

Case study for the 2023 EEB Final round

SPONSORSHIP IN SPORTS

Introduction

Sportswashing¹ has become a well-known phenomenon. An expression describing sponsorship deals with the aim of diverting public attention from unethical behaviour. The intended effect is to enhance the company's reputation by using the immense popularity of sport to 'wash away' bad publicity. Nations, as well as companies have spent millions sponsoring popular sports clubs and athletes to polish their image and increase their popularity.

UEFA and German Bundesliga club Schalke 04, for example, have partnered with Gazprom² and received millions of dollars to display their logo on T-shirts and banners at sporting events. The majority state-owned energy cooperation has benefited from this publicity: it has increased name recognition and familiarity, and has been associated with trusted players and clubs. While these partnerships have always been questioned by the media, they only officially ended in 2022 in connection with Russia's invasion of Ukraine.

Other examples of questionable sponsorship have existed for decades in Formula 1, a sport that relies heavily on sponsors with deep pockets, including the tobacco industry, crypto platforms, individuals with ties to sanctioned governments, and more. Only with heavy regulations imposed by local governments on certain circuits that some industries have been excluded from sponsorship.

As we watch top athletes perform, we see the banners of many companies, including unregulated fintechs, gaming platforms as well as oil and gas companies. These are all examples of industries that are not banned as such, but appear in an increasing number of exclusions lists of public institutions³. Decision-makers in sport are faced with the dilemma of providing their clubs with the necessary financial support and choosing the right partners to do so. While well-known clubs in football and Formula 1 have no difficulty in receiving offers from a wide range of sponsors, smaller clubs have difficulty in surviving economically. They have to attract top athletes and at the same time pay for salaries, training organisation, equipment and infrastructure. So where does economic interest end and social responsibility begin?

Please, address this dilemma:

For the debate, put yourselves in the shoes of the management board of an upper Silesian, Polish regional volleyball club. Their top team has had one of their best seasons so far and has prospects of reaching the national league if they continue to do well. The whole club is excited and has gained a lot of media attention by regional newspapers. The next step would be to invest in a more professional training program, increasing salaries, purchasing top equipment, and maybe even start recruiting internationally. You have been discussing finances for a while and it has not been easy to juggle expenses. As always, fundraising has been a struggle this year even though you've put in all your efforts.

Last week you received an offer by a local coal mining company. The offer would not only enable you to bring your team to the next level but even finance a brand-new, state of the art gymnasium for the whole city. The company is well established and has provided fair employment to many generations in the region.

¹ Sportswashing is a term used to describe the practice of individuals, groups, corporations, or governments using sports to improve reputations tarnished by wrongdoing.

² https://www.sportspromedia.com/news/schalke_04_extend_partnership_with_gazprom/

³ <https://www.eib.org/en/publications/eib-eligibility-excluded-activities-and-excluded-sectors-list>