass destruction - and that addressing these issues successfully requires actions that are not unilateral, bilateral, or even multilateral, but rather global (Weiss and Wilkinson, 2014). While the state has traditionally been seen as the appropriate overseer of domestic business activity, the scale and structure of contemporary global dynamics challenge the capacity of even highly developed states to regulate activities that extend beyond their borders (Abbott and Snidal, 2009). Today's world lacks of a sovereign authority and is populated by states and international and transnational actors such as IOs, NGOs and MNCs, calling for a global form of governance.

The global governance may have different forms and definitions. When using the adjective *global*, the purpose is that of emphasizing the "across the globe" scope of the noun it is referred to - in this specific case *governance*. The term *governance* has its own conceptual history: its use in the political science literature has increasingly shifted from domestic political contexts to politics beyond the state. Nonetheless, despite a variety of ways in which literature has used it, there is a baseline agreement that *governance* refers to the development of governing styles in which boundaries between and within public and private sectors have become blurred (Stoker, 2018). So it is that global governance has eventually become both widespread for describing growing complexity in the way that the world is organized and authority exercised, as well as shorthand for referring to a collection of institutions with planetary reach (Weiss and Wilkinson, 2014). Still, global governance is widely interpreted. Lawrence S. Finkelstein (1995) defined global governance as the "governing of relationships that transcend national frontiers, without the presence of a sovereign authority". Finkelstein's definition departs from the Rosenau's broad global governance conception that includes systems of rules at all levels of human activity - from the family to the international organization - in which the pursuit of goals through the exercise of control has transnational repercussion (Rosenau, 1995).

It is worth noticing that there are two global governance's recurring features that can be identified in Finkelstein as well as Rosenau. Namely, the first one is the systemic nature of global governance - "governing of relationship" / "system of rules". The second characteristic and recurrent feature attributed to global governance can be claimed to be its transnational trait – "transcend national frontiers" / "transnational repercussion". Within this context, United Nations are not the only actors that contribute in

[3] "The changed nature of globalization and the digitization of manufacturing mean that European manufacturing firms are likely to retain a leading global role" (Baldwin, 2012).

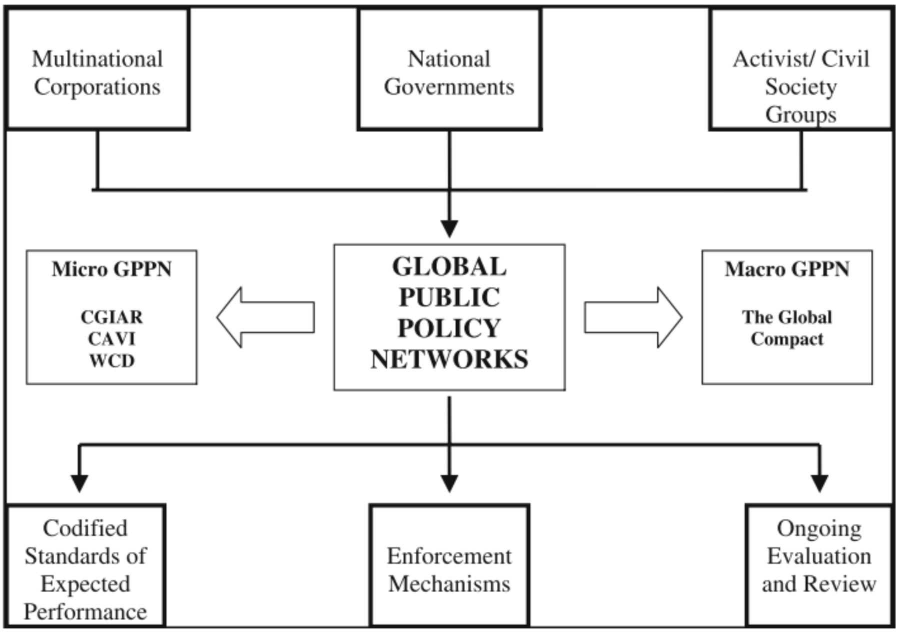
providing an institutional framework for policy formulation and decision making at the international level (Dutt, 2012).

The developed idea and practice of a global governance as a consequence of globalization comes as a support of the liberal theory of a multitude of actors shaping the international system. As a matter of fact, MNCs shape world's dynamics. Namely, they participate in alternate forms of rulemaking in two distinct realms: informal, though nonbinding standards and principles of conduct promulgated by domestic regulators in consultation with the various actors - international soft law; self-regulation, through private rules and standards such as internal policies of Corporate Social Responsibility (CSR) (Park and Berger-Walliser, 2015).

1.3 INTERNATIONAL SOFT LAW

Liberal international system is populated by many interconnected actors, among which there are also MNCs. On one side, MNCs shape world's dynamics when informally participating in alternate forms of rulemaking though nonbinding standards and principles of conduct promulgated by domestic regulators in consultation with the various actors - international soft law (Park and Berger-Walliser, 2015). Soft law may range from customary rights and the "exhortatory or aspirational" pronouncements in international treaties to corporate codes of conduct, industry best practices, declarations and advisory opinions issued by international organizations, and cooperative arrangements between domestic regulators (Park and Berger-Walliser, 2015). As of today, the regulation of global production chains that span the developed and developing world represents a new challenge that MNCs as well as non-governmental organizations, international organizations have responded to with the development of a plethora of global norms, corporate social responsibility codes, standards, guidelines, and certification schemes known as "soft" or "collaborative" regulation (Marques, 2012). This regard, Detomasi (2007) classified the Global Public Policy Networks (GPPN) as "a potential source of effective international governance" and international soft regulation by the many interconnected actors.

Figure 1 - *GPPN in terms of the emerging global governance area of CSR*



Source: Detomasi (2007)

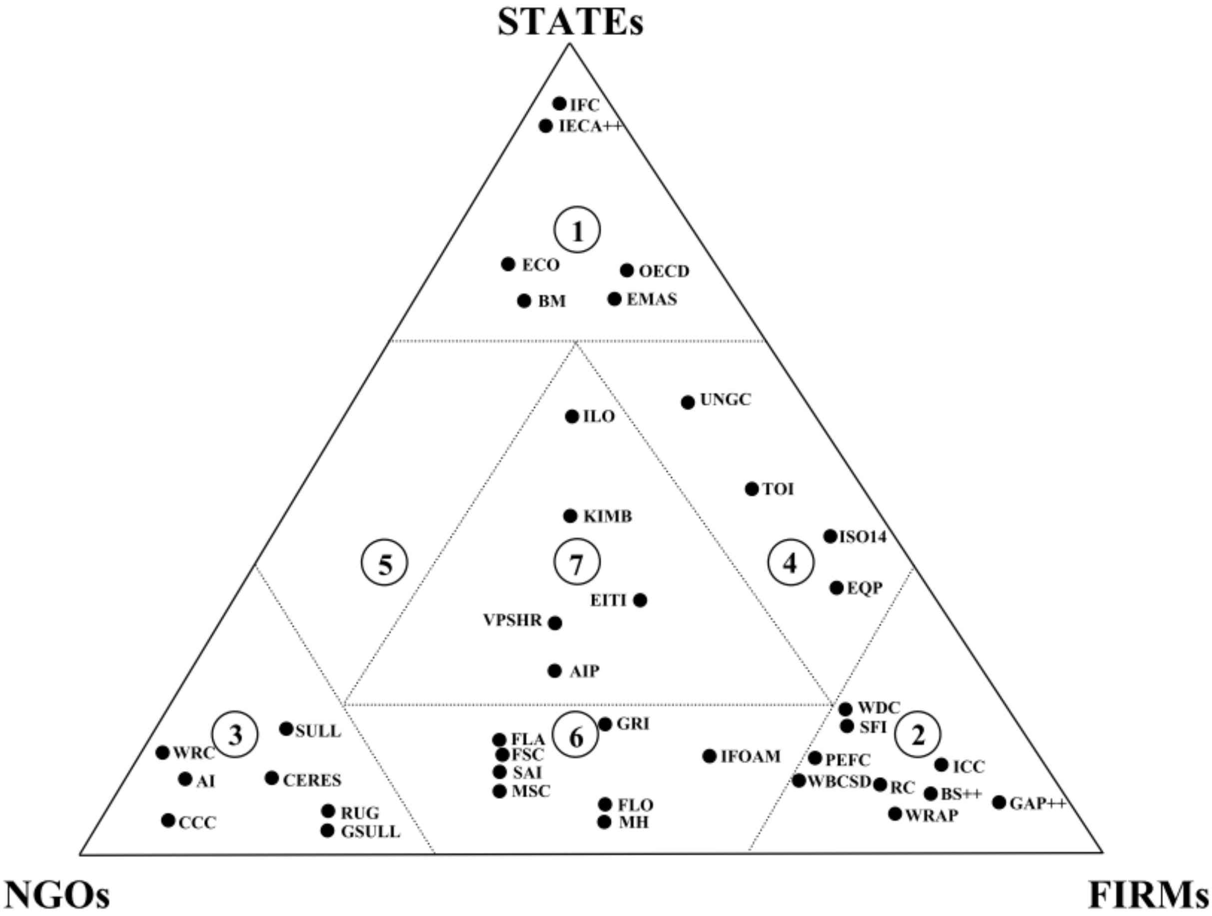
As shown in Figure 1, GPPN work thanks to MNCs, states, activists and NGO groups, gathering their knowledge because of their inner interests in participating in such networks. For MNCs, GPPN may provide a mechanism for dialog lighting the responsibilities they will be expected to fulfill (Detomasi, 2007). Indeed, GPPN have three main functions: to be a forum for dialogues and discussions, to act as a repository of information and to provide mechanism for disputes resolution (Detomasi, 2007). Consequently, GPPN outputs might be: standard settings, enforcement mechanisms and ongoing self-evaluation.

Nowadays what cannot remain unmentioned is an emerging flow of GPPN in the area of CSR. For instance, the Global Reporting Initiative (GRI)[4] itself can be considered the outcome of a GPPN. Indeed, the GRI was and is designed to complement existing financial reporting frameworks with an environmental reporting framework that provides guidance for companies in reporting on the environmental sustainability of its current operations: it was formulated involving the consultation with both industry and government groups (Detomasi, 2007). Detomasi (2007) GPPN as alternate forms of rulemaking is further supported by other researchers such as Levy and Prakash (2003) arguing that "institutions of global governance represent the outcome of a series of negotiations among corporations, states, and non-state actors".

[4] For further information see 'About GRI' on the Global Reporting Initiatives website: https://www.globalreporting.org .

The Abbott and Snidal (2009) Governance Triangle in Figure 2 may provide a systematic depiction of the potential universe and actual variety of GPPN outcomes like the GRI, also referred to as "regulatory standard-setting" (RSS) institutions[5]. Still, MNCs do not always succeed in securing the regimes they desire through GPPN. Negotiations over regime formation among MNCs, governments, and NGOs depend on the relative power of the actors (Levy and Prakash, 2003). As a consequence MNCs also continue with self-regulation.

Figure 2 - *The Governance Triangle*



Source: Abbott and Snidal (2009)

The vertex triangles (zones 1-3) represent situations in which an actor from a single group adopts and implements regulatory standards largely on its own, with only modest participation, if any, from actors of other types: zone 1 includes arrangements by which a state, or a group of states in an Intergovernmental Organization (IGO), sets and applies standards directly to business through national law, IGO rules, soft law or the like; zone 2 includes firm and industry self-regulatory schemes[6]; zone 3

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[5] RSS falls within the definition of "regulation" adopted in the framework chapter – "the organization and control of economic ... and social activities by means of making, implementing, monitoring, and enforcing of rules" (Abbott and Snidal, 2009).

[6] "By now corporate social responsibility (CSR) policies have become standard for (especially large) firms operating internationally" (Abbott and Snidal, 2009).

includes codes promulgated and administered by NGOs and NGO coalitions (Abbott and Snidal, 2009). Zones from 4 to 6 are those indicating RSS made by two different actors sharing responsibilities. Last but not least zone 7 covers institutions designed and conceived by states, FIRMs and NGOs.

Focusing on the FIRMs vertex of the Governance Triangle, what it is worth noticing is that schemes are pretty recent - end of XX century - and include examples of MNCs self-regulations as well as industry standard settings. For instance, the 1994 Sustainable Forestry Initiative and the 2004 World Diamond Council are mentioned (see Figure 3).

Figure 3 - *Zone 2 institutions*

Zone 2	**GAP**	individual labor rights scheme of Gap, Inc. 1992
	BS	The Body Shop's "Trade Not Aid" initiative 1991
	ICC	Int'l Chamber of Commerce Charter for Sustainable Development 1991
	RC	Responsible Care, chemical industry environmental scheme 1987
	WDC	World Diamond Council warranty system for conflict diamonds 2004
	WRAP	Worldwide Responsible Apparel Production, industry labor code 2000
	SFI	Sustainable Forestry Initiative 1994
	PEFC	Programme for the Endorsement of Forest Certification 1999
	WBCSD	World Business Council for Sustainable Development 1992

Source: Abbott and Snidal (2009)

What can be further noticed looking at Figure 2 is that the majority of the international standard setting come from MNCs. Namely, in zone 2 there are 9 cases of regulatory standard setting, whereas in zone 3 there are 7 and in zone 1 only 6. In addition, it is worth highlighting that the basis of the triangle happens to be the more populated by dots - standard settings' cases. This condition shows how the standard setting regulation actually comes from the private sector - networking or self-regulating - or the no-profit one rather than from institutions. Notably, it is here again supported the theory of considering MNCs to be relevant actors within the international system.

Abbott and Snidal (2009), in theorizing the Governance Tringle as a tool to design the potential universe and actual variety of "regulatory standard-setting" (RSS) institutions, dive deep in the RSS analysis investigating the actual role of NGOs, Firms and States in each phase of the RSS process. Namely, they refer to the "regulatory process" as composed by five main tasks: {A}genda-setting, {N}egotiation of standards, {I}mplementation, {M}onitoring and {E}nforcement {A N I M E}. The Agenda-setting refers to the identification of issues to deal with. Negotiation refers to the act of drafting standards. Implementation refers to the application of standards set. Monitoring refers to compliance supervision. Last but not least, Enforcement refers to compliance promotion and non-compliance prosecution.

Moreover, actors may focus on one or more tasks depending on their nature and competencies. Abbott and Snidal (2009) define four essential competencies an actor need to act effectively throughout the regulatory process:

1. independence,
2. representativeness,
3. expertise,
4. operational capacity.

The "perfect state" is that actor owning all the four competencies, besides it is difficult if not impossible for any real actor to provide all the competencies on its own.

Focusing on MNCs, they have strong operational capacity, including ample resources (at least in the case of large, profitable firms), internal authority and access, and managerial systems: these capacities are especially significant for implementation {I}; indeed, only firms possess the competencies to manage this stage directly (Abbott and Snidal, 2009). Firms also possess unparalleled expertise on business, especially their own operations, which is valuable for the design of standards {N} and for implementation {I} and monitoring {M}; however, they lack independence by definition, a weakness especially significant for monitoring {M} (Abbott and Snidal, 2009). This explains why MNCs are claimed to have the capacity of creating RSS institutions and promulgate standards at relatively low cost, although their action are mostly of self-regulation.

1.4 CORPORATE SOCIAL RESPONSIBILITY

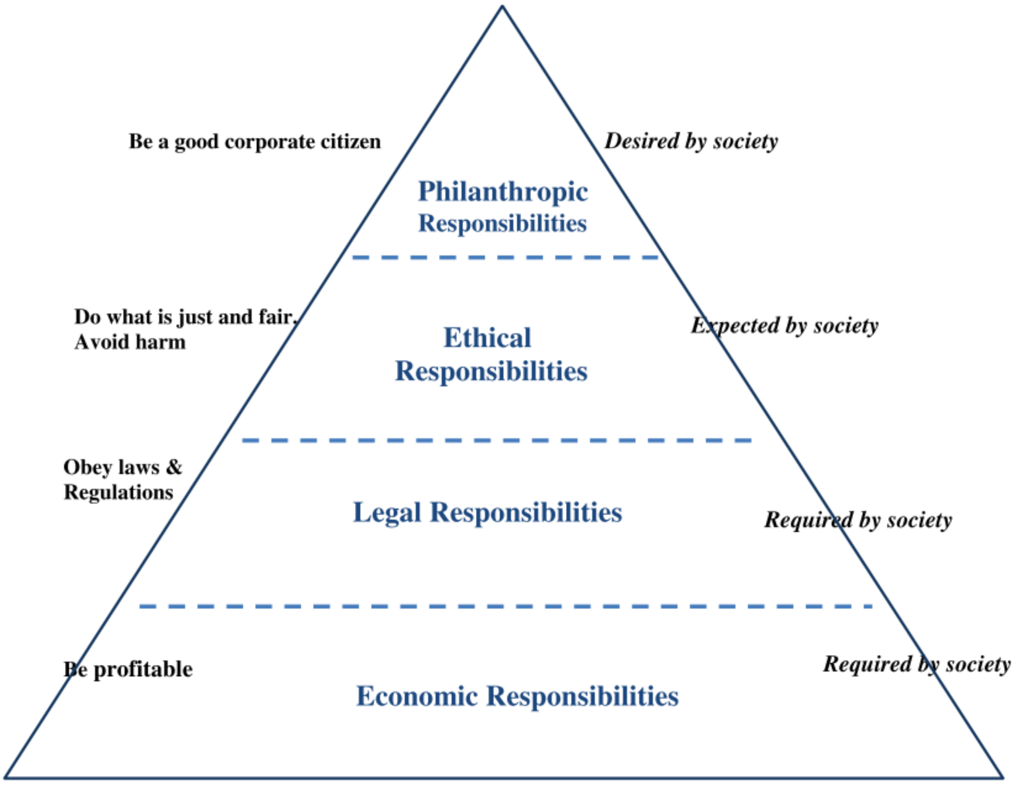
Talking about self-regulation, MNCs may shape world's rulemaking dynamics implementing private rules and standards such as internal policies of CSR (Park and Berger-Walliser, 2015). As a matter of fact, when operating on a global scale, the economic profitability comes along with responsibilities. Corporate Social Responsibility policies refer to MNCs' internal policies of action - those defining the principle and mode of conduct of the business. Globalization and the growth of multinational enterprises (MNEs) have actually been accompanied by an increasing call for corporations to take responsibility for their environmental and social impacts, and for greater corporate disclosure and transparency with regard to nonfinancial risks (Berger-Walliser and Scott, 2018). Notably, Corporate Social Responsibility is defined as the responsibility of enterprises for their impact on society and, therefore, it should be company led: companies can become socially responsible by integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations[7].

[7] See 'Corporate Social Responsibility' on the European Commission website
https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en

As of today, the topic of a “sustainable development” - meaning a development in compliance with the environment, people and human rights - represents a focal point in governmental and international strategies. Companies their selves, in the las few years, have implemented their commitment to sustainable development-related principles, including them in their policies and practices, monitoring and evaluating their compliance to economic, environmental and social criteria. Now, this active engagement of companies has, first of all, been prompted by the market pressure, driven by environmentally and socially conscious consumers who demand sustainable modes of production. Nonetheless, the increasing imposition of respect of environmental and social standards by governments and international institutions is making companies implementing their commitment too. In this context, the interdependence of private and public actors and the civil society, constitutes one of the main prerequisites to guarantee a stable, equitable and inclusive economic growth.

Still, the current belief that corporations have a responsibility towards society is not new: it is possible to trace the business’ concern for society several centuries back (Andrés *et al*., 2019) As confirmed by the article The Social Significance of Business published in 1927 in the Harvard Business Review by the Dean of the Harvard Business School, Wallace B. Donham, discussions on CSR, indeed, started already in the 1920s. Notably, with the growth of business during World War II and the 1940’s, companies begun to be seen as institutions with social responsibilities and a broader discussion of these responsibilities began taking place (Andrés *et al*., 2019). Anyway it was not until the ‘50s that these responsibilities stated to be given a definition. With the rise of American large corporations, the strong influence of companies over people’s lives and the environment became particularly evident. Therefore, pushed by the evolving social context in which people increasingly raised their voices, MNCs slowly stated focusing on their social responsibilities. Moreover, it became more and more evident the governance challenge that negative externalities resulting from cross-border commerce in areas as diverse as environmental degradation, international human rights, labor, anticorruption, and migration pose to the markets and states in which MNCs operate (Park and Berger-Walliser, 2015). So it was that MNCs approached the so called Corporate Social Responsibility, responding to desires of the new modern society and because of practical market necessities. In the 1980s, researchers were particularly concerned on the necessary relationship between CSR and profitability, and between Corporate Social Performance and Corporate Financial Performance. On a similar line of thought, Archie B. Carroll published a four-part definition of CSR in 1979 which was further expanded by using the graphical representation of a pyramid in 1991.

Figure 4 - *Carroll's CSR Pyramid*

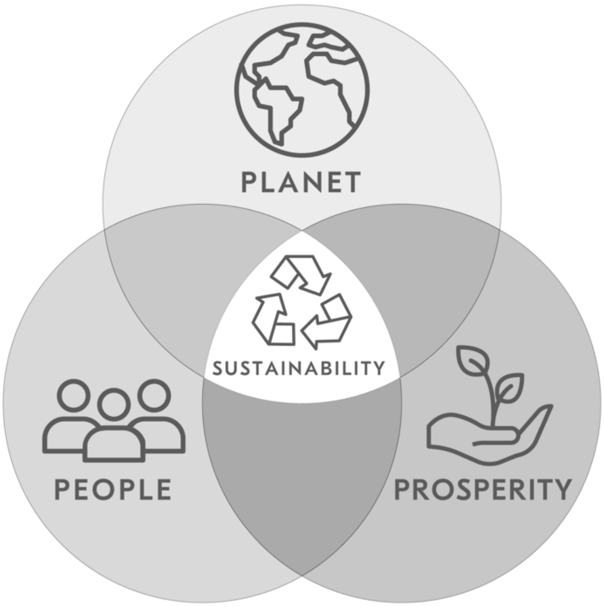


Source: Carroll (2016)

According to Carroll's *CSR Pyramid* (Figure 4), summarizing the essential roles played and expected by companies in society, CSR is composed of four main responsibilities (Carroll, 2016). The base of the pyramid is constituted by the economic responsibility of business, upon which all others rest. Thus, the first responsibility is centered on the ultimate need of long-term profitability and return on investment (ROI) for shareholders, representing the basic requirements of the competitive business world. The legal responsibility entails that every business, in order to carry out its economic activities, needs to comply with a given framework of laws and regulations (i.e. Employment Law; Investment Law; Health & Safety). The third dimension examined by Carroll is ethical responsibility. This concept expands from the prerequisite of profitability and legal requirements, including standards, activities, policies and practices that are not codified by law, but reflect society's expectations. In the context of institutional legitimacy, ethics is an informal institution which, together with other institutional forces, shapes firms' strategies. Finally, strictly correlated with the ethical dimension, the philanthropic responsibility refers to the act of giving back to society, namely by improving the quality of life, and thus including all forms of voluntary business giving. Accordingly, companies should simultaneously be economically efficient, protect the environment and positively impact society.

During the 1990's, also significant international events[8] happened, influencing the international perspective towards social responsibility and sustainable development, so that CSR eventually gained international appeal (Andrés *et al*., 2019). As Carrol (2009) explained, by then, issues embraced as important included business practices with respect to environmental pollution, employment discrimination, consumer abuses, employee health and safety, quality of work life, deterioration of urban life, and questionable/abusiveness practices of multinational corporations. Even though the concept of CSR did not evolved that much, relevant contributions continued to spread[9]. For instance, in 1994 the term *Triple Bottom Line* was coined by the British economist John Elkington referring to a model to measure the sustainability of a corporate. The *Triple Bottom Line* consisted in the drafting of reports filled with relevant data in terms of People, Profit, Planet (*3P*). A company is sustainable when minimizing its negative impacts and maximizing its positive impacts on all three Ps (see Figure 5) (Kraaijenbrink, 2019).

Figure 5 - *Triple Bottom Line: People, Profit, Planet*



Source: Elkington (2018)

[8] The most relevant include: the creation of the European Environment Agency (1990), the UN summit on the Environment and Development held in Rio de Janeiro which led to the Rio Declaration on Environment and Development, the adoption of Agenda 21 and the United Nations Framework Convention on Climate Change (UNFCCC) (1992), and the adoption of the Kyoto Protocol (1997).

[9] See Donna J. Wood's Corporate Social Performance (CSP) (1991) and Burke and Logsdon (1996)'s five dimensions of strategic CSR, (Carrol 2009).

John Elkington's *3P* has been a relevant contribution as Carrol's. Indeed, in the early 2000s, the European Commission, promoted Elkington's idea and urged large listed companies to publish annual "Triple Bottom Line Reporting" every year to inform shareholders and stakeholders about initiatives and data relating to the organization under the three headings of profit, planet and people[10]. Elkington's *3P* may be considered a sort of ESG predecessors[11].

Since the Paris Agreement and the adoption of the Sustainable Development Goal (SDGs) (2015)[12], the literature around CSR has focused on its implementation and its impact on specific areas of performance which can be linked to a certain extent to the SDGs while the understanding of CSR has remained centered on its potential to generate shared value (Andrés *et al.*, 2019).

As of today, Carroll's pyramid continues to be relevant by providing for a conceptual framework for modern companies to develop their sustainability-oriented strategy in a balanced and all-encompassing way. What is evident is that in the 21st century, where environmental and social concerns are giving way to a change of paradigm for economic growth, Milton Friedman's idea of profit as the sole responsibility of companies is no longer viable (Mulligan, 1986). At the same time, the business sector is broadly aware of the benefits in terms of efficiency and reputation derived by the endorsement of sustainable and responsible strategies. Indeed, it is now common for companies to include CSR and sustainability concerns in their strategies, organizational structures and reporting activities, as long as it continues to add value to corporate success (Carroll, 2009). A research conducted by Wang (2017) has even shown that seven corporate governance and business characteristics[13], among which the firm growth, are positively related to the disclosure of sustainability reporting.

From the foregoing discussion, the application of CSR by corporations have taken four motives (instrumental, contingent, legitimacy and political): the scope of involvement in socio-economic wellness of the society by corporations determines which motive to be given preference (Adelopo, Yekini and Raimi, 2017). With regards to the practical application of a political CSR, Adelopo, Yekini and Raimi (2017) argue that "corporations become politicized in two ways: they operate with an enlarged understanding of responsibility; and help to solve political problems in cooperation with state actors and civil society actors". On the other side, public authorities do play a supporting role in CSR through voluntary policy measures and, where necessary, complementary regulation[14]. Under complex

[10] See Communication No. 347 of 2 July 2002.

[11] For further information see Napoletano and Curry (2021).

[12] For further information visit the UN Department of Economic and Social Affairs - Sustainable Development website: https://sdgs.un.org .

[13] The size of the board of directors, ratio of independent directors, audit committee, ratio of export income, percentage of foreign shareholders' holdings, fixed asset staleness, and firm growth (Wang, 2017).

[14] See 'Corporate social responsibility & Responsible business conduct' on the European Commission website: https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en .

interdependence, states become more preoccupied with the ‘low politics’ of welfare and less concerned with the ‘high politics’ of national security (Jackson, Sørensen and Møller, 2018c).

Still, CSR is far away from compulsory. As a matter of fact, the extent to which state authorities can regulate the externalities and the behavior of multinational corporations (MNCs) is limited especially when MNCs operate in or do business with fragile states that lack the willingness and/or resources to effectively and legitimately regulate businesses (Schneider and Scherer, 2019). For this reason, MNCs eventually find their selves in creating their own rules where authorities lack of intervention. Nonetheless, MNCs do not always succeed in securing the regimes they desire through GPPN. Negotiations over regime formation among MNCs, governments, and NGOs depend on the relative power of the actors (Levy and Prakash, 2003). This is another reason why MNCs continue with self-regulation. Although globalization has increased the economic power of the MNCs engendering calls for greater Corporate Social Responsibility from these companies, the current mechanisms of global governance are inadequate to codify and enforce recognized CSR standards (Detomasi, 2007). The reason of this gap can be find in the fast proceeding of economic globalization and regional integration that processes of global governance lack to pace with: “the power of the nation states has been reduced or reconfigured without a corresponding development of international institutional co-operation” (Stone, 2008). Because of a lack of enforcement and standardization MNCs may lack legitimacy and credibility in the eyes of the public – and certainly those of activists – even if they are sincere about self-regulation. This may be a an odd or an advantage. Indeed the fact that here is no international code for CSR’s shaping, monitoring and enforcing gives MNCs the power to shape their industry reporting if effective policies and methodology are developed. Indeed, in addition to collaborative standard settings such as 1994 Sustainable Forestry Initiative and the 2004 World Diamond Council, in the Governance Triangle are also mentioned self-standard setting situations like the Gap and Body Shop (BS) ones (see Figure 3). Notably, it happened that right after the Body Shop’s “Trade not Aid” initiative, Gap Inc. began addressing conditions in third-party garment manufacturers in 1992, with the development of the first set of labor, health and safety standards for manufacturers. This demonstrates how MNCs can influence each other simply through GPPN that does not even imply the states’ intervention.

As of today, the crucial challenge in the near term is to push the study of global governance beyond the notion of “add actors and processes into the international organization mix and stir”(Weiss and Wilkinson, 2014). As a matter of fact, the promotion of balanced and inclusive economic growth, social development and environment protection requires strengthened collective action including through international cooperation and a strengthened institutional framework[15]. Environmental degradation, in particular, poses one of the most pressing and urgent problems in global governance: its regulation has

[15] See ‘TST Issue Brief: Global Governance’ on UN website:
https://sustainabledevelopment.un.org/content/documents/2429TST%20Issues%20Brief_Global%20Governance_FINAL.pdf

proven to be uniquely vexing (Park and Berger-Walliser, 2015). It is here worth noticing how it has been demonstrated how the MNCs knowledge can lead to important GPPN on valuable issues such a the sustainable development. Despite emerging GPPN in the CSR area, important MNCs are still releasing sustainable reports built on their own criteria that may be useful or not.

Since the topic of a “sustainable development” represents a focal point in governmental and international strategies, the study will provide a climate change definition and continues trying to identify the global environmental governance framework focusing on fashion MNCs - since the fashion industry represents one of most pollution ones.

CHAPTER 2 – CLIMATE CHANGE AND FASHION LUXURY MNCs

As previously mentioned, nowadays, the topic of a “sustainable development” - meaning a development in compliance with the environment, people and human rights - represents a focal point in governmental and international strategies. Companies their-selves, in the last few years, have implemented their commitment to sustainable development-related principles, including them in their policies and practices, monitoring and evaluating their compliance to economic, environmental and social criteria. This been said, this Chapter focuses on the positioning of the fashion industry in the global fight against climate change. As a matter of fact, considering climate change means alteration of temperature and weather caused by the intensive GHG effect fostered by human activities, the fashion industry is reported to be the second largest polluter in the world, just after the oil industry (Charpail, 2017). Consequently, it is worth evaluating the environmental impact along the fashion garment pipeline as well as the global governance frameworks fashion MNCs operate in.

2.1 CLIMATE CHANGE

Climate change is defined as the long-term alteration of temperature and weather patterns in a place: specifically, it often refers to the rise in global temperatures happened from the mid-20th century to present[16]. As a matter of fact, today’s global temperature has warmed by more than 1°C compared to the 20th century average. This increase started around 1940 and is still going on today[17]. Global warming consequences have been the melting of glaciers and the related sea level rise, as well as the distortion of seasonal transitions. Furthermore, typical weather patterns have also changed. Indeed, nowadays, hurricanes, floods, downpour and winter storms have actually become more frequent, intense and unpredictable.

Today’s climate change main cause is human activity. Namely, the above-mentioned alteration of temperature and typical weather patterns are caused by heavy Green House Gas (GHG) emissions coming from intensive agriculture, the use of fluorinated gases and the burning of fossil fuels paired with deforestation. GHGs their-selves, once in the Earth’s atmosphere, act like the glass in a greenhouse: they trap the sun's heat and stop it from leaking back into space, causing global warming – *greenhouse effect*[18]. Nevertheless, the human burning of coal, crude oil or petroleum and gas, livestock farming, the use of fertilizers and the reduction of forest lands multiply the amount of GHGs naturally present within the atmosphere, fostering the global warming. As a matter of fact, burning fossil fuels, implying fluorinated gas, rising livestock and intensively cultivating means producing large quantity of GHGs such as carbon

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[16] See ‘Climate Change’ on the National Geographic website: https://www.nationalgeographic.org/encyclopedia/climate-change/.

[17] See ‘Global Surface Temperatures’ on the *U.S. Global Change Research Program* website: https://www.globalchange.gov/browse/indicators/global-surface-temperatures.

[18] See ‘Causes of Climate Change’ on the European Commission website: https://ec.europa.eu/clima/change/causes_en.

dioxide, nitrous oxide and methane. The only natural resource able to contrast GHGs' spread has always been plants. Although, due to industrialization and capitalistic production, there are no longer enough trees or similar to contrast GHGs. The human activity of deforestation over the last century has drastically reduced the number of plants. The planet's natural capacity of CO2 storage has lowered, enabling heavy GHGs' concentration in the atmosphere.

As seen, climate change means alteration of temperature and weather, it is caused by the intensive GHG effect fostered by human activities and does not imply any pleasant consequence. When occurring naturally, global warming is a slow process that has taken place over thousands of years, but the human influenced climate change that is happening now is actually occurring at a much faster rate having enormous disadvantages[19]. The life on the planet has already been hampered by the rise in global temperature and will continue to get worse as it becomes warmer. As of today, climate change has led to irreversible natural changes so that reaching 2°C above the 20th century temperature average will be a catastrophe. Unpredictable intense weather events, variable climates that affect food and water supplies, new patterns of infectious disease outbreaks, and emerging diseases linked to ecosystem changes, are all associated with global warming and pose health risks, indeed, as stated by Huntjens and Nachbar (2015): "the ramifications of not responding adequately to climate change are far greater than any earlier threat to humanity in recent history".

As Michaelsen (2020) claims, climate change constitutes the "ultimate security issue of our times". Yet the range of voices articulating the need to conceive and approach climate change as a security issue are different, and so too is the range of ways in which the link has been conceptualized (McDonald, 2013). Climate change may actually be considered a threat to various types of security, from national to human, international and ecological. Nonetheless, despite the type of security threat that may arise, climate change always has a role in it.

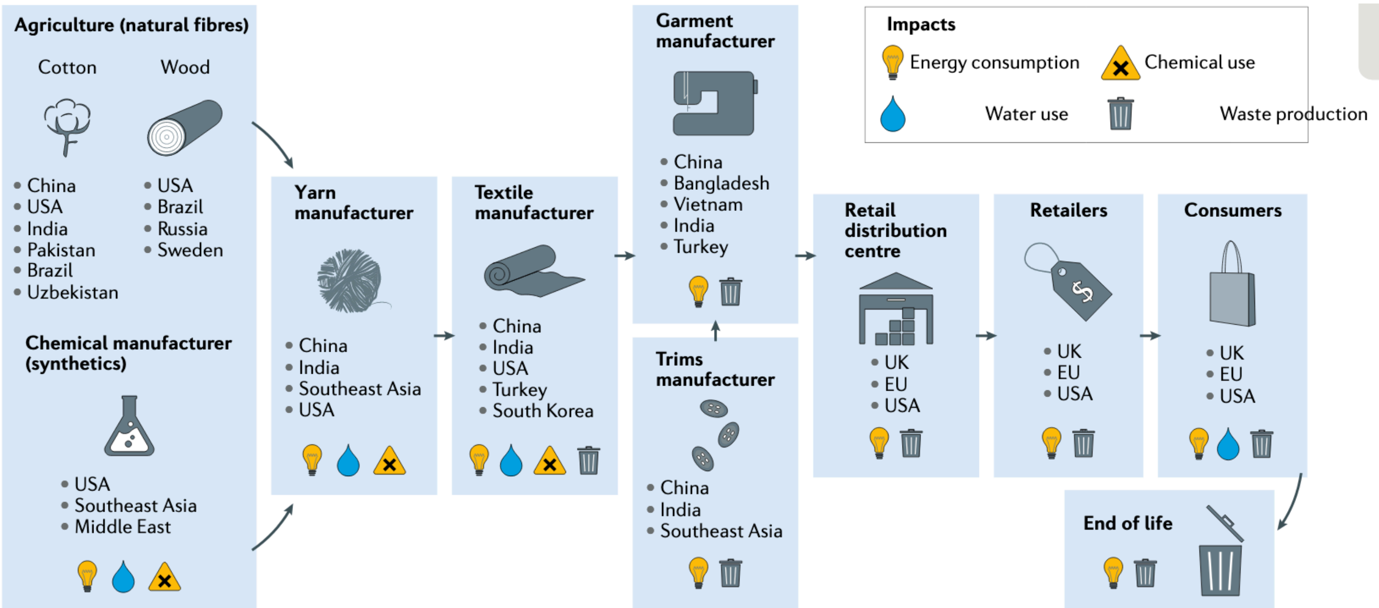
To preserve populated territories, to avoid civil and international conflicts, to maintain the natural equilibrium of the planet and to protect human welfare, the latest GHG heavy effects have to be globally stopped. Within this context, it has to be noticed that the fashion industry is one of the most polluting industries in the world contributing to climate change.

[19] See 'Climate Change' on the National Geographic website: https://www.nationalgeographic.org/encyclopedia/climate-change/.

2.2 FASHION ENVIRONMENTAL SUSTAINABILITY

The Intergovernmental Panel on Climate Change (IPCC) [20] has calculated the fashion industry produces 10% of global carbon dioxide emissions a year (Davis, 2020). As seen, climate change means alteration of temperature and weather, it is caused by the intensive GHG effect fostered by human activities. This been said, indeed, the fashion pipeline consists in a series of activities fostering the GHG effect. Specifically, the fashion industry implies high levels of energy consumption, waste production, and chemical leading to a large quantity of GHGs' emissions. In addition, the water consumption in clothing production is consistent so that the industry also plays a role in the reduction of resources - such as water.

Figure 6 - *Fashion garment supply chain.*



Source: Niinimäki *et al.* (2020)

Figure 6 clearly shows the key stages of the fashion garment supply chain specifying the geographic location and broad-scale environmental impacts (energy use, waste production, chemical use and water use) for each stage of the process (Niinimäki *et al.*, 2020):

- **energy** has a key role along all the pipeline since it allows garments manufacturing and distribution;
- **chemicals** are used along the manufacturing stages to process fibers.
- **waste** is produced from textile manufacturers to the end of the pipeline - textiles factories produce untreated toxic wastewaters dumped directly into rivers and textile waste, washing at home synthetic garment, such nylon or polyester, generates waste since these garments

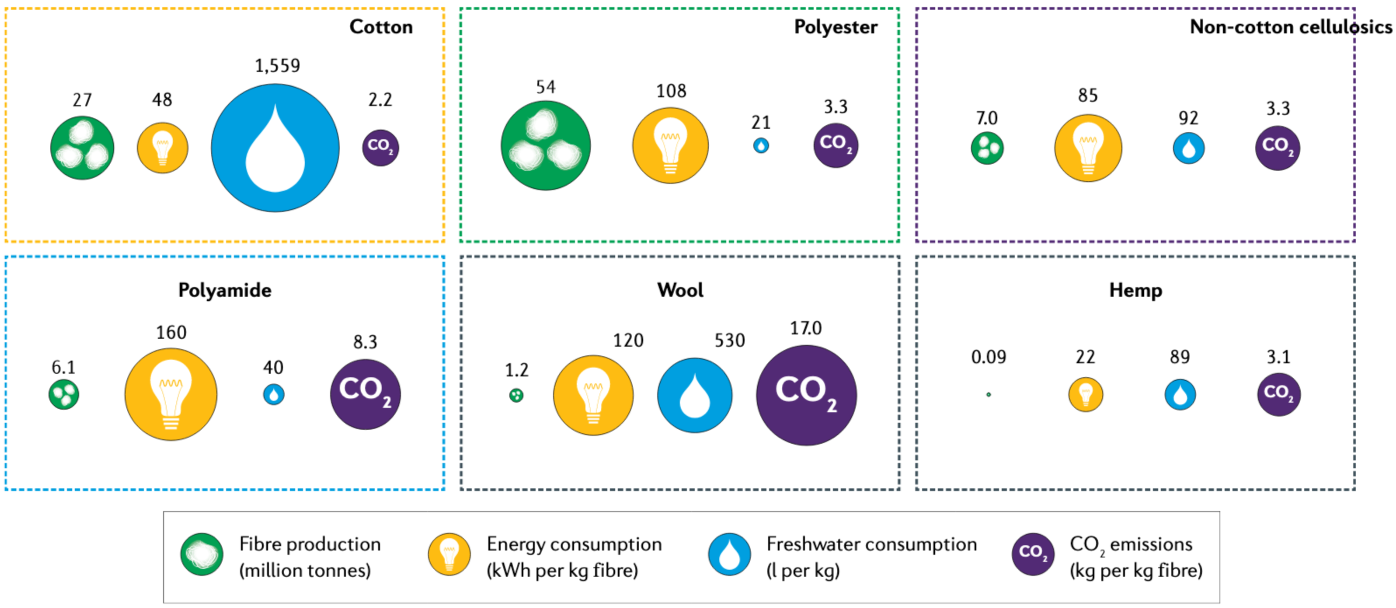
[20] The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change, for further information visit the IPCC website: https://www.ipcc.ch.

release microfibers into the water when washed damaging oceans, a family in the western world throws away an average of 30 kg of clothing each year (Charpail, 2017);

- for what concerns **water consumption**: the fashion industry is estimated to use around 1.5 trillion liters of water annually (Davis, 2020) - it takes 2700 liters of water to make 1 t-shirt.

In addition, due to overgrazing of pastures through cashmere goats and sheep raised for wool, massive use of chemicals to grow cotton, deforestation caused by wood-based fibers like rayon, fashion contributes to **soil degradation**, lowering natural capacity of CO_2 storage and enabling heavy GHGs' concentration in the atmosphere (Charpail, 2017). Furthermore, as it emerges the environmental impact of production varies between fiber types (see Figure 7). — natural fibers (cotton, non-cotton cellulosic, wool and hemp) require less energy but more water during production than synthetics (polyester and polyamide) (Niinimäki *et al.*, 2020).

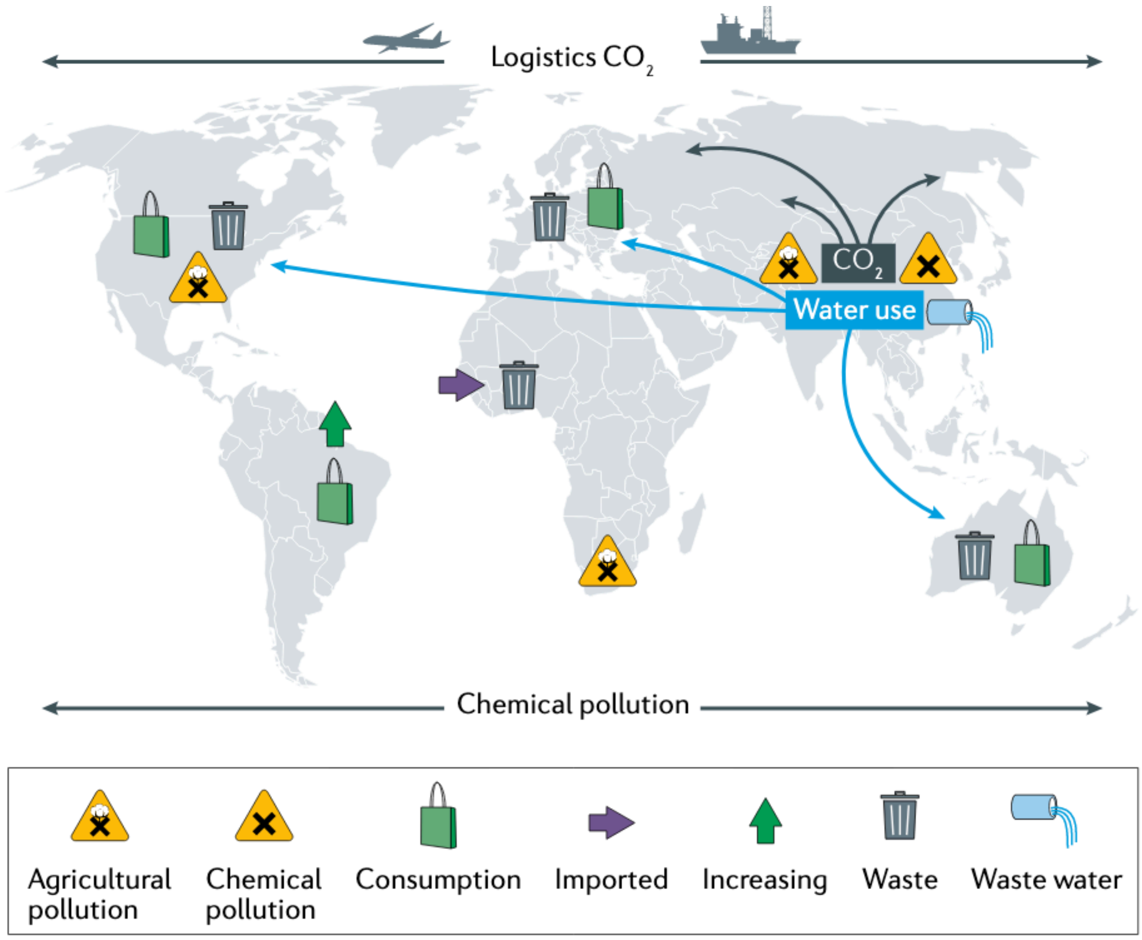
Figure 7 - *Fibers' environmental impact*



Source: Niinimäki et al. (2020)

For what concerns the supply chain distribution, Figure 8 shows how much of the initial fiber production and garment manufacturing occurring in developing countries such as China, while consumption typically occurs in developed countries such as North America and Europe (Niinimäki *et al.*, 2020).

Figure 8 - *Critical points in textile and fashion production.*



Source: Niinimäki *et al.* (2020)

2.2.1 FAST FASHION

The rising environmental impact of the fashion industry can mainly be attributed to the substantial increase in clothing consumption and, therefore, textile production - Niinimäki *et al.* (2020) report global per-capita textile production has increased from 5.9 kg to 13 kg per year over the period 1975–2018. This fashion relying on frequent consumption, cheap manufacturing, and short-lived garment use is called fast fashion (Niinimäki *et al.*, 2020). Fast fashion is clearly the main big issue in sustainability. Even if they are trying to be perceived as sustainable, fast fashion and sustainability are just opposites - speed and continuous change vs slow and conscious choice.

Fast fashion was born in the 1980s and exploded in 2000 when fashion companies started to produce more and more collections per year at bargain prices: they shifted from 2 collections per year (Spring/Summer, Autumn/Winter) to 52. Earnest Elmo Calkins, an early innovator and one of the pioneers of modern advertising[21], theorized that there are two kinds of products: those that you use and those that you use up, consumerism is about treating things that consumers use as things they consume and so fast fashion does for clothes (Shambu, 2019).

Fast fashion is clearly a clue issue in sustainability since it triggers a vicious circle that is extremely harmful to planet and humans. The low cost of a garment is the result of various unsustainable and highly impactful choices, such as the decision to outsource labour only to companies in developing countries where the minimum rights of workers are not recognized and there are no rules governing environmental protection. The low cost of a garment always conceals a high social and environmental cost. The business model of fast fashion encourages an over-consumption of clothes and generates so much constant waste that it is almost impossible to dispose of it. The low cost of the product means that consumers are always buying more than they really need. The sense of the value and affection of a garment has practically vanished by virtue of the possibility of constantly buying other garments, apparently more necessary than the previous ones. The direct consequence is that consumers are willing to change their wardrobe continuously, following the trends chosen by big fashion companies, social channels of influencers and magazines. The proliferation of online shopping and the possibility of returns has turned clothes shopping into a simple, instant and borderless activity. The continuous offer of sales and private discounts makes the purchase more and more attractive and accessible, preventing any reflection on the actual need for the product.

The current fashion business logic is clearly heading towards unsustainable development and a change is needed involving all stakeholders asking the textile industry to invest in clean technology, fashion businesses to construct new business models, consumers to change their consumption habits and policymaker to modify legislation and global business rules (Niinimäki *et al.*, 2020).

2.2.2 LUXURY FASHION

Despite fast fashion's scale and massive distribution network allows for more consumer education on customer materials, the luxury world is the closer one to sustainability transition. If fashion is forward looking, luxury fashion is timeless (covering a few or even one market segment). Luxury fashion products entail a projecting status which is still the main driver in emerging markets, while in more sophisticated markets the driver is expressing oneself, being and enjoying and less about owning and displaying, more about supporting the individual image rather than a social image. Notably, luxury fashion companies are defined by the following features:

[21]For further information visit 'Earnest Elmo Calkins' on Wikipedia: https://en.wikipedia.org/wiki/Earnest_Elmo_Calkins.

- local production;
- advertisement to tell not to sell - advertising is not about the product but about the lifestyle;
- communication to non- targets
- full control on the pipeline;
- strategy of quality over quantity maintaining scarcity;
- full control of the distribution;
- no licenses issuing;
- increasing average prices - never go down;
- one to-one relationship with clients - the more a strong relationship with your customer is maintained, the more value is created.

This been said, sustainability can be considered a luxury. Indeed:

- it implies attention to the full pipeline an clients;
- its innovative materials need consistent resources;
- its prices never go down since they always have to cover fair wages,
- its aim is to tell not to sell.

In addition, an important characteristic of luxury brands is their long-term vision. In fact, it generally takes time for a brand to be conceived, to build its story, to become successful and to increase its value and reputation among customers. With this long-term vision, CSR practices are more likely to be adopted in luxury fashion compared to all those actions that are imposed in the short term. Implementing a strategy of social and environmental responsibility also enhances the value of the brand and makes it more successful through its reputation and consumer trust. In this context, the materials used during the manufacturing process of a luxury good must be carefully subjected to a procedure, so that they are not polluted by chemicals and are more keen to sustainability compliance. Luxury clients may no longer pay only for the uniqueness of the product, but also for its sustainable characteristics. For this very reason, luxury companies should embrace this strategy and make it their own.

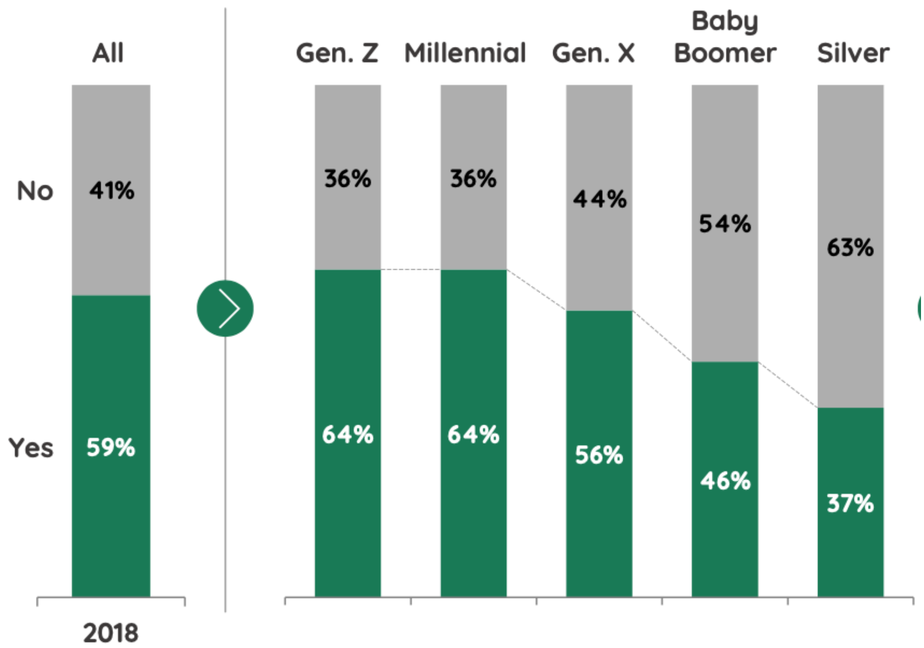
Nonetheless, the company size plays a role of no doubt importance and can influence the choice of a possible implementation of CSR. Incentives for the adoption of an environmentally - and socially - responsible strategy are not equally spread among companies of different sizes: very often smaller companies are prevented from proceeding with a better implementation of CSR. On the other side, some luxury MNCs, despite adopting CSR, despite being interested in the implementation of ethical principles, do not inform their clients about these aspects or do not provide adequate transparency to let them know all the data obtained. One explanation for this may be that companies may also pursue sustainable principles, but not completely in accordance with the CSR approach. Another explanation may be that some brands have already adopted CSR programs that they are pursuing and improving over time or other emerging brands are working to adopt the CSR approach, starting from scratch, by implementing it to their strategy.

With its wider diffusion, all actors are raising awareness: starting from consumers, to companies, to investors, involving the whole sector and having positive effects for it. In general, it is important for luxury companies to adopt such a strategy, as it is in accordance with the long-term vision of the brand strategy, for the unique quality it provides to the good making it unique and for the success the brand achieves thanks to the consumers' trust. In fact, CSR is identified as an add-on to the luxury product by trying to create goods of surprising excellence, in addition to the experience provided to the customer.

2.2.3 LUXURY CONSUMPTION TRENDS

One of the reasons CSR commitment is identified as an add-on to the luxury product it strictly linked to consumption trends' evolution. Data provided by the 2019 Boston Consulting Group analysis in collaboration with the Altagamma Foundation shows how especially luxury clients are influenced in their purchasing decisions by morality, thus, nowadays, by the fact of making a good action for the planet[22]. As shown in Figure 9, the increasing spread of a climate change contiguousness among the population - especially among those who have easy information access through the internet - has resulted in a great influence on younger generations - Gen. Z and Millennial.

Figure 9 - *Does the Sustainability topic influence your purchasing behavior?*

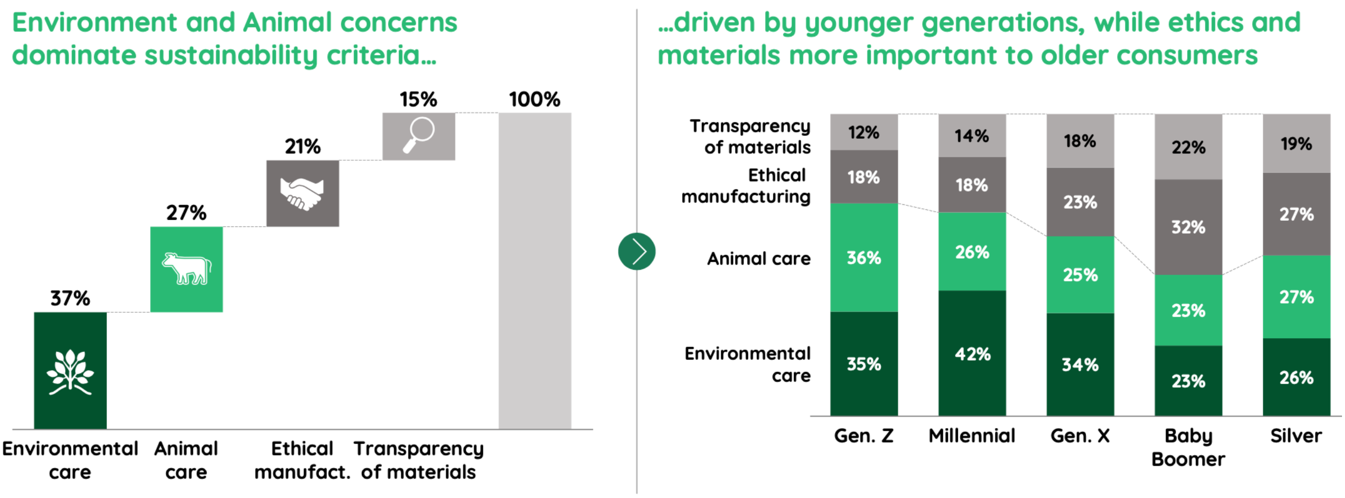


Source: True-Luxury Global Consumer Insight (2019)

[22] See True-Luxury Global Consumer Insight (2019).

In addition, it is worth noticing that the younger generation are more sensitive to issues related not solely to the environment even if it remains the principal topic (See Figure 10).

Figure 10 - *Which sustainability criteria do you value when it comes to purchasing luxury goods?*



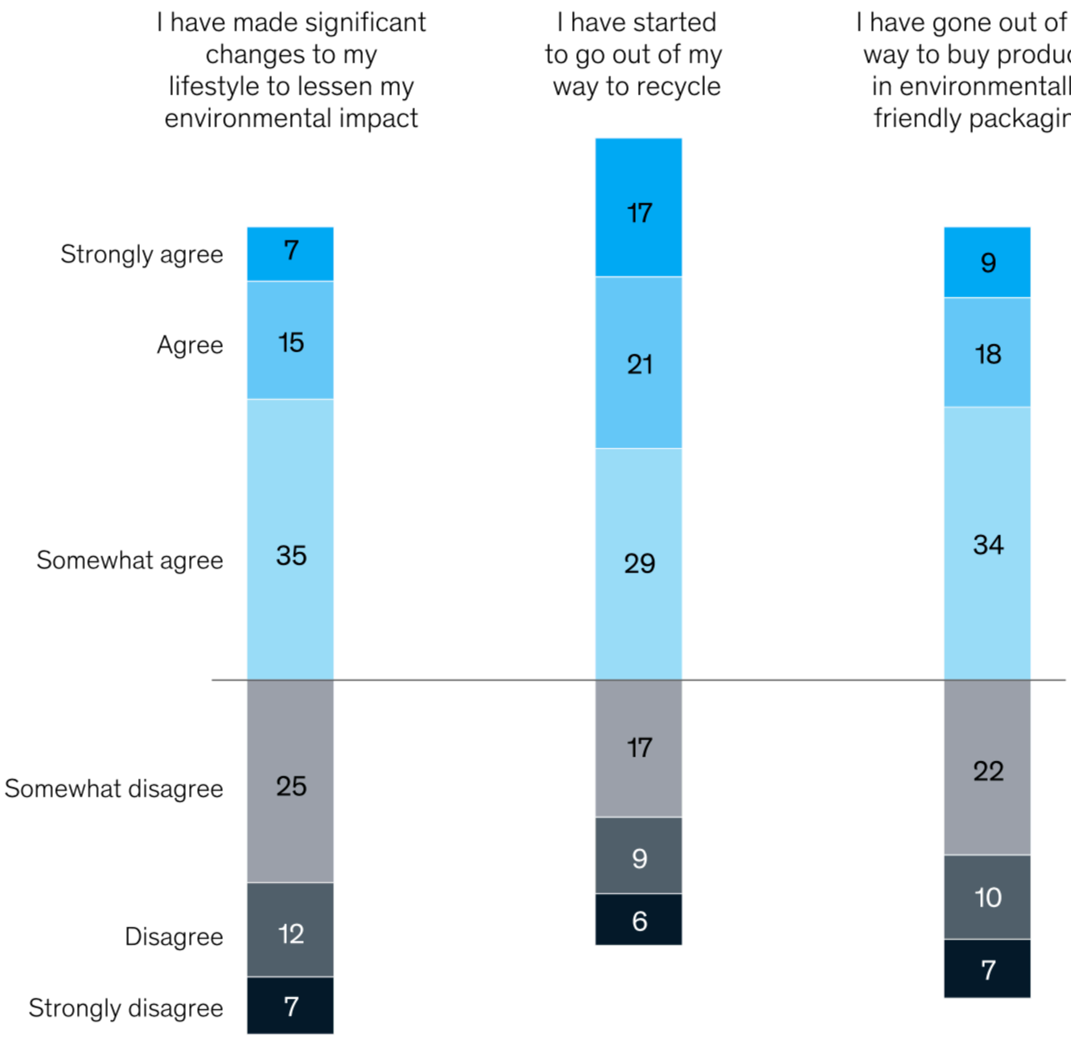
Source: True-Luxury Global Consumer Insight (2019)

Supporting the trend of consumers increasingly concerned about and sensitive to environmental and social responsibility in the luxury industry, and particularly in the fashion sector, other reports have also been released[23]. For instance, BCG and Altagamma latest studies report how the Covid-19 pandemic has accelerated sustainability trends: "Sustainability is influencing consumers now more than ever, with more than half of True Luxury respondents saying that it will be more likely to have an impact on their purchasing behavior than before the crisis"[24]. Furthermore, the McKinsey 2020 survey across more than 2000 UK and German consumer supports this change of trends demonstrating how 57 % of the people surveyed have made significant changes to their lifestyles to lessen their environmental impact, and more than 60 %report going out of their way to recycle and purchase products in environmentally friendly packaging, during the Covid-19 pandemic (see Figure 11)[25].

[23] See Global Fashion Agenda *et al*. (2019).
[24] See BCG (2020).

[25] See Granskog et al. (2020).

Figure 11 - *Change in consumers' behavior during Covid-19*



Source: Granskog et al. (2020).

2.3 GREENWASHING ALERT

A huge fashion sustainability concern is that of the conflict between communicating and acting sustainable. As explained, CSR is more relevant in the luxury sector than any business would expect. Luxury consumers are satisfied with the recent social and environmental initiatives undertaken by many luxury brands, even implementing it into their strategy. CSR is being adopted for different reasons: to raise the awareness of the CEO, to meet customer demand or to use it as a marketing tool by adopting a strategy whereby increases in economic and monetary terms are achieved by deceiving the customer. At this point, it is important to clarify how the execution of a sustainable project is very often proposed by the CEO without the necessary legal pressure or imposition. The choice of sustainability as marketing strategy has been made possible thanks to the resounding success of social media and their assiduous use by the majority of consumers, especially millennials, who are the most sensitive to this entrepreneurial aspect. Conversely, these very marketing strategies can happen to be adopted by companies only with the intent of deceiving consumers in their commitment to 'socially responsible principles' and gaining competitive advantages for the company, but without any practical outcome.

The spread of this very marketing phenomenon due to strategic games has increased the spread of skeptical consumer sentiment for all those companies that profess to be environmentally friendly and socially responsible. Consumers, very often and unfortunately, are unable to distinguish between honest companies and those that behave hypocritically. These latter claim to be CSR but their ultimate goal is to dissuade stakeholders and public thinking from the real negative effects realized by their business, by pursuing initiatives that promote themselves through positive externalities. This peculiar case is better known as *social-washing*, of which the most widespread kind is known to as 'greenwashing', the dark side of sustainability. The term 'greenwashing' originated in the United States, around the 1990s, through the unification of two terms: *green* (green, an adjective associated with a valence of environmentalist), and *whitewashing* (figuratively speaking, it means actions taken to hide).

Although greenwashing has been around for many years, its use has escalated sharply in recent years as companies have strived to meet escalating consumer demand for greener products and services (Dahl, 2010). A number of companies claiming to develop and promote projects aimed at both social and environmental responsibility have been unmasked, leading to a number of unpleasant cases of high environmental risk or damage to the ecosystem. Published today on June 30th 2021 by the Changing Markets Foundation, the ‘Synthetics Anonymous’ report assesses the sustainability of fashion brands such as Asos, Boohoo, Forever 21, George at Asda, Gucci, H&M, Louis Vuitton, Marks & Spencer (M&S), Uniqlo, Walmart, Zalando and Zara[26]. Using the UK Competition and Markets Authority’s new guidelines on green claims, the report found that, of the 39% of products accompanied by a sustainability claim, a shocking 59% flouted green-claims guidelines in some way[27].

2.4 GLOBAL ENVIRONMENTAL GOVERNANCE FRAMEWORK

Many steps forward have been made towards the creation of an effective global governance system for addressing environmental and climate change-related challenges toward a sustainable change. The aim of global action is that of preserving populated territories, to avoid civil and international conflicts, to maintain the natural equilibrium of the planet and to protect human welfare. On one side, over the last fifty years, international law and policy on environmental protection have evolved through several main phases: from the creation of the United Nations Environment Program (UNEP) in 1972 to the latest Paris Agreement and the United Nations 2030 Agenda for Sustainable Development in 2015 (Francioni and

[26] See George (2021).

[27] See Changing Markets Foundation (2021).

Bakker, 2016). On the other side, states, NGOs and MNCs have worked towards a sustainable development on their own.

Focusing on the fashion industry, many states have developed new standard setting regulations. To cite an example, the European Union has promoted the REACH regulation in 2007 impacting the fashion pipeline. REACH establishes procedures for collecting and assessing information on the properties and hazards of substances: companies need to register their substances and to do this they need to work together with other companies who are registering the same substance[28]. Since production is increasingly outsourced, producing lists of chemicals that can or cannot be used in the production process, solves many control issues.

Also NGOs have worked hard trying to hamper harmful activities for the planet. For instance, a key campaign has been the #30 wears challenge, started by Livia Firth, founder of Eco-Age, one of the major sustainability fashion consultancies[29]. The aim of the campaign was to to encourage shoppers to buy less fast fashion and more slow, quality pieces that they will wear over and over again[30]

Nonetheless, since international relations are made by a plenty of interconnected actors - states, individuals, groups, IOs, NGOs as well as MNCs - after a careful review of the international law and policy on environmental protection evolution of the latest years, also MNCs' actions towards a sustainable development standard setting will be discussed.

2.4.1 UNITED NATIONS ADRESSING CLIMATE CHANGE

Without any doubt climate change represents a global issue and this way it needs to be globally addressed by an international organization. In this regard, United Nations (UN) represents that institution able to lead a collective response to climate change as a threat to security. However, questions arise as to whether and to what extent collective security mechanisms should be applied to fight climate change, going well behind simple Conferences and Agendas. Notably, the subject of climate change was debated by the United Nations Security Council (UNSC) for the first time on 17 April 2007. Since then, there have been meetings addressing climate change in 2011, 2018, 2019 and 2021. However, no resolution explicitly addressing climate change mitigation and adaptation has been ever adopted by the Security Council.

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[28] "REACH is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry; it also promotes alternative methods for the hazard assessment of substances in order to reduce the number of tests on animals"; see 'Understanding REACH' on the European Chemicals Agency website: https://echa.europa.eu/regulations/reach/understanding-reach.

[29] For further information download the 30wears app on: https://30wears.app.

[30] See 'WHAT IS THE 30 WEARS CHALLENGE?' on Virtue and Vice online shop blog: https://shopvirtueandvice.com/blogs/news/what-is-the-30-wears-challenge.

The development of a global environmental governance (GEG) lead by the UN can be conceived as initiated in 1972 (Arts, 2006). That year, for the first time, United Nations held a Conference on the Environment in Stockholm. The most important outcome of the conference was the establishment of the United Nations Environment Programme. The UNEP is actually the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system, and serves as an authoritative advocate for the global environment[31]. Two decades after Stockholm, 154 states signed the United Nations Framework Convention on Climate Change (UNFCCC) in the occasion of the so called 1992 "Earth Summit" in Rio de Janeiro. The UNFCCC entered into force in 1994 as an international convention expecting the commitment of the Parties to reduce GHG emissions[32]. Notably, UNFCCC annual Conferences of the Parties (COP) were those that led to the adoption of the Kyoto Protocol in 1997, for implementations of measures to achieve the UNFCCC fixed goals. Where the Convention suggests taking climate change mitigation measures, the Protocol sets binding emission reduction targets for 37 industrialized countries, economies in transition and the European Union[33]. The Kyoto Protocol eventually entered into force in 2005, after a complex process of ratification: not every country succeeded in ratifying the Protocol. For instance, scared by the possible negative economic effects of the restrains, the US did not. Later on, in 2015, the Kyoto Protocol was replaced by the Paris Agreement: a more complex and complete international binding treaty defining limits to global warming – the Agreement currently into force. The Agreement works to bring all nations together for a common cause to undertake ambitious efforts to combat climate change and adapt to its effects, with enhanced support to assist developing countries to do so[34]. As reported in its Article 2 (a), the Paris Agreement aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by "pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change"[35]. As previously mentioned, today's global temperature has warmed by more than 1°C compared to the 20th century average and it is already causing irreversible changes. The Agreement is based on a long-term goal whose achievement depends on the plan each Party submits every 5 years – the Nationally Determined Contributions (NDC).

[31] See 'About the UN Environment Programme' on the UNEP website: https://www.unep.org/about-un-environment.

[32] Today, it has near-universal membership. The 197 countries that have ratified the Convention are called Parties to the Convention. See 'About the Secretariat' on the UNFCCC website: https://unfccc.int/about-us/about-the-secretariat.

[33] See 'What is the Kyoto Protocol' on the UNFCCC website: https://unfccc.int/kyoto_protocol.

[34] See 'The Paris Agreement' on the UNFCCC website: https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement.

[35] United Nations Paris Agreement (2015).

The same year of the Paris Agreement, the UN Heads of State and Government and High Representatives officially adopted the 2030 Agenda for Sustainable Development. The content of the Agenda represents the successful outcome of years of Summits and Conferences on the issue of sustainable development to improve human lives and protect the environment[36]. Following the 1992 Earth Summit and UNCCC creation, the UN continued the discussion on the topic in different occasions[37]. At the core of the Agenda are the so-called 17 Sustainable Development Goals (SDGs), gathering all the observed fundamental objectives for the achievement of life's sustainability on the planet (see Figure 12).

Figure 12 - *UN 17 Sustainable Development Goals*

Source: 'Communication Material' section on the UN website:
https://www.un.org/sustainabledevelopment/news/communications-material/ .

Among the 17 SDGs there is one explicitly addressing the need to fight climate change – SDG n°13 "Climate Action", although also other goals are strictly related to the general idea of acting against global warming.

It is worth noticing how 2015 was a landmark in the development of climate change-related multilateralism. Afterwards, environmental actions surely have never stopped: focusing on the fashion industry, under the auspices of UN Climate Change, fashion stakeholders worked to identify ways in which the broader textile, clothing and fashion industry can move towards an holistic commitment to

[36] See 'The 17 Goals' on the United Nations website: <https://sdgs.un.org/goals>.

[37] In 2000 with the Millennium Summit, in 2002 with the World Summit on Sustainable Development and in 2012 At the United Nations Conference on Sustainable Development (Rio+20).

climate action[38]. So it was that in 2018, during one of the UNFCCC annual Conferences of the Parties, the Fashion Industry Charter for Climate Change was launched[39]. In this peculiar case, as cited by Art. 2 of the Fashion Industry Charter for Climate Action Modalities of Work, the charter "does not constitute a new formal initiative or registered organization, but work is carried out by the Signatories with facilitation from UN Climate Change" (UNFCCC, 2018). Signatories to the Fashion Industry Charter are represented by fashion companies committed to support the implementation of the principles contained in it, both by pursuing the principles within their own organizations and by working collectively with each other; Organizations, also professionally engaged in the fashion sector, that are in a position to substantially contribute to the realization of the Fashion Industry Charter for Climate Action may also participate in this work[40]. Here, it is thus possible to find a clear example of collaboration in standard setting between States (reunited under an IGO), NGOs and MNCs[41].

Unfortunately, Agendas, Agreements and Charters do present some problems. First of all, compliance to international law and policy on environmental protection is difficult, if not impossible, to ensure. On one side, the 2030 Agenda only provides guidelines: it is not legally binding, meaning its implementation and success is each country's responsibility. On the other side, the Paris Agreement is a binding international treaty but within the international system there is no superior authority legitimate to interfere in the domestic sphere of countries for the treaties' enforcement. In this very context, the Unites Nations Security Council should have a key role in applying mechanisms for environmental measures' application. Secondly, another international environmental treaties' issue, as demstrated by Christmann (2004) in its study "Multinational Companies and the Natural Environment: Determinants of Global Environmental Policy Standardization", is their tendency to focus on performance outcomes by demanding specific emission reductions in participating countries but give national governments discretion about how to incorporate these targets into national law, not standardizing the content of the environmental policies globally. Accordingly, MNCs that expect increased international harmonization of environmental government regulations respond by setting high internal global environmental performance standards but do not standardize the content of their environmental policies global (Christmann, 2004).

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[38] See 'About the Fashion Industry Charter for Climate Action' on the UNFCCC website: https://unfccc.int/climate-action/sectoral-engagement/global-climate-action-in-fashion/about-the-fashion-industry-charter-for-climate-action.

[39] See 'Fashion Industry Charter for Climate Action' on the UNFCCC website: https://unfccc.int/sites/default/files/resource/Industry%20Charter%20%20Fashion%20and%20Climate%20Action%20-%2022102018.pdf .

[40] Among the Signatories: ALDO Group, Adidas AG, Farfetch, Gap Inc., H&M Group, Gering Group, Inditex, Stella McCartney. See 'Participants in the Fashion Industry Charter for Climate Action' on UNFCCC website: https://unfccc.int/climate-action/sectoral-engagement/global-climate-action-in-fashion/fashion-industry-charter-for-climate-action/participants-in-the-fashion-industry-charter-for-climate-action#eq-1.

[41] See Governance Triangle in Chapter 1, pag. 16.

2.4.2 MNCs ADRESSING CLIMATE CHANGE

Environmental standard setting also comes from the cooperative work of companies. Focusing on the fashion industry: The Fashion Pact[42] is considered to be the largest alliance joined by 32 of the largest and most important companies in the fashion and luxury industry worldwide for a sustainable development (see Figure 13).

Figure 13- *The Fashion Pact's Signatories 07.04.2021*

ADIDAS - AIGLE - ALDO GROUP - ASICS - AUCHAN RETAIL - BALLY - BESSON CHAUSSURES - BESTSELLER - BONAVERI - BURBERRY - CALZEDONIA GROUP - CAPRI HOLDINGS LIMITED - CARREFOUR - CHANEL - CHLOE - CELIO - DAMARTEX GROUP - DCM JENNYFER - DECATHLON - DESIGUAL - DIESEL - EL CORTE INGLES - ERALDA ERMENEGILDO ZEGNA - EVERYBODY & EVERYONE - FARFETCH - FASHION3 - FUNG GROUP - GANT - GROUPE GALERIES LAFAYETTE - GAP INC. - GEOX - GROUPE BEAUMANOIR - GROUPE ERAM - GROUPE ETAM - GROUPE IDKIDS - GROUPE ROSSIGNOL - GRUPPO ARMANI - HANS BOODT MANNEQUINS - H&M GROUP - HERMES - HERNO - HOUSE OF BAUKJEN - INDITEX - KARL LAGERFELD - KERING - KIABI - LACOSTE - MANGO - MATCHESFASHION.COM - MONCLER - MONOPRIX - NIKE - NOABRANDS - NORDSTROM - NORTH SAILS - PAUL & JOE - PRADA S.P.A. - PROMOD - PUMA SE - PVH CORP. - RALPH LAUREN - RUYI - SALVATORE FERRAGAMO - SELFRIDGES GROUP - STELLA MCCARTNEY - TAPESTRY - TENDAM - UMDASCH - VESTIAIRE COLLECTIVE - ZIMMERMANN

Source: see 'Signatories' on the Fashion Pact website: https://thefashionpact.org/?lang=en.

The Pact was presented to world leaders at the 2019 Group of Seven summit, in Biarritz (Guilbault and Kent, 2019). Notably, it was proposed by the number one of the french luxury company Kering, François-Henri Pinault, committing to and demanding greater awareness of the ecological impact of luxury and fashion companies. Among the 32 companies that have joined the alliance there are a number of Italian and sports companies, while the absence of the world's leading luxury holding company, French LVMH, who decided not to join, is disappointing. The Pact revolves around science-based targets in three areas: global warming (the objective being to achieve zero greenhouse gas emissions by 2050 in order to keep global warming below 1.5 degrees Celsius until 2100), restoring biodiversity (with a focus on restoring natural ecosystems and protecting species), and preserving the oceans (namely by reducing the use of single-use plastics) (Farra 2019). In this context, the United Nations 17 Sustainable Development

[42] For further information visit the Fashion Pact website: https://thefashionpact.org/?lang=it.

Goals are recognized as principles to be followed and results to be achieved by the principles to be respected and results to be achieved by the Fashion Pact. It is worth noticing that the Pact was commissioned to Kering Chairman and CEO, François-Henri Pinault by the current 2019 French President, Emmanuel Macron[43], as example of a strong collaboration between MNCs and a state.

The fashion bands collaborate even in other ways, for instance thanks to industry's organizations such as the Italian Camera Nazionale della Moda Italiana. Namely, under the guidance of Carlo Capasa the Camera alight fashion brands towards a more sustainable fashion industries, organizing a set of round tables. Three are the main working groups discussing on retail sustainability, giving guidelines for planning stores in a more sustainable way, guidelines on eco-toxicological requirements for leather goods, shoes, bags and accessories and guidelines on ecotoxicological requirements for chemical mixtures and industrial discharges.

Eventually, MNCs generally tend to implement uniform environmental policies to reduce complexity, just as they implement other functional policies on a global scale (Christmann, 2004). Because of a general lack of environmental metrics has been suggested that MNCs increasingly self-regulate their environmental conduct - referring to firm's adoption of environmental policies or performance standards that exceed the requirements of government regulations . (Christmann, 2004). It is at this point interesting to study the actual MNCs' CSR policies and format. For this reason, the next Chapter is dedicated to an accurate analysis of the Kering Group its international system's involvement as well as its CSR and sustainability reports.

[43] For further information visit the Fashion Pact website: https://thefashionpact.org/?lang=it.

CHAPTER 3 – FASHION MNCS IN GLOBAL ENVIRONMENTAL GOVERNANCE: THE KERING GROUP CASE STUDY

As previously reported, despite fast fashion's scale and massive distribution network allows for more consumer education on customer materials, the luxury world is the closer to sustainability transition. "Sustainability programs that target carbon movement across supply chains are the new green goal that luxury goods companies are aiming at" (Deloitte, 2020). This been said, the following Chapter takes the Kering Group trying to demonstrate how MNCs may shape international system's dynamics with regard to the global fight to climate change, both through collective actions and self-regulation.

In this research, the case study methodology is used emphasizing detailed contextual analysis (Pavione, 2016)[44]. The Kering Group has been chosen as subject of the case study being a listed fashion MNCs engaged in international standard setting. Furthermore, it happens to be the only fashion luxury group that has developed a program involving an open-dataset on its environmental footprint as part of its self-regulation setting, thus representing a possible way out in MNCs' CSR transparency, disclosure, standardization and comparability.

3.1 THE KERING GROUP

Kering is currently headquartered in Paris, has 38,000 employees worldwide and a turnover of 15.9 billion euros in 2019[45], making the group a leading player in the luxury sector. As reported by Deloitte (2020) in its latest report on Global Powers of Luxury Goods, Kering at the end of 2019 was second in the Top 10 luxury goods companies by sales list, with annual luxury goods sales nearly 90% higher than in FY2016 (see Figure 14). Despite 2020 Covid-19 pandemic, the Paris-based multinational closed the first half of 2021 with a 53.3% jump over the same period in 2020 and a 7.7% increase over pre-pandemic 2019. Total sales stood at €7.7 billion while operating profit reached €2.23 billion, a figure 134.9% higher than in the first half of 2020 and approaching 2019 levels. The operating margin rose by more than 10 points to 27.8%, fueled by the recovery in performance posted by all of the brands. Particularly significant was the boost in the second quarter, which put sales up +10.5% again on 2019. Sales generated in directly operated stores, which accounted for approximately 80% of total fashion house sales in the six-month period, were driven by strong momentum in North America and the Asia Pacific region, and were 60.1% higher overall than in the first half of 2020 and 11.2% higher than in the first six months of 2019, despite intermittent closures in both of the fiscal year's first quarters. Meanwhile, e-commerce, which weighed in at 14% of total retail sales, grew 78.5% year-over-year

[44] "Case study research excels at bringing to an understanding of a complex issue or object and can extend experience and add strength to what is already known through previous research" (Pavione, 2016) .

[45] 13 billion euros in 2020 because of the Covid-19 pandemic.

"Our teams are demonstrating their agility in this fast-moving environment, and we have the right assets, resources and strategy to successfully pursue our journey."

François-Henri Pinault, Chairman and Chief Executive Officer [46]

Figure 14 - *Top 10 luxury goods company by sales, FY2019*

FY2019 Luxury goods sales ranking	Change in ranking from FY2018	Name of company	Country of origin	FY2019 Luxury goods sales (US$M)	FY2019 Total revenue (US$M)	FY2019 Luxury goods sales growth*	FY2019 Net profit margin[1]**	FY2019 Return on assets**	FY2016-2019 Luxury goods CAGR[2]*
1	↔	LVMH Moët Hennessy-Louis Vuitton SE	France	37,468	60,069	16.8%	14.5%	8.1%	16.5%
2	↔	Kering SA	France	17,777	17,777	16.2%	14.7%	8.6%	23.3%
3	↔	The Estée Lauder Companies Inc.	United States	14,863	14,863	8.6%	12.1%	13.6%	9.7%
4	↔	Compagnie Financière Richemont SA	Switzerland	13,822	16,188	8.5%	19.9%	9.9%	2.4%
5	↑ 1	L'Oréal Luxe	France	12,334	12,334	17.6%	n/a	n/a	12.9%
6	↓ -1	Chanel Limited	United Kingdom	12,273	12,273	10.4%	19.6%	17.9%	12.5%
7	↔	EssilorLuxottica SA	Italy	10,624	19,463	6.0%	6.8%	2.3%	ne
8	↑ 1	Chow Tai Fook Jewelry Group Limited 周大福珠宝集团有限公司	China/Hong Kong SAR	8,411	8,500	13.9%	7.0%	7.5%	5.2%
9	↑ 1	PVH Corp.	United States	8,076	9,657	9.8%	7.7%	6.3%	8.7%
10	↓ -2	The Swatch Group Ltd.	Switzerland	8,014	8,294	-3.0%	9.1%	5.5%	2.9%
Top 10				**143,662**	**179,418**	**11.9%**	**13.3%**	**7.6%**	**11.7%**
Top 100				**280,640**	**320,291**	**8.5%**	**11.2%**	**7.4%**	**8.0%**
Top 10 share of Top 100				**51.2%**	**56.0%**		**71.7%[3]**		

[1] Net profit margin based on total consolidated revenue and net income
[2] Compound annual growth rate
[3] Top 10 companies share of total net profit for Top 100 companies—based on the 79 companies reporting net profits
e=estimate n/a=not available ne=not in existence (created by reorganization)

*Top 10 and Top 100 sales growth rates are sales-weighted, currency-adjusted composites
**Top 10 and Top 100 net profit margin, return on assets and asset turnover ratio are sales-weighted composites

Source: Deloitte, (2020).

Kering history started in 1963, when François Pinault founded Établissements Pinault in Rennes, France, specializing in the timber trade. The company grew organically thanks to excellent investments until in 1988, Pinault as Pinault S.A. was listed on the Paris Stock Exchange, thereby multiplying its financial value. Later in the 1990s the group began to diversify into the retail sector, acquiring the Paris department store Printemps, the company Conforama, which was mainly involved in furniture

[46] See 'Very strong growth in sales - Revenue up materially on first half 2019 - Sharp rebound in income, margins and cash flow' on the Kering website: https://www.kering.com/it/news/very-strong-growth-in-sales-revenue-up-materially-on-first-half-2019-sharp-rebound-in-income-margins-and-cash-flow.

distribution, and Fnac, a famous French bookshop. The group later changed its name several times, in 1994 becoming Pinault-Printemps-Redoute, in 2005 PPR and finally in 2013 Kering. In 1999, the group began to make acquisitions in the world of luxury, with the then Pinault-Printemps-Redoute company buying 42% of Gucci for $3 billion. A very long list of brands were then acquired, including Yves Saint Laurent, the French high jewelry house Boucheron, the Italian leather goods house Bottega Veneta and finally the fashion house Balenciaga, which was acquired in 2001. In the same year, the Pinault-Printemps-Redoute company also reached an agreement with Givenchy, Alexander McQueen and Stella McCartney (no longer owned by Kering). Furthermore, in 2004, the Group obtained almost total ownership of the Gucci brand (99.4%). At this point, with the new strategy undertaken in the luxury sector, between 2006 and 2013 all the retail businesses previously acquired began to be sold. Once those businesses that were no longer of interest to the company were abandoned, while in 2005 Francois Henri Pinault (François Pinault's son) took over the group's leadership, new additions were made to the brand portfolio. Namely, in addition to fashion and fine jewelry brands, some names from the sports and lifestyle sectors emerged, such as Puma in 2007 and Volcom in 2011 - both sold in 2018. In February 2021, Kering led a $216-million investment round in the luxury resale website Vestiaire Collective[47]. To date, the brands owned by the group are listed in Figure 15 - and fall mainly within the haute couture, jewelry and watch sectors.

Figure 15 - *Kering's Maisons*

Brand	Country
Alexander McQueen	UK
Balenciaga	Spain
Bottega Veneta	Italy
Boucheron	France
Brioni	Italy
DoDo	Italy
Girard-Perregaux	Switzerland
Gucci	Italy
Pomellato	Italy
Qeelin	Hong Kong
Saint Laurent	France
Ulysse Nardin	Switzerland

Source: see 'Maisons' on the Kering website: https://www.kering.com/it/maisons/.

[47] For further information visit 'Kering' on Wikipedia: https://en.wikipedia.org/wiki/Kering.

3.2 KERING WITHIN THE INERANTIONAL SYSTEM

As mentioned in Chapter 1, IR discipline has been characterized by many approaches: realism, liberalism, International society, International Political Economy, and the alternative constructivism and post-positivism. Nonetheless, the major debate has always been that between realism and liberalism. Between these two liberalism is chosen in this thesis to be the leading theory. Liberals recognize that individuals are self-interested and competitive up to a point, but they can also engage in collaborative and cooperative social action, domestically as well as internationally (Jackson, Sørensen and Møller, 2018b). Liberals assume collaboration is a positive sum game: within the international system interdependence in necessary for each one's welfare optimization. Individuals remain the focus of the liberal analysis but so even social aggregations are recognized as promoters of different interests. So it comes that, states are seen as international system's important actors, although they are not the only actors that can have a voice in it. Indeed, the main assumption of the thesis is that the main actors of the international system are not only states, but also individuals, groups, IOs, NGOs as well as MNCs.

This been said, among the above-mentioned actors of the international liberal system, the focus is on MNCs. MNCs shape world's dynamics participating in alternate forms of rulemaking in two distinct realms: informal, though nonbinding standards and principles of conduct promulgated by domestic regulators in consultation with the various actors - international "soft law"; and self-regulation, through private rules and standards such as internal policies of CSR (Park and Berger-Walliser, 2015).

When talking about soft law, Global Public Policy Networks (GPPN) represent "a potential source of effective international governance" (Detomasi, 2007). Still, MNCs do not always succeed in securing the regimes they desire through GPPN. Negotiations over regime formation among MNCs, governments, and NGOs depend on the relative power of the actors (Levy and Prakash, 2003). This is reason why MNCs continue with self-regulation. (Park and Berger-Walliser, 2015).

On the other side, for what concerns self-regulation, when operating on a global scale, the economic profitability comes along with responsibilities. MNCs internal policies of actions - those defining the principle and mode of conduct of the business are generally referred to as Corporate Social Responsibility (CSR) policies. Notably, Corporate Social Responsibility (CSR) is defined as the responsibility of enterprises for their impact on society and, therefore, it should be company led: companies can become socially responsible by integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations[48].

Aiming at demonstrating these two realms of MNCs participation in shaping international system's dynamic, Kering Group's Fashion Pact engagement and CSR policy have been presented. The Kering group is a MNC leading player in the luxury sector. To date, the Group owns twelve brans that fall mainly

[48] See 'Corporate Social Responsibility' on the European Commission website: https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en.

within the haute couture, jewelry and watch sectors: Alexander McQueen, Balenciaga, Bottega Veneta, Boucheron, Brioni, DoDo, Girard-Perregaux, Gucci, Pomellato, Qeelin, Saint Lauren and Ulysse Nardin. Kering is currently headquartered in Paris, has 38,000 employees worldwide, it had a turnover of 15.9 billion euros in 2019 and 13 billion euros in 2020. The Kering Group operates within the Personal Luxury Goods Market (PLG Market) which represents the second biggest share of the Global Luxury Market after the Luxury Cars[49] with a 2020 value of 217 billion euros[50].

Among all the dynamics the Group may shape international standard setting and CSR, the most relevant is that of the fight against climate change. The sustainable development has indeed become one of the main issues within the international system. As of today, the topic of a “sustainable development” - meaning a development in compliance with the environment, people and human rights - represents a focal point in governmental and international strategies. Companies their selves, in the las few years, have implemented their commitment to sustainable development-related principles, including them in their policies and practices, monitoring and evaluating their compliance to economic, environmental and social criteria. Moreover, for the luxury sector and in particular for the fashion market, social responsibility and sustainability are becoming a strategic element of great importance, source of a competitive advantage: concepts such as ethics, respect for the environment, and the consideration of all stakeholders are central in companies’ strategic vision (Pavione, 2016).

It is worth noticing that the fashion industry represents one of the most polluting ones. The Intergovernmental Panel on Climate Change has calculated the fashion industry produces 10% of global carbon dioxide emissions a year (Davis, 2020). For this reason, climate change happens to be the issue the Group may be able to better address. In addition, it is no longer solely a matter of values and social responsibilities. Indeed, consumer purchasing trends shows how sustainability is almost a necessary product’s features. Consumers are expecting transparency more and more across the entire value chain; they want to have more information about both the provenience of goods and the quality of materials used (Gazzola *et al.*, 2020). Hence, CSR and sustainable development initiatives engagement are now essentials to survive within the market.

[49] For further information visit the Altagamma website: https://altagamma.it/news/info/155/ .

[50] 281 billion euros in 2019 (pre-covid period), see ‘Value of the personal luxury goods marker worldwide’ on Statista: https://www.statista.com/statistics/266503/value-of-the-personal-luxury-goods-market-worldwide/ .

3.2.1 THE FASHION PACT

As previously mentioned, many steps forward have been made towards the creation of an effective global governance system for addressing environmental and climate change-related challenges toward a sustainable change. The aim of global action is that of preserving populated territories, to avoid civil and international conflicts, to maintain the natural equilibrium of the planet and to protect human welfare. As a matter of fact, the environmental regulation of global production chains that span the developed and developing world represents a new challenge that MNCs, non-governmental organizations (NGOs), international organizations have responded to with the development of a plethora of global norms, corporate social responsibility codes, standards, guidelines, and certification schemes known as "soft" or "collaborative" regulation (Marques, 2012).

Over the last fifty years, international law and policy on environmental protection have evolved through several main phases: from the creation of the United Nations Environment Program (UNEP) in 1972 to the latest Paris Agreement and the United Nations 2030 Agenda for Sustainable Development in 2015 (Francioni and Bakker, 2016). Still, even states, NGOs and MNCs have worked towards a sustainable development. Notably, many states have developed new standard setting regulations. Also, NGOs have worked hard trying to hamper harmful activities for the planet. Last but not least, MNCs have cooperated towards environmental standard settings.

Staying focused on the fashion industry, The Fashion Pact[51] is considered to be the largest alliance joined by 32 of the largest and most important companies in the fashion and luxury industry worldwide for a sustainable development. The Fashion Pact was presented to world leaders at the 2019 Group of Seven[52] summit, in Biarritz (Guilbault and Kent, 2019) Notably, The Pact came from the hard work of the Kering's CEO François-Henri Pinault commissioned by the President of France Emmanuel Macron. Namely, in anticipation of the G7, French President Emmanuel Macron had entrusted Pinault with the task of bringing together and involving the most important players in the fashion and textile sector with the aim of defining concrete objectives to reduce the ecological impact caused by the sector. Namely, contacted at the end of April by the Elysée Palace, François-Henri Pinault had just three months to convince his peers to join the project initiated by the French President of the Republic. His mission statement set him the goal of mobilizing 20% of the profession, in all G7 countries and beyond. This objective has been exceeded, even if the great rival, LVMH, has preferred to play its part alone.

The vision is for The Fashion Pact to serve as an unequalled catalyst: to drive massive investment in and adoption of low-carbon, biodiversity-friendly, and ocean-conscious ways of doing business across all fashion[53]. The principles defined to be followed by the signatories are:

[51] For further information visit The Fashion Pact website: https://thefashionpact.org/?lang=it.

[52] France, Canada, Germany, Japan, UK, US and Italy.

[53] See Fashion Pact (2020).

1. *Engaged CEO Leadership*: the shared belief of The Fashion Pact's signatories is that of the need of a CEO leadership to effectively make changes within companies and the fashion industry. Indeed, CEO engagement represent a powerful mean towards sustainability. This been said, the principle is that of creating the right environment and conditions so that CEOs can actually engage and lead changes. Accordingly, The Fashion Pact has established a CEO-led Steering Committee for this active dialogue[54] (See Figure 16).

Figure 16 - *The Fashion Pact's Governance Structure*

Source: Fashion Pact (2020)

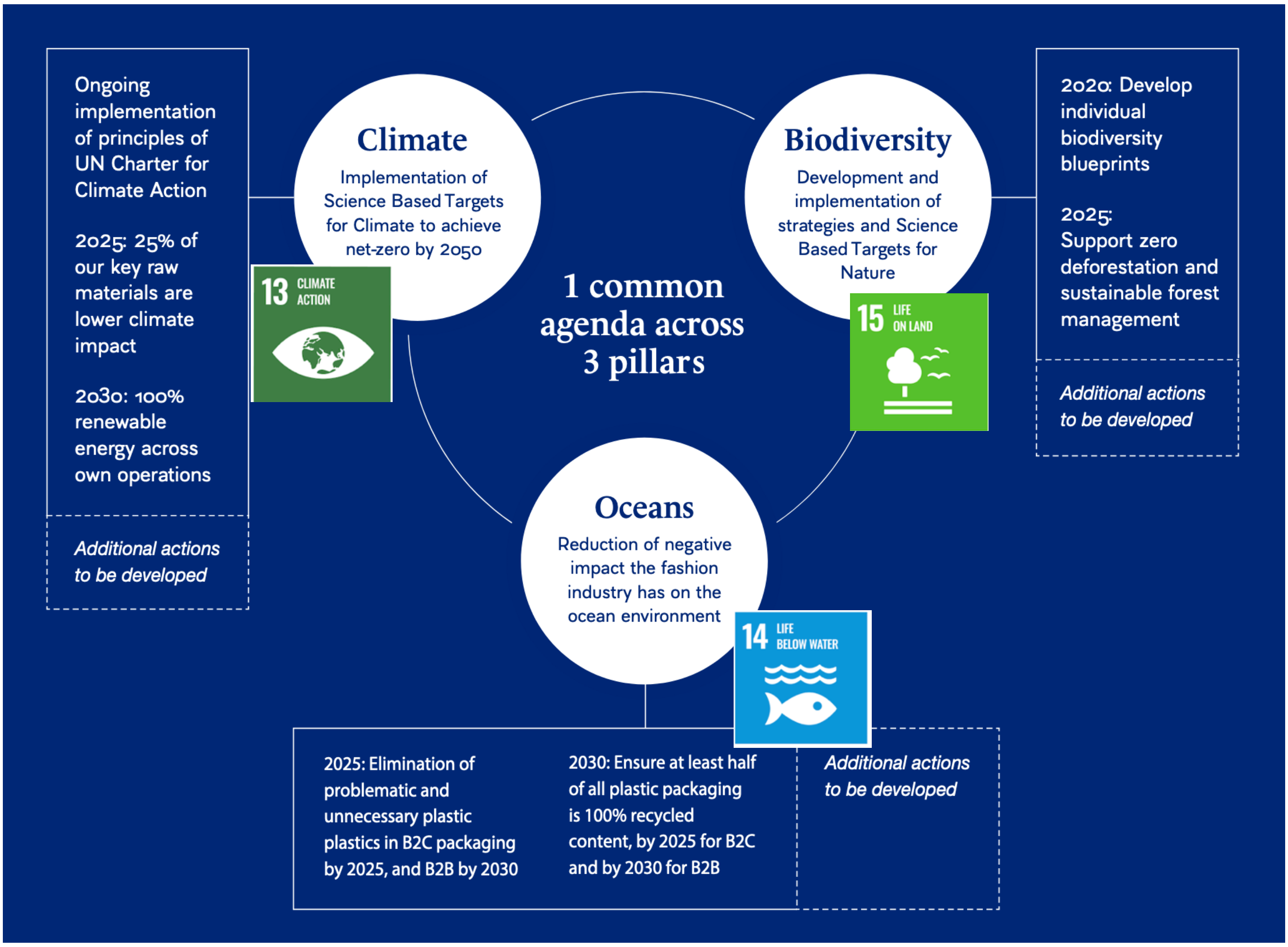
2. *Actions Beyond Existing Initiatives*: there have already been a lot of initiatives around the sustainability theme in fashion and The Pact has not been established to replicate any existing solution. The aim of The Pact is that of finding new measures for sustainability and fill the gaps that have not been filled yet. Notably, The Pact does endorse external initiative[55] to be more influent but at the same time it works with sustainability experts to develop new contributions. The Fashion Pact's Operating Committee (see Figure 15) plays a key role here, as the CSO-driven implementation body within the coalition (Fashion Pact, 2020).
3. *The Power of the Collective*: the core principle of The Pact is that of group working and collaboration. The signatories come from different path and business models, they are maisons as well as retailers and marketplaces, hence sharing knowledge inevitably imply benefits for every side. The coalition's dedicated Task Force staff enables this ongoing exchange between signatories by hosting convenings within the coalition and with external advisors (Fashion Pact, 2020).

[54] See Fashion Pact (2020), page 16.

[55] Such as the United Nations Fashion Industry Charter for Climate Action and building on guidelines such as the Ellen MacArthur Foundation's work on plastics (Fashion Pact, 2020).

This been said, The Fashion Pact, inspired in part by numbers 13, 14, and 15 of the UN's Sustainable Development Goals, has been structured around one common agenda and the commitment to act together across three pillars: *Climate*, *Oceans* and *Biodiversity* (see Figure 17) (Fashion Pact, 2020). Notably, the SDGs the Pact has been inspired by are n°13 "take urgent action to combat climate change and its impacts", "n°14 "conserve and sustainably use the oceans, seas and marine resources" and n°15 "sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity los"[56].

Figure 17 - *The Fashion Pact's Three Pillars*



Source: Fashion Pact (2020)

Climate action, ocean health preservation, and biodiversity sustainability are at different stages of maturity within the fashion responsibility framework. For instance, climate has been a pressing issue for the corporations for the last years. Indeed, many brands are already taking action to reduce their carbon footprint. At the same time, the connection between plastic and ocean health has grown in prominence over the years, justifying corporate responsibility as a priority. As for biodiversity, it is also positioned to

[56] See 'Sustainable Development Goals' on UN website: https://www.un.org/sustainabledevelopment/sustainable-development-goals/ .

be a leader in terms of corporate action. Consequently, within each of the three pillars, the commitments of The Pact's signatures are different.

For what concerns *Climate,* The Fashion Pact declares of acting to implement the principles of the UN Fashion Charter,[57] to make 25% of key materials to lower climate impact sources by 2025 and to implement 50% renewable energy by 2025 and 100% by 2030 across own operations. Firstly, being the United Nations Fashion Industry Charter for Climate Action the most detailed framework for the fashion industry's decarbonization and GHG emission reductions, implementing it means driving actions that are consistent with the Charter aiming at achieving net-zero emissions by 2050[58]. Secondly, signatories supporting the pillar have to guarantee a 25% of lower impact raw material. Last but not least, a point is dedicated to renewable energy for operations and, when possible, through the entire supply chain. What is expected from these climate actions is a general reduction of climate emissions. The identification of the reduction it has been made possible thanks to the partnerships providing target setting instruments and reporting.

Talking about *Oceans*, The Fashion Pact will be that of taking action to eliminate problematic or unnecessary plastics in B2C packaging by 2025, and B2B by 2030, and to ensure at least half of all plastic packaging is 100% recycled content, by 2025 for B2C and by 2030 for B2B[59]. As a matter of fact, oceans represents an important resource for the planet, capturing CO_2, producing oxygen through phytoplankton, and providing seafood-based protein for up to 12% of the world's population (Fashion Pact, 2020). However, forecasts about future oceans' health are not so promising: coral reefs are predicted to disappear because of climate change and plastic is going to overcome fishes within waters because of pollution. Generally, plastic is harmful because it fills oceans as well as over 99% of plastic is made from chemicals sourced from fossil fuels[60]. For these reasons, The Fashion Pact focuses on plastic consumption reduction and plastic recycle implementation.

Finally, *Biodiversity* is a special area of focus for The Fashion Pact, given how uniquely dependent fashion is on natural ecosystems and their services for its materials and operations (Fashion Pact, 2020). Indeed, The Pact's signatories are organizing in order to develop individual biodiversity blueprints by the end of 2020 and support zero deforestation and sustainable forest management by 2025[61]. Here, the role of the Pact is undoubtedly that of making its participants more conscious on the nature conservation topic. Indeed, before joining The Pact only less than half of the maisons were committed to ecosystem

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[57] See 'About the Fashion Industry Charter for Climate Action' on UNFCCC website: https://unfccc.int/climate-action/sectoral-engagement/global-climate-action-in-fashion/about-the-fashion-industry-charter-for-climate-action.

[58] See Fashion Pact (2020), page 22.

[59] See Fashion Pact (2020), page 43.

[60]For further information visit 'Fossil fuels & plastic' section on Center for International Environmental Law website: https://www.ciel.org/issue/fossil-fuels-plastic/.

[61] See Fashion Pact (2020), page 34.

sustainability initiatives. The World Economic Forum's 2020 Global Risks Report (GRR), through its comprehensive risks perception survey, ranks biodiversity loss and ecosystem collapse as one of the top five risks in terms of likelihood and impact in the coming 10 years (Herweijer *et al.*, 2020). This is why action on biodiversity ought to be taken as soon as possible.

The Fashion Pact also works with experts from various technical and academic backgrounds to provide coalition members with the most effective and innovative solutions to address their goals. Currently, The Pact is collaborating different external actors such as 2050, SYSTEMIQ, Conservation International and (RE)SET:

- 2050 is an environmental organization founded Laila Petrie to encourage a rapid transition to a sustainable future through research, innovation, and expert support. 2050 draws on staff experience working with NGOs, private sector, government and development organizations and FIs to create an innovative approach to problem solving[62]. Laila is Joint Chair of the UNFCCC Fashion Industry Charter for Climate Action, and 2050 works with some of the world's leading organizations – such as Google, Sustainable Apparel Coalition, Textile Exchange, U.N. Environment Programme, and WWF (Fashion Pact, 2020).
- SYSTEMIQ is a systems change company that partners with business, finance, policymakers, and civil society to make economic systems truly sustainable[63]. SYSTEMIQ is a Benefit Corporation[64] created in 2016 to drive achievement of the Paris Agreement, it builds coalitions, advises pioneers, mobilizes financing, and invests in high-impact ventures with the potential to unlock economic opportunities that benefit business, society and the environment (Fashion Pact, 2020).
- Conservation International (CI) is an American nonprofit environmental organization headquartered in Crystal City, Arlington, Virginia, its mission is to protect nature "for the benefit of us all"[65]. It was founded in 1987, and now works globally to safeguard the forests, oceans, rivers, lakes, and wetlands that provide food and water for people and wildlife, sustain economies, and help secure a stable climate (Fashion Pact, 2020).
- (RE)SET helps companies to accelerate their ecological transition[66]. (RE)SET expertise lies in multiple sectors such as retail, publishing, furniture, packaging, and the design of new public policies: most recently they have premiered a flexible salad packaging made out of paper (Fashion Pact, 2020).

[62] For further information visit 2050 website: https://2050.cloud.

[63] For further information visit SYSTEMIQ website: https://www.systemiq.earth.

[64] For further information visit Benefit Corporation website: https://bcorporation.net.

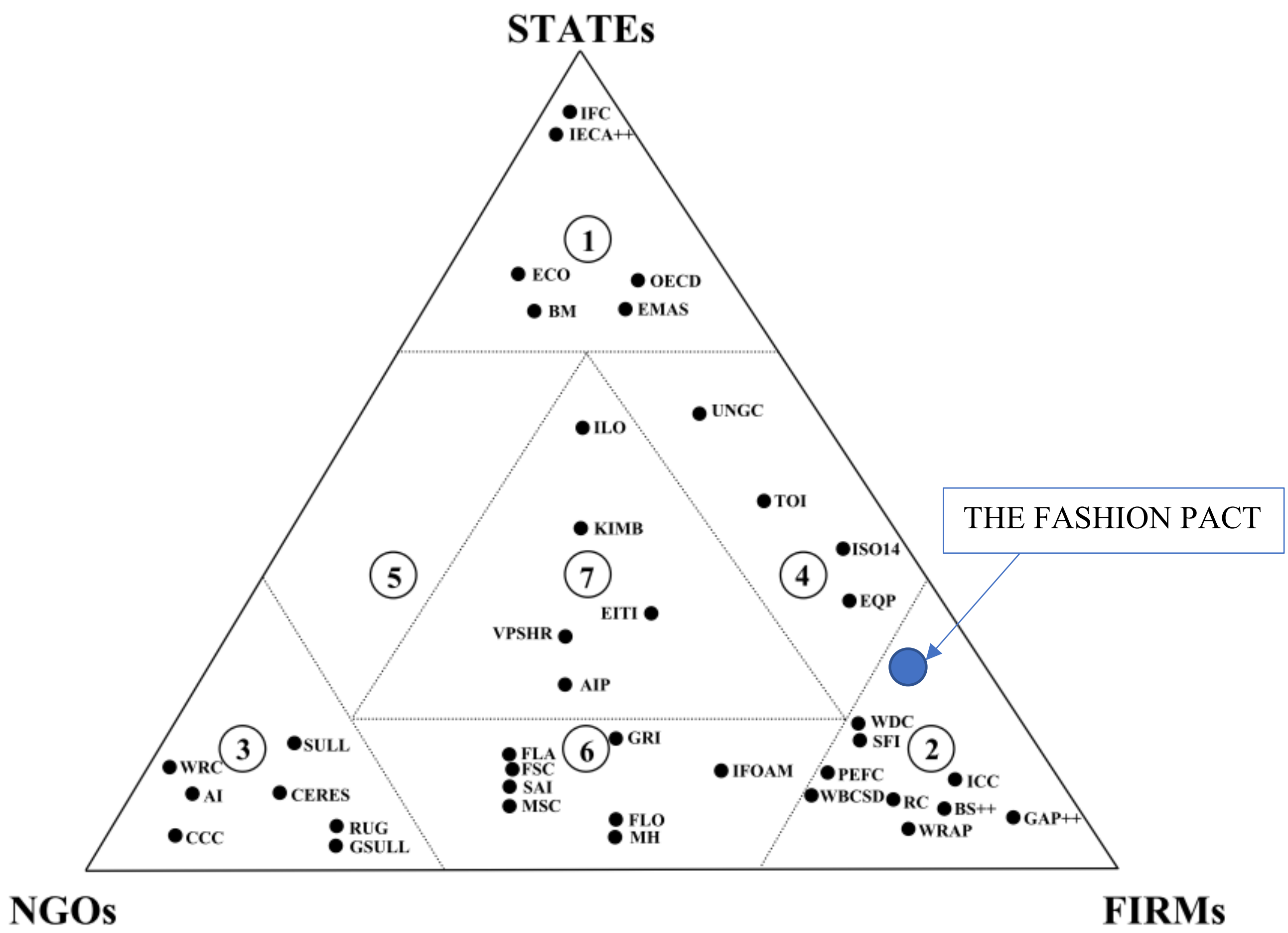
[65] For further information visit 'Conservation International' on Wikipedia: https://en.wikipedia.org/wiki/Conservation_International

[66] For further information visit (RE)SET company website: https://www.theresetcompany.com/fr/.

In addition to these technical delivery partners, The Fashion Pact has worked closely with Boston Consulting Group, who has led the development of a pragmatic yet meaningful reporting framework[67].

The Fashion Pact can be pointed out as a GPPN outcome. Where the vertex of the Abbott and Snidal (2009) Governance Triangle (zones 1-3) "represent situations in which an actor from a single group adopts and implements regulatory standards largely on its own, with only modest participation, if any, from actors of other types", The Fashion Pact can be placed at the borders of zone 2 as example of fashion MNCs soft law contribution (see Figure 18).

Figure 18 - *The Fashion Pact in the Governance Triangle*



Source: elaboration of the author on Abbott and Snidal (2009)

This positioning demonstrates how the collaborative work of MNCs may shape the international system as well as how Kering itself do represent a clear example of a single MNC shaping of the international system, being a leader of an important GPPN on valuable issues such as The Fashion Pact.

[67] See The Fashion Pact (2020), page 19.

3.3 KERING'S CORPORATE SOCIAL RESPONSIBILITY

Besides The Fashion Pact, the Kering Group has been self-committed to sustainability initiatives for many years. Namely, since the beginning of the 21st century, the Group has always supported the concept of luxury for a sustainable development. According to François-Henri Pinault, "sustainable development is a business opportunity and leadership" because a sustainable company "has the ability to adapt to changes, to innovate, to anticipate risks and to identify on an ongoing opportunities business" (Pavione, 2016).

The first moves related to sustainability came when a dedicated team was created in 2003 and in 2005 the following was published for the first time a Code of Ethics showing scrupulous care for the environment, employees and society in general. Later on, focusing on the issue of protecting the planet, in 2011, the Group decided to launch its innovative Environmental Profit & Loss[68], aiming at measuring in economic terms the impact of the company's activities on nature, also calculating their monetary value.

Moving in this direction, a few years later Materials Innovation Lab (MIL)[69], a warehouse containing scraps of old fabrics and new fibers compatible with respect for the planet, was created. Thanks to this initiative, all the stylists of the brands belonging to the group have been able to access to the visionary laboratory to develop new ideas and new products and take inspiration for the creation of sustainable products.

2017 is a pivotal year for the implementation of sustainable culture in Kering starting with the presentation of its sustainability strategy to 2025 based on three pillars: Care, Collaborate, Create. Through combined action, Kering has hoped to succeed in changing the conception of luxury, in a more sustainable key. In the same year, Kering established a collaboration with the startup Fashion For Good-Plug And Play[70], with the aim of eradicating certain practices in the high fashion industry in favor of other more sustainable processes. As if that were not enough in 2017, for the third year, Kering was named industry leader for textiles, apparel and luxury goods within the Dow Jones Sustainability Indices[71], as well as the world's most sustainable company in textiles, apparel and luxury goods according to the Corporate Knights Global 100 index[72] - a title it will retain for two more consecutive years. After about a year, the French giant made public a list of strict standards, both environmental and social, to which all suppliers and partners of the group must adhere.

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[68] For further information visit 'What is an EP&L' on Kering website: https://www.kering.com/en/sustainability/measuring-our-impact/our-ep-l/what-is-an-ep-l/.

[69] See 'MIL: a laboratory for more sustainable materials' on Kering website: https://www.kering.com/it/news/mil-a-laboratory-for-more-sustainable-materials.

[70] For further information visit Fashion For Good website: https://fashionforgood.com/.

[71] See Hendriksz (2017).

[72] See '2021 Global 100 ranking' on Corporate Knights website: https://www.corporateknights.com/rankings/global-100-rankings/2021-global-100-rankings/2021-global-100-ranking/ .

Regarding the Sustainability Strategy 2025, published four years ago, it can be said that Kering's new action plan is released two years after the Congress on Sustainable Development, in which the so-called Sustainable Development Goals were established, enclosed in the document Agenda 2030. Considering the very long reaction and acceptance time of the fashion industry with respect to sustainability inputs, we can consider Kering's move quite avant-garde compared to many other companies that have emulated it.

3.3.1 KERING'S 2021 SUSTAINABILITY STRATEGY

Kering describes the three pillars underpinning its sustainability strategy as follows:

- *CARE: taking steps to reduce its environmental footprint and preserve the planet and its natural resources by using innovative tools;*
- *COLLABORATE: contributing to high environmental, ethical and social performance by promoting parity and diversity and becoming an employer of choice;*
- *CREATE: imagining innovative alternatives using an open-source approach*[73].

Care, the first pillar of the program is of purely environmental interest as it aims to minimize the Group's ecological footprint by sourcing raw materials in a sustainable manner, ensuring the conservation of biodiversity and compliance with high standards of health and safety and animal welfare. In this regard, Kering is committed to reducing its carbon emissions by 50% by 2025 and has a new program against deforestation in support of local communities, in adherence to the REDD+[74] project, included in the 2010 Climate Change Conference in Cancun. The Group also promotes new sustainable practices related to water consumption, water and air pollution, waste and land use. The Clean by Design project[75], created to improve energy efficiency and optimize resource consumption, was inaugurated in 2014 and is still active to bring concrete benefits to the environment, ensuring a special sustainable focus in the fabrics chosen to create high fashion clothing and accessories. In addition, there is talk of making 100% of the supply chain of all brands owned by the group transparent, to improve traceability and increase the use of materials from responsible sourcing. Last but not least, Kering has launched a number of initiatives for the protection and sustainability of natural resources, unveiling in 2020 a Biodiversity strategy with three main goals: stemming biodiversity loss; restoring ecosystems and species; triggering systemic change that goes above and beyond our supply chains[76].

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[73]See 'Progress report 2017-2020' on Kering website: https://www.kering.com/en/sustainability/crafting-tomorrow-s-luxury/2017-2025-roadmap/progress-report-2017-2020/ .

[74]See 'What is REDD' on UNFCCC website: https://unfccc.int/topics/land-use/workstreams/redd/what-is-redd.

[75]See 'Clean by design' on Kering website: https://www.kering.com/it/news/clean-by-design-2017.

[76]See 'Biodiversity Strategy' on Kering website: https://www.kering.com/en/sustainability/safeguarding-the-planet/biodiversity-strategy/ .

Collaborate, the second pillar deals mainly with the social aspect of sustainability and has as its objectives the promotion of gender equality (50% of managers in Kering are women) and the preservation of the know-how of the Group's maisons, ensured for example by the tailoring and leather goods schools of Brioni, Gucci and Bottega Veneta. Furthermore, the Group strives to offer a stimulating and caring work environment for all its employees[77].

Finally, *Create*, the last cornerstone of Kering's sustainability program to 2025 means creating innovative solutions for the implementation of sustainable practices, promoting change and knowledge sharing. The founding of the Materials Innovation Lab is just one of the many examples of initiatives undertaken by Kering in collaboration with many universities, to promote the concept of circular economy, to search for new sources of supply and raw materials for the production not only of clothing, but also jewelry and watches. As if that were not enough, for greater empowerment of future generations, the Group offers courses focused on the dualism of fashion and sustainability, held in the most important universities around the world, from China to the United States. This regard, free-access online programs are provided in partnership with the London College of Fashion since 2018 and an IFM-Kering Sustainability Chair has been launched in 2020 in collaboration with the Institut Français de la Mode (IFM)[78].

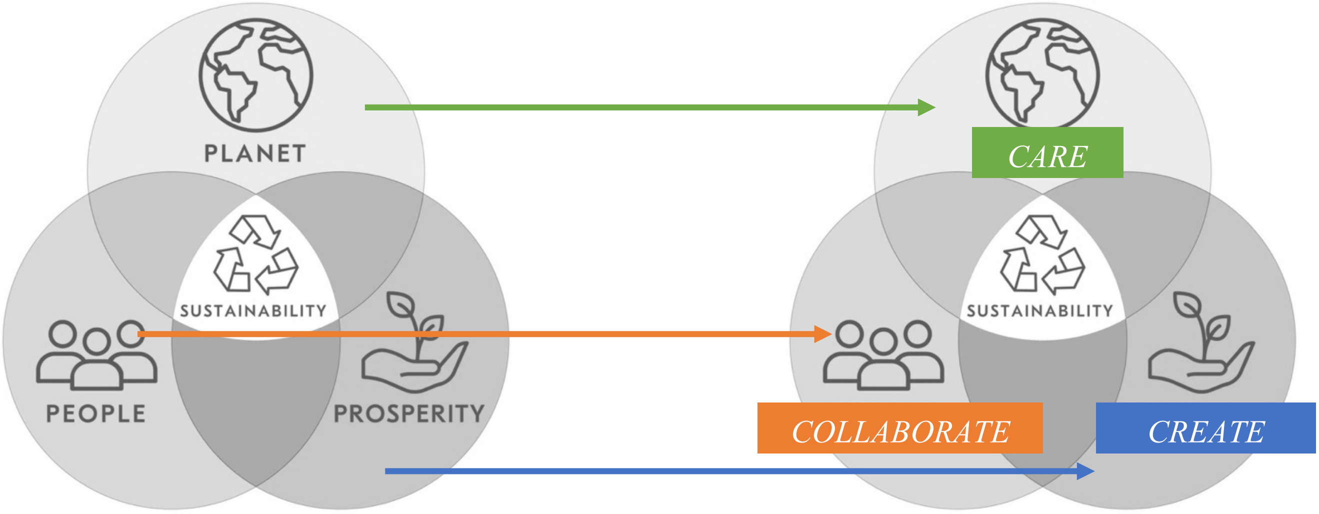
As listed company the Group had to disclose environmental and social information in compliance with the Directive 2014/95/EU[79]. Nonetheless, the Kering report structure can be easily reconducted to the 1994 John Elkington's *Triple Bottom Line 3Ps*. Namely, *Care* replace Planet, *Collaborate* replaces People and *Create* replaces Prosperity (see Figure 19).

[77]See 'Collaborate' on Kering website: https://www.kering.com/en/sustainability/crafting-tomorrow-s-luxury/2017-2025-roadmap/collaborate/ .

[78]See 'Create' on Kering website: https://www.kering.com/en/sustainability/crafting-tomorrow-s-luxury/2017-2025-roadmap/create/ .

[79] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups Text with EEA relevance.

Figure 19 - *Triple Bottom Line's 3Ps vs Kering CSR's 3 pillars*



Source: elaboration of the author on Elikinson (2018)

Three years on from our 2025 sustainability strategy announcement progresses have been made in all the three sustainability pillars. Namely, in the "*Care* for the planet" section of its Sustainability Progress Report 2017-2020 (Kering, 2020), Kering declared a reduction in the Group's overall environmental impacts by 14%, a reduction in the Group's GHGs emissions by 77% in intensity, the Group has achieved carbon neutrality in 2018, the achievement of 100% responsible gold purchase, the attainment of the 88% traceability for its key raw materials and the creation of the first animal welfare standards for luxury and fashion. For what concerns "*Collaborate* with people", Kering is far ahead to ensure women are well-represented in the Group at all levels, it implemented a progressive global Parental Leave policy and a Charter for the well-being of models (Kering Group, 2020). In conclusion, regarding "*Create* new business models and innovations", the Group reported the launch of the "K Generation Award" in China to identify promising change-making startups and technologies, the establishment of the Sustainable Innovation Lab (SIL), the creation of innovative financing mechanisms and the set up of set up a series of pilots across the supply chain (including traceability technologies, low-impact alternative materials and manufacturing processes, like mushroom leather and eco-dyeing) - just to mentioned some of the initiatives (Kering Group, 2020).

It is clear, therefore, that the French giant to which countless international fashion brands belong cares about sustainability in all its forms and has demonstrated a clear commitment to trying to change the future through the promotion of sustainable development that will deliver a healthier world to our children and grandchildren. The Group's sustainability initiatives represent the guidelines within which all the projects of the individual brands are inserted to protect the planet and support society. One example is Gucci Equilibrium[80], a collection of all the actions carried out by Gucci to generate positive change for people and the planet. Gucci is particularly attentive to CO_2 emissions. In fact, the Florentine brand is

[80]For further information visit Gucci Equilibrium website: https://equilibrium.gucci.com/ .

Carbon Neutral, offsetting all carbon dioxide emissions not only in the company's operations, but also throughout the supply chain. It is also worth mentioning the Carbon Challenge[81] launched by the brand's CEO, Marco Bizzarri, who with an open letter to every economic sector hopes to sensitize companies to take actions that reduce greenhouse gas emissions and fall within certain standards that are needed to avoid irreparable damage to natural systems.

3.4 KERING'S SELF-REGULATION: AN INNOVATIVE POWERFUL TOOL

Although Kering history began in 1963 and the company entered the luxury market in 1999, the first moves related to sustainability came when a dedicated team was created in 2003 and in 2005 was published for the first time the Code of Ethics showing scrupulous care for environment, employees and society. At that time CSR had already gained international appeal as reported by Andrés *et al*. (2019) and the European Commission, had just urged large listed companies to publish annual "Triple Bottom Line Reporting" every year to inform shareholders and stakeholders about initiatives and data relating to the organization under the three headings of profit, planet and people. Eventually, in those early years, Kering was keeping pace with the new trends of the period.

It was in 2011 though that focusing on the issue of protecting the planet the Group decided to launch its innovative Environmental Profit & Loss Account[82] with the aim of measuring in economic terms the impact of the company's activities on nature, also calculating their monetary value thanks to a specific function. An environmental profit and loss account (EP&L) is a company's monetary valuation and analysis of its environmental impacts including its business operations and its supply chain from cradle-to-gate[83]. The EP&L analysis reveals the true impacts resulting from Kering's business activities and helps find effective solutions to mitigate its footprint, it allows to better address climate change and develop more resilient business models, as well as providing transparency to our stakeholders along the way; aligned with an open-sourcing philosophy, Kering's EP&L methodology help advance the inclusion and adoption of Natural Capital accounting into mainstream decision-making and corporate reporting[84][85].

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[81] See 'Carbon Neutral Challenge' on Gucci Equilibrium website: https://equilibrium.gucci.com/ceo-carbon-neutral-challenge/

[82] See 'What is an EP&L' on Kering website: https://www.kering.com/en/sustainability/measuring-our-impact/our-ep-l/what-is-an-ep-l/ .

[83] See 'Environmental profit and loss account' on Wikipedia: https://en.wikipedia.org/wiki/Environmental_profit_and_loss_account.

[84] See 'Kering: Environmental Profit and Loss (EP&L) accounting' on WBCSD: https://www.wbcsd.org/Archive/Assess-and-Manage-Performance/Measuring-and-valuing-impact-business-examples/Kering-Environmental-Profit-and-Loss-EP-L-accounting.

[85] For further information vitis 'Natural Capital Protocol' on Capitals Coalition website: https://capitalscoalition.org/capitals-approach/natural-capital-protocol/?fwp_filter_tabs=training_material.

Furthermore, Kering developed a so called "My EP&L" App, to assist the fashion community in understanding how design decisions influence the extent of environmental impacts such as material choices, sourcing regions, etc.[86].

The Kering EP&L analyses the ecological footprint of the Group as a whole, in order to develop a new business strategy that guarantees a holistic approach to sustainability and a conscientious preparation for the future, which can then be extended to all interested companies. This will allow new technologies and processes to be implemented at the head of each activity in the supply chain, thus respecting natural resources, especially in the production phase of supply. The EP&L data collected are publicly available on Kering website, both in an online format and as excel documents[87].

As mentioned in Chapter 1, the extent to which state authorities can regulate the externalities and the behavior of multinational corporations (MNCs) is limited especially when MNCs operate in or do business with fragile states that lack the willingness and/or resources to effectively and legitimately regulate businesses (Schneider and Scherer, 2019). For this reason, MNCs eventually find their selves in creating their own rules where authorities lack of intervention. Nonetheless, MNCs do not always succeed in securing the regimes they desire through GPPN. Negotiations over regime formation among MNCs, governments, and NGOs depend on the relative power of the actors (Levy and Prakash, 2003). This is another reason why MNCs continue with self-regulation. Because of a lack of enforcement and standardization MNCs may lack legitimacy and credibility in the eyes of the public – and certainly those of activists – even if they are sincere about self-regulation.

Within this context, Kering EP&L happens to be an extremely powerful tool. Indeed, it provides a comprehensive and clear understanding of Group and House activities shedding light on areas in which Kering can implement solutions to significantly reduce its environmental impact, whether in its supply chains, production processes or sourcing of raw materials[88]. Furthermore, because of a lack of international CSR standards and environmental impact indexes, the Kering EP&L has demonstrated to be even more innovative. As a matter of fact, although globalization has increased the economic power of the MNCs engendering calls for greater corporate social responsibility from these companies, the current mechanisms of global governance are inadequate to codify and enforce recognized CSR standards (Detomasi, 2007). Nonetheless, even if many institutions established environmental reporting regulation,

[86] See 'Kering: Environmental Profit and Loss (EP&L) accounting' on WBCSD: https://www.wbcsd.org/Archive/Assess-and-Manage-Performance/Measuring-and-valuing-impact-business-examples/Kering-Environmental-Profit-and-Loss-EP-L-accounting.

[87] See EP&L open software on Kering website: https://kering-group.opendatasoft.com/explore/dataset/epl-valued-results-2020/table/?disjunctive.raw_material_group&disjunctive.year&disjunctive.business_unit_ods&disjunctive.process_step_ods &disjunctive.impact_contry_ods

[88] For further information see 'Why develop an EP&L' on Kering website: https://www.kering.com/en/sustainability/measuring-our-impact/our-ep-l/why-develop-an-ep-l/ .

there is no international mandatory reporting framework. For instance, as of today, European Union does require only listed large companies to disclose information on the way they operate and manage social and environmental challenges and the guidelines of disclosure are not even mandatory[89][90]. This regard, on 21 April 2021, the European Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD) but still, the first set of standards will be available no less than October 2022[91]. Therefore, even if CSR policies have spread between MNCs it is often useless because its standards are not comparable. For these reasons, it is possible to underline the disruptive nature of the Kering EP&L. Indeed, thanks to its EP&L Kering values its environmental impact - monetary value - making it comparable and understandable. It may happen to be facing a possible example of self-regulation standard setting that will shape the future international system.

Kering EP&L available data are called secondary because they are taken from a report already done and not directly collected. They take into account activities from of 9 different business units of the Group supply chain, namely: couture, shoes, leather goods, silk accessories, operations, jewelry, other, watches and eyewear. Each activity is further linked to a specific process of the supply chain - from tanning to washing, from cutting to storing, etc. - and a peculiar raw material implied - leather, animal fibers, wood, plant fibers, etc. The area of this report is extended all over the Kering worldwide supply chain -from America to Asia, from Europe to Africa - and covers three year of reporting - from 2018 to 2020.

3.4.1 THE COST OF THE KERING GROUP ENVIRONMENTAL FOOTPRINT

Empirically speaking, the hidden potential of the EP&L relies on the fact that not only it gives tangible notion of the Kering environmental footprint, but it also allows hypotheses testing on the very environmental footprint. Aiming at demonstrating this last Kering EP&L potentiality, the published database was downloaded from the Kering platform, and a quantitative analysis was carried looking for the relation between the monetary values results and their relative environmental footprint - GHGs, land use, waste, air emissions, water pollution and water consumption. Namely, collected the quantitative data from existing data source (Kering EP&L open data software) a linear regression model was applied using the statistical software SPSS.

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[89] 'Corporate social responsibility & Responsible business conduct' on the European Commission website: https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en .

[90] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups Text with EEA relevance.

[91]See 'Corporate sustainability reporting' on European Commission website: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en.

IBM SPSS Statistics is a powerful statistical software platform that offers a user-friendly interface and a robust set of features that lets any user quickly extract actionable insights from data; advanced statistical procedures help ensure high accuracy and quality decision making: all facets of the analytics lifecycle are included, from data preparation and management to analysis and reporting[92].

The linear regression model is chosen to conduct the analysis since it is relatively simple and provide an easy-to-interpret mathematical formula that can generate predictions: linear regression can indeed be applied to various areas in business and academic study[93]. Notably, linear regression prediction concerns the value of a variable - dependent variable - based on the value of another variable - independent variable.

- **Methodology**

The data used within the analysis are called secondary because they are taken from a report already done and not directly collected. This Kering EP&L takes into account activities from of 9 different business units of the Group supply chain, namely: couture, shoes, leather goods, silk accessories, operations, jewelery, other, watches and eyewear. Each activity is further linked to a specific process of the supply chain - from tanning to washing, from cutting to storing, etc and a peculiar raw material implied - leather, animal fibers, wood, plant fibers, etc. The area of this report is extended all over the Kering worldwide supply chain -from America to Asia, from Europe to Africa - and covers three year of reporting - from 2018 to 2020.

The focus of the analysis rely on how the type of environmental footprint of an activity affects its monetary valued result. Namely, the intention is that of testing which environmental footprint result to be the most expensive for the Group. According to the variance research deployed in this analysis, the "valued result" will be associated with the dependent variable Y and the "environmental footprint" with the independent variable X. In particular in the analysis there are six possible environmental footprints of Kering activities therefore six different independent variables X: X_0 = GHGs, X_1 = Land use, X_2 = Waste, X_3 =Air emissions, X_4 = Water pollution and X5 = Water consumption. The core of the research is in fact to analyze the potential causal relationship between variables X and Y, and in particular how the monetary valued result depends on the Kering's environmental footprint compared to GHGs emissions.

The reaching of a certain money cost of the Kering activity is not only influenced by the targeted environmental footprint, it also implies the consideration of other variables that play a primary role in the analysis and cannot be underestimated: the process step, the raw material implied, the year of reporting, the country of the activity and the business unit. The first control variable refers to the process step of which the environmental impact is analyzed, namely it could be transport, animal rearing or store. The raw material implied is related to the material processed, for instance leather or animal fiber. The year of

[92] See SPSS Statistics on IBM website: https://www.ibm.com/products/spss-statistics .

[93] See Linear-regression on IBM website: https://www.ibm.com/topics/linear-regression .

reporting and the country of activity is also a relevant variable because of the different impact that it could have on the valuation of the environmental impact. The last control variable focuses on business unit which the environmental damage belongs to - the jewelry unit is less likely to hamper the environment than the apparel one. The results of some of the control variables, namely the business unit, will be part of the data analysis together with the environmental footprint.

As mentioned, the set of mathematical tools, helping us to summarize the set of data to gain insights of the relationship between the monetary valued result and environmental footprint, will be based on the construction of a linear regression analysis. The first aim of the data analysis will be the observation whether the is a significant correlation between the selected independent variables X_0, X_1, X_2, X_3, X_4, X_5, and the dependent variable Y "valued result".

Each variable without a numerical value, such as the independent variable X "environmental footprint", will be recorded through the attribution of a generical relative number. The environmental footprint KPIs in our database are GHGs, land use, waste, air emissions, water pollution and water consumption. During the various steps of the analysis, each of these areas will be alternatively related to a value of 1, while the others remaining to a value of 0, in order to design the regression line. Following the same method, working on the set of control variables, business unit, in a last phase of the analysis it will be alternatively assigned the value of 1 to a specific unit and the value of 0 to all the others, in order to provide some alternative explanations to the final results.

- **Results**

Aiming at observing and explaining the relation between the environmental footprint of a Kering activity and the monetary valued it is assigned to and testing which environmental footprint is the most expensive for the Group. The data were collected and extracted from the dataset of Kering EP&L. The variables taken into consideration were the dependent variable Y "valued result" and the independent variable X "environmental footprint". In the first place, to test the hypothesis, the data were transferred from the database to SPSS. Then, the regression model was created by giving alternatively a value of 1 to a specific environmental footprint and 0 to all the others as previously mentioned. At this point, the regression line was deployed setting all the environmental footprint data transformed in numerical values as independent variables X_0, X_1, X_2, X_3, X_4, X_5, and all the relative valued results as the dependent variable Y. The environmental footprint corresponding to GHGs was considered as excluded independent variable, namely as the independent variable to which all the other X's have been compared (see Table 1), being the main cause of climate change. Thanks to the significance level (p-value), obtained by the linear regression analysis, it was possible to identify the potential correlation between the two kinds of variables.

Table 1. *Constant variable X_0 = GHGs*

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	GHGs	.[b]	.	.	.	,000

a. Dependent Variable: Valued result

b. Predictors in the Model: (Constant), Water_cons, Land_use, Water_poll, Waste, Air_emissions

Source: SPSS

The relations between the environmental footprint of Land Use and its valued monetary results stem not statistically significant, being its p-value of 0.386; indeed, a statically significant result is represented by the environmental footprint of Waste, Air Emissions, Water Pollution and Water Consumption with its p-value of 0.000 (see Table 2). Therefore, it is possible to claim that the hypothesis on the influence of environmental footprint on the monetary valued result is almost totally supported. Namely, data about Land use do not permit to confirm the relation between the "environmental footprint" - X - and the "valued result" - Y. However, the other cases can be taken into consideration - since its significance proved - and consequently it is possible to give a meaning to their B coefficients: valued results for Waste, Air Emissions, Water Pollution and Water Consumption are lower than those of GHGs. This means there is an evident difference between the environmental impact value of GHGs and the others. Therefore, it can be said that the type of environmental footprint of the Kering activities does influence the monetary valued result associated and the most expensive footprint is that of GHGs.

Table 2. *Regression analysis considering X = "environmental footprint" and Y = "valued result"*

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14778,407	763,429		19,358	<,001
	Land_use	977,002	1127,920	,002	,866	,386
	Waste	-11937,665	1095,734	-,029	-10,895	<,001
	Air_emissions	-11388,726	1085,142	-,028	-10,495	<,001
	Water_poll	-9079,706	1102,833	-,022	-8,233	<,001
	Water_cons	-11396,225	1125,431	-,027	-10,126	<,001

a. Dependent Variable: Valued result

Source: SPSS

In a second phase some control variables - representing the different possible business unit of the activities: Couture, Shoes, Leather Goods, Silk Accessories, Operations, Jewelry, Other, Watches, Eyewear- are introduced in the regression analysis in order to gain a more detailed output, considering Couture as excluded variable together with GHGs (see Table 3).

Table 3. *Constant variables GHGs and Couture*

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	GHGs	.[b]	.	.	.	,000
	Couture	.[b]	.	.	.	,000

a. Dependent Variable: Valued result

b. Predictors in the Model: (Constant), Eyewear, Air_emissions, Watches, Other, Jewelery, Operations, Land_use, Silk, Water_cons, Leather_goods, Water_poll, Shoes, Waste

Source: SPSS

Firstly, the integrated regression shows that all data of some business units in relation with the valued result are statistically significant, setting a level of significance of $p < 0.100$ (see Table 4). Thus, at this point, considering significative units, it is possible to claim that Leather Goods, Shoes and Operations are the business units with more expensive environmental footprint (see Table 4, column "Unstandardized B") rather than Silk, Jewelry, Others, Watches and Eyewear.

Secondly, talking about type of environmental footprint, the initial hypothesis of a relation between the footprint of activities and the valued result is fully supported. Namely, only Land Use results once again not significant to extrapolate information, whereas a significance is always present in Waste, Air Emissions, Water pollution and Water Consumption- p-values of 0.000 - (see Table 4). Given a certain amount of Couture units emitting GHGs which depend certain valued results, waste, air emissions, water pollution and water consumption cost is lower. Nonetheless, the leather goods unit happens to present the higher environmental footprint cost.

Table 4. *Regression analysis considering X = "environmental footprint" "business unit" and Y = "valued result"*

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	12840,669	943,559		13,609	<,001
	Land_use	868,963	1127,281	,002	,771	,441
	Waste	-11962,425	1094,936	-,029	-10,925	<,001
	Air_emissions	-11451,267	1084,361	-,028	-10,560	<,001
	Water_poll	-9276,476	1102,162	-,022	-8,417	<,001
	Water_cons	-11570,733	1124,875	-,027	-10,286	<,001
	Shoes	2855,861	1024,296	,007	2,788	,005
	Leather_goods	14664,432	1045,571	,034	14,025	<,001
	Silk	-2674,749	1184,973	-,005	-2,257	,024
	Operations	4767,232	1312,241	,008	3,633	<,001
	Jewelery	-2588,856	1327,369	-,005	-1,950	,051
	Other	-2440,121	1356,229	-,004	-1,799	,072
	Watches	-5066,144	1663,070	-,007	-3,046	,002
	Eyewear	-4234,430	1668,353	-,006	-2,538	,011

a. Dependent Variable: Valued result

Source: SPSS

- **Discussion**

The results of the analysis support the sampled hypothesis of a relation between the environmental footprint and the valued result highlighting how for Kering some footprints are more expensive than other. More specifically, in each of the first two statistical tests conducted indicates that data are generally significant except for the Land Use ones. Furthermore, what eventually emerges is that GHGs' valued results are higher than any other environmental footprint considered.

In the second part of analysis thanks to the introduction of a control variable it has been feasible to gain a more detailed output which showed that GHGs emission remains the dominant footprint cost even when considering the Couture business unit. Namely, once added the business unit control variable, the database analysis underlined how, given a certain amount of Couture unit's GHGs emissions which depend certain valued results, waste, air emissions, water pollution and water consumption represent the minority of the "Couture" environmental footprint. Nonetheless, the leather goods unit happens to show the higher environmental footprint cost. Nonetheless, the leather goods unit happens to present the higher environmental footprint valued result.

Being able to perform even just these listed activities shows itself how the Group has overcome the CSR transparency and comparability issue. Now, this active engagement of companies has, first of all, been prompted by the market pressure, driven by environmentally and socially conscious consumers who demand sustainable modes of production. Nonetheless, the increasing imposition of respect of environmental and social standards by governments and international institutions is making companies implementing their commitment too. Still, a research conducted by Wang (2017) has even shown that seven corporate governance and business characteristics[94], among which the firm growth, are positively related to the disclosure of sustainability reporting.

[94] The size of the board of directors, ratio of independent directors, audit committee, ratio of export income, percentage of foreign shareholders' holdings, fixed asset staleness, and firm growth (Wang, 2017).

CONCLUSION

Starting from the liberalist claim of an international system populated by many interconnected actors, the aim of this study is that of analyzing the role of the MNCs within the international fight against climate change and demonstrating the actual key role these company play. Since the fashion industry happens to produce a significant quantity of world's carbon emissions, the Kering Group is taken as research focus and case study.

Park and Berger-Walliser (2015) claim MNCs do shape world's dynamics participating in alternate forms of rulemaking in two distinct realms: though nonbinding standards and principles of conduct promulgated by domestic regulators in consultation with the various actors - international soft law - and through private rules and standards such as internal policies of Corporate Social Responsibility (CSR). Detomasi (2007) classified the Global Public Policy Networks (GPPN) as "a potential source of effective international governance" and international soft regulation. Still, MNCs do not always succeed in securing the regimes they desire through GPPN. Negotiations over regime formation among MNCs, governments, and NGOs depend on the relative power of the actors (Levy and Prakash, 2003). As a consequence, MNCs also continue with self-regulation. This regard, The Abbott and Snidal (2009) Governance Triangle provides a systematic depiction of the potential universe and actual variety to as "regulatory standard-setting" (RSS) institutions from GPPN to CSR self-regulation.

Both international soft law and private CSR policies may lead to defined regulations on relevant issues such as the sustainable development, representing a focal point in governmental and international strategies. To preserve populated territories, to avoid civil and international conflicts, to maintain the natural equilibrium of the planet and to protect human welfare, the latest GHG heavy effects have to be globally stopped. Within this context, MNCs happen to represent a key resource, especially if they belong to one of the most polluting industries such as the fashion one.

The Intergovernmental Panel on Climate Change has calculated the fashion industry produces 10% of global carbon dioxide emissions a year (Davis, 2020). As seen, climate change means alteration of temperature and weather, it is caused by the intensive GHG effect fostered by human activities. This been said, indeed, the fashion pipeline consists in a series of activities fostering the GHG effect. Specifically, the fashion industry implies high levels of energy consumption, waste production and chemicals leading to a large quantity of GHGs' emission. In addition, the water consumption in clothing production is consistent so that the industry also plays a role in the reduction of resources - such as water.

The rising environmental impact of the fashion industry can mainly be attributed to the substantial increase in clothing consumption and, therefore, textile production - Niinimäki et al. (2020) report global per-capita textile production has increased from 5.9 kg to 13 kg per year over the period 1975–2018. This fashion relying on frequent consumption, cheap manufacturing, and short-lived garment use is called fast fashion (Niinimäki et al., 2020). Fast fashion is clearly the big issue in sustainability. Even if they are trying to be perceived as sustainable fast fashion brands and sustainability are just opposites. - speed and continuous change vs slow and conscious choice. On the other side, the reason a CSR commitment is identified as an add-on to the luxury product is strictly linked to consumption trends' evolution. Data provided by the 2019 Boston Consulting Group analysis in collaboration with the Altagamma Foundation shows how especially luxury clients are influenced in their purchasing decisions by morality, thus, nowadays, by the fact of making a good action for the planet. As a matter of fact, the increasing spread of a climate change contiguousness among the population - especially among those who have easy information access through the internet - has resulted in a great influence on younger generations - Gen. Z and Millennial.

What emerges from the research work is that fashion MNCs have engaged in environmental standard setting process in multiple occasions. In this regard, the Kering Group provides the valuable example of a MNC with an international role and powerful standard setting potentials. Kering actively participated in drafting The Fashion Pact as coalition leader. Nonetheless, thanks to the creation of an innovative EP&L interactive platform and open model, its CSR can be defined as one of the more disruptive policies able to set future international standards.

This very study could be useful for policymakers, managers and scholars, in many different ways. It contributes to the literatures concerning CSR, global governance, and business regulation by demonstrating governance schemes coming from the private sector can address pressing collective action problems like the environment. It may help policymaker in defining their government strategy and dialoguing with MNCs. It may provide a useful insight for managers underling the actual importance of their work within an even bigger plan and innovative environmental reporting strategies. Finally, scholars could be here inspired for further demonstrations on MNCs role in shaping world's dynamics.

Furthermore, Kering sustainability reporting, rooted in the Group's corporate mission and reflecting the goal to change fashion's relationship with sustainability, opens interesting research opportunities under the profile of the analysis of strategic behavior and the business models emerging in the luxury fashion sector, even today barely investigated by the management literature (Pavione, 2016). It would be also interesting to deeper investigate the Group's EP&L datasets. For instance, other quantitative analysis on the Kering valued environmental footprint could be carried changing the control variable used in the regression line.

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SUMMARY

- **Introduction**

If the International Relations theory of realism, on one side, considers Multinational Corporations (MNCs) - as well as Non-governmental Organizations (NGOs) - derivative and secondary to states, the theory of liberalism claims international relations are made by a plenty of interconnected actors. Namely, from a liberal point of view the main actors of the international system are not only states, but also individuals, groups, IOs, NGOs as well as MNCs. Without doubts, there is no one good theory to understand the current international system but there are many points of view that can be used to read it and gain some insight on its future developments.

Nonetheless, the reason why some corporations have started to be considered international actors can be easily reconducted to the globalization process. As demonstrated by Robertson and White (2007) globalization consists primarily of two major directional tendencies, an increasing global connectivity and an increasing global consciousness - where consciousness does not imply consensus, but merely a shared sense of the world as a whole. The outcome of these tendencies has been an economic, social and cultural integration that involved many world's areas. Origins behind the globalization process can be found in industrial revolutions. Within this context, it happened that companies took advantage of the lowering of trade costs and innovations and expanded their horizon. Consequently, they started to act on a global scale resulting in the emergence of a single integrated economy shaped by corporate networks and their financial relationships (Reinicke, 1997). This way MNCs were born and may have become international actors shaping world dynamics in many contexts and actively participating in the global rulemaking system - also known as global governance.

As of today, one of the most pressing and urgent problems in global governance is climate change. Indeed, until now, global temperature has warmed by more than 1°C compared to the 20th century average, causing the melting of glaciers and the related sea level rise, as well as the distortion of seasonal transitions. Furthermore, typical weather patterns have also changed. Indeed, nowadays, hurricanes, floods, downpour and winter storms have actually become more frequent, intense and unpredictable. Climate change regulation has proven to be uniquely vexing. However, MNCs' knowledge happened to have led to important standard settings on valuable issues such as the sustainable development, both collectively working and through self-regulation.

Among the various activities causing the fostering of climate change, the Intergovernmental Panel on Climate Change (IPCC) has calculated fashion industry to contribute to the 10% of global carbon dioxide emissions a year (Davis, 2020). As a matter of fact, the fashion pipeline consists in a series of activities fostering the GHG effect. Specifically, the fashion industry implies high levels of energy consumption, waste production, and chemical leading to a large quantity of GHGs' emission. In addition, the water consumption in clothing production is consistent so that the industry also plays a role in the reduction of resources - such as water. For these reasons the fashion MNCs are some of the most impacted by the sustainability trends. Furthermore, the increasing spread of a climate change contiguousness among the population - especially among those who have easy information access through the internet - has resulted in a great influence on younger generations - Gen. Z and Millennial - and consequently consumption changes.

Starting from the liberalist claim of an international system populated by many interconnected actors, among which there are also MNCs. The aim of this study is that of critically analyzing the role of MNCs within the international fight against climate change and demonstrating the actual key position these companies cover. Since fashion MNCs and the fashion industry happen to produce a significant quantity of world's carbon emissions, they are taken as research focus. This been said, the Kering Group is presented as case study being a practical example of MNC international engaged and providing an innovative environment footprint reporting tool.

- **MNCs in the International System**

The actors of the International System are no longer solely states. Since the end of the second World War, the international system made by states has taken a different shape due to a growing number of non-state actors and non-state centered problems (Ataman, 2003). Because of the increasing economic interdependence state sovereignty has started to be questioned, it has been an overlapping of foreign and domestic politics and military actions have been marginalized in international affairs. Specifically, the erosion of states' sovereignty come from the rising of dense interlinks between the inside and the outside of nations that drive the military power to become less relevant. So it is that over time, the intentional relations' focus has shifted from the nation-state to expansive area of non-state actors such as the international non-governmental organizations (NGO), international organizations and multinational corporations: all these actors becoming significant participants in the global governance scenario (Ataman, 2003).

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The development of the liberalism as one of the International Relations theories can be easily linked to the emergence of these above explained trends. From a liberal point of view the main actors of the international system are not only states, but also individuals, groups, IOs, NGOs as well as MNCs. All the actors actually build relations to each other. Thus, the system is so interdependent that everyone needs each other, and everyone can help each other to be safe and be free. There is no need to fight for power, transnational relations their-selves with the help of international institutions, can improve the ease of cooperation, making war an unlikely scenario.

It is commonplace to state that many of the most intractable contemporary problems are transnational - ranging from climate change, migration, pandemics, to terrorism, financial instability, and the proliferation of weapons of mass destruction - and that addressing these issues successfully requires actions that are not unilateral, bilateral, or even multilateral, but rather global (Weiss and Wilkinson, 2014). While the state has traditionally been seen as the appropriate overseer of domestic business activity, the scale and structure of contemporary global dynamics challenge the capacity of even highly developed states to regulate activities that extend beyond their borders (Abbott and Snidal, 2009). Today's world lacks a sovereign authority and is populated by states and international and transnational actors such as IOs, NGOs and MNCs, calling for a global form of governance.

The developed idea and practice of a global governance as a consequence of globalization does come as a support of the liberal theory of a multitude of actors shaping the international system. As a matter of fact, MNCs shape world's dynamics. Namely, they participate in alternate forms of rulemaking in two distinct realms: informal, though nonbinding standards and principles of conduct promulgated by domestic regulators in consultation with the various actors - international soft law; self-regulation, through private rules and standards such as internal policies of Corporate Social Responsibility (CSR) (Park and Berger-Walliser, 2015).

Within this context, the Abbott and Snidal (2009) Governance Triangle may provide a systematic depiction of the potential universe and actual variety of Global Public Policy Networks (GPPN) outcomes like the GRI, also referred to as "regulatory standard-setting" (RSS) institutions

Talking about self-regulation, MNCs may shape world's rulemaking dynamics implementing private rules and standards such as internal policies of CSR (Park and Berger-Walliser, 2015). As a matter of fact, when operating on a global scale, the economic profitability comes along with responsibilities. Corporate Social Responsibility policies refer to MNCs' internal policies of action - those defining the principle and mode of conduct of the business. Globalization and the growth of multinational enterprises (MNEs) have actually been accompanied by an increasing call for corporations to take responsibility for their environmental and social impacts, and for greater corporate disclosure and transparency with regard to nonfinancial risks (Berger-Walliser and Scott, 2018). Notably, Corporate Social Responsibility is defined as the responsibility of enterprises for their impact on society and, therefore, it should be company led: companies can become socially responsible by integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations.

As of today, the topic of a “sustainable development” respecting the environment represents a focal point in governmental and international strategies, the study provide a climate change definition and continues trying to identify the global environmental governance framework focusing on fashion MNCs - since the fashion industry represents one of most pollution ones.

- **Climate Change and Fashion Luxury MNCs**

Climate change means alteration of temperature and weather, it is caused by the intensive GHG effect fostered by human activities and does not imply any pleasant consequence. When occurring naturally, global warming is a slow process that has taken place over thousands of years, but the human influenced climate change that is happening now is actually occurring at a much faster rate having enormous disadvantages. The life on the planet has already been hampered by the rise in global temperature and will continue to get worse as it becomes warmer. As of today, climate change has led to irreversible natural changes so that reaching 2°C above the 20th century temperature average will be a catastrophe. Unpredictable intense weather events, variable climates that affect food and water supplies, new patterns of infectious disease outbreaks, and emerging diseases linked to ecosystem changes, are all associated with global warming and pose health risks, indeed, as stated by Huntjens and Nachbar (2015): “the ramifications of not responding adequately to climate change are far greater than any earlier threat to humanity in recent history”.

The Intergovernmental Panel on Climate Change (IPCC) has calculated the fashion industry produces 10% of global carbon dioxide emissions a year (Davis, 2020). Indeed, the fashion pipeline consists in a series of activities fostering the GHG effect. Specifically, the fashion industry implies high levels of energy consumption, waste production, and chemical leading to a large quantity of GHGs’ emissions. In addition, the water consumption in clothing production is consistent so that the industry also plays a role in the reduction of resources - such as water.

The rising environmental impact of the fashion industry can mainly be attributed to the substantial increase in clothing consumption and, therefore, textile production - Niinimäki *et al.* (2020) report global per-capita textile production has increased from 5.9 kg to 13 kg per year over the period 1975–2018. This fashion relying on frequent consumption, cheap manufacturing, and short-lived garment use is called fast fashion (Niinimäki *et al.*, 2020). Fast fashion is clearly the main big issue in sustainability. Even if they are trying to be perceived as sustainable, fast fashion and sustainability are just opposites - speed and continuous change vs slow and conscious choice.

Despite fast fashion's scale and massive distribution network allows for more consumer education on customer materials, the luxury world is the closer one to sustainability transition. If fashion is forward looking, luxury fashion is timeless (covering a few or even one market segment). Luxury fashion products entail a projecting status which is still the main driver in emerging markets, while in more sophisticated markets the driver is expressing oneself, being and enjoying and less about owning and displaying, more about supporting the individual image rather than a social image.

This been said, many steps forward have been made towards the creation of an effective global governance system for addressing environmental and climate change-related challenges toward a sustainable change. The aim of global action is that of preserving populated territories, to avoid civil and international conflicts, to maintain the natural equilibrium of the planet and to protect human welfare. On one side, over the last fifty years, international law and policy on environmental protection have evolved through several main phases: from the creation of the United Nations Environment Program (UNEP) in 1972 to the latest Paris Agreement and the United Nations 2030 Agenda for Sustainable Development in 2015 (Francioni and Bakker, 2016). On the other side, states, NGOs and MNCs have worked towards a sustainable development on their own.

Focusing on the fashion industry, many states have developed new standard setting regulations. To cite an example, the European Union has promoted the REACH regulation in 2007 impacting the fashion pipeline. REACH establishes procedures for collecting and assessing information on the properties and hazards of substances: companies need to register their substances and to do this they need to work together with other companies who are registering the same substance. Since production is increasingly outsourced, producing lists of chemicals that can or cannot be used in the production process, solves many control issues.

NGOs have worked hard trying to hamper harmful activities for the planet. For instance, a key campaign has been the #30 wears challenge, started by Livia Firth, founder of Eco-Age, one of the major sustainability fashion consultancies. The aim of the campaign was to encourage shoppers to buy less fast fashion and slower, quality pieces that they will wear over and over again

Environmental standard setting also comes from the cooperative work of companies. The Fashion Pact is considered to be the largest alliance joined by 32 of the largest and most important companies in the fashion and luxury industry worldwide for a sustainable development. Eventually, MNCs generally tend to implement uniform environmental policies to reduce complexity, just as they implement other functional policies on a global scale (Christmann, 2004). Because of a general lack of environmental metrics has been suggested that MNCs increasingly self-regulate their environmental conduct - referring to firm's adoption of environmental policies or performance standards that exceed the requirements of government regulations. (Christmann, 2004). It is at this point interesting to study the actual MNCs' CSR policies and format.

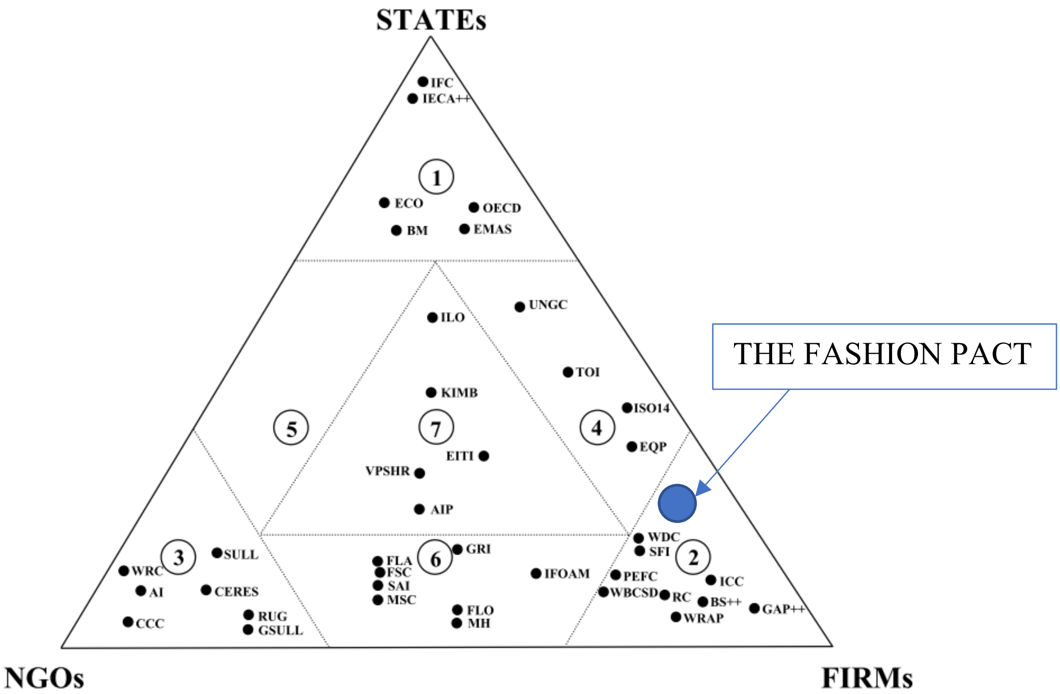
- **Fashion MNCs in Global Environmental Governance: the Kering Group case study**

The Kering Group has been chosen as subject of the case study being a listed fashion MNCs engaged in international standard setting. Furthermore, it happens to be the only fashion luxury group that has developed a program involving an open dataset on its environmental footprint as part of its self-regulation setting, thus representing a possible way out in MNCs' CSR transparency, disclosure, standardization and comparability. The case study methodology is used emphasizing detailed contextual analysis: "case study research excels at bringing to an understanding of a complex issue or object and can extend experience and add strength to what is already known through previous research" (Pavione, 2016).

Kering is currently headquartered in Paris, has 38,000 employees worldwide and a turnover of 15.9 billion euros in 2019, making the group a leading player in the luxury sector. As reported by Deloitte (2020) in its latest report on Global Powers of Luxury Goods, Kering at the end of 2019 was second in the Top 10 luxury goods companies by sales list, with annual luxury goods sales nearly 90% higher than in FY2016 (see Figure 14). Despite 2020 Covid-19 pandemic, the Paris-based multinational closed the first half of 2021 with a 53.3% jump over the same period in 2020 and a 7.7% increase over pre-pandemic 2019. Aiming at demonstrating the two realms of MNCs participation in shaping international system's dynamic, Kering Group's Fashion Pact engagement and CSR policy have been presented. The Kering group is a MNC leading player in the luxury sector.

The Fashion Pact is considered to be the largest alliance joined by 32 of the largest and most important companies in the fashion and luxury industry worldwide for a sustainable development. The Fashion Pact was presented to world leaders at the 2019 Group of Seven summit, in Biarritz (Guilbault and Kent, 2019) Notably, The Pact came from the hard work of the Kering's CEO François-Henri Pinault commissioned by the President of France Emmanuel Macron. Namely, in anticipation of the G7, French President Emmanuel Macron had entrusted Pinault with the task of bringing together and involving the most important players in the fashion and textile sector with the aim of defining concrete objectives to reduce the ecological impact caused by the sector. Namely, contacted at the end of April by the Elysée Palace, François-Henri Pinault had just three months to convince his peers to join the project initiated by the French President of the Republic. His mission statement set him the goal of mobilizing 20% of the profession, in all G7 countries and beyond.

The Fashion Pact can be pointed out as a GPPN outcome. Where the vertex of the Abbott and Snidal (2009) Governance Triangle (zones 1-3) "represent situations in which an actor from a single group adopts and implements regulatory standards largely on its own, with only modest participation, if any, from actors of other types", The Fashion Pact can be placed at the borders of zone 2 as example of fashion MNCs soft law contribution.



Source: elaboration of the author on Abbott and Snidal (2009)

This positioning demonstrates how the collaborative work of MNCs may shape the international system as well as how Kering itself do represent a clear example of a single MNC shaping of the international system, being a leader of an important GPPN on valuable issues such as The Fashion Pact.

Besides The Fashion Pact, the Kering Group has also been self-committed to sustainability initiatives for many years. Namely, since the beginning of the 21st century, the Group has always supported the concept of luxury for a sustainable development. According to François-Henri Pinault, "sustainable development is a business opportunity and leadership" because a sustainable company "has the ability to adapt to changes, to innovate, to anticipate risks and to identify on an ongoing opportunities business" (Pavione, 2016).

Although Kering history began in 1963 and the company entered the luxury market in 1999, the first moves related to sustainability came when a dedicated team was created in 2003 and in 2005 was published for the first time the Code of Ethics showing scrupulous care for environment, employees and society. At that time CSR had already gained international appeal as reported by Andrés et al. (2019) and the European Commission, had just urged large listed companies to publish annual "Triple Bottom Line Reporting" every year to inform shareholders and stakeholders about initiatives and data relating to the organization under the three headings of profit, planet and people. Eventually, in those early years, Kering was keeping pace with the new trends of the period.

It was in 2011 though that focusing on the issue of protecting the planet the Group decided to launch its innovative Environmental Profit & Loss Account with the aim of measuring in economic terms the impact of the company's activities on nature, also calculating their monetary value thanks to a specific function. An environmental profit and loss account (EP&L) is a company's monetary valuation and analysis of its environmental impacts including its business operations and its supply chain from cradle-to-gate.

Within this context, Kering EP&L happens to be an extremely powerful tool. Indeed, it provides a comprehensive and clear understanding of Group and House activities shedding light on areas in which Kering can implement solutions to significantly reduce its environmental impact, whether in its supply chains, production processes or sourcing of raw materials. Furthermore, because of a lack of international CSR standards and environmental impact indexes, the Kering EP&L has demonstrated to be even more innovative. As a matter of fact, although globalization has increased the economic power of the MNCs engendering calls for greater corporate social responsibility from these companies, the current mechanisms of global governance are inadequate to codify and enforce recognized CSR standards (Detomasi, 2007). Nonetheless, even if many institutions established environmental reporting regulation, there is no international mandatory reporting framework. For instance, as of today, European Union does require only listed large companies to disclose information on the way they operate and manage social and environmental challenges and the guidelines of disclosure are not even mandatory . This regard, on 21 April 2021, the European Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD) but still, the first set of standards will be available no less than October 2022. Therefore, even if CSR policies have spread between MNCs it is often useless because its standards are not comparable. For these reasons, it is possible to underline the disruptive nature of the Kering EP&L. Indeed, thanks to its EP&L Kering values its environmental impact - monetary value - making it comparable and understandable. It may happen to be facing a possible example of self-regulation standard setting that will shape the future international system.

Aiming at demonstrating this last Kering EP&L potentiality, the published database was downloaded from the Kering platform, and a quantitative analysis was carried looking for the relation between the monetary values results and their relative environmental footprint - GHGs, land use, waste, air emissions, water pollution and water consumption. Namely, collected the quantitative data from existing data source (Kering EP&L open data software) a linear regression model was applied using the statistical software SPSS.

The results of the analysis support the sampled hypothesis of a relation between the environmental footprint and the valued result highlighting how for Kering some footprints are more expensive than other. More specifically, in each of the first two statistical tests conducted indicates that data are generally significant except for the Land Use ones. Furthermore, what eventually emerges is that GHGs' valued results are higher than any other environmental footprint considered.

- **Conclusion**

What emerges from the research work is that fashion MNCs have engaged in environmental standard setting process in multiple occasions. In this regard, the Kering Group provides the valuable example of a MNC with an international role and powerful standard setting potentials. Kering actively participated in drafting The Fashion Pact as coalition leader. Nonetheless, thanks to the creation of an innovative EP&L interactive platform and open model, its CSR can be defined as one of the more disruptive policies able to set future international standards.

This very study could be useful for policymakers, managers and scholars, in many different ways. It contributes to the literatures concerning CSR, global governance, and business regulation by demonstrating governance schemes coming from the private sector can address pressing collective action problems like the environment. It may help policymaker in defining their government strategy and dialoguing with MNCs. It may provide a useful insight for managers underling the actual importance of their work within an even bigger plan and innovative environmental reporting strategies. Finally, scholars could be here inspired for further demonstrations on MNCs role in shaping world's dynamics.

Furthermore, Kering sustainability reporting, rooted in the Group's corporate mission and reflecting the goal to change fashion's relationship with sustainability, opens interesting research opportunities under the profile of the analysis of strategic behavior and the business models emerging in the luxury fashion sector, even today barely investigated by the management literature (Pavione, 2016). It would be also interesting to deeper investigate the Group's EP&L datasets. For instance, other quantitative analysis on the Kering valued environmental footprint could be carried changing the control variable used in the regression line.