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The Green Way or the Highway:
*CSR policies of SMEs and MNCs: how the apparel industry complies
with environmental legislation*

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INTRODUCTION

On the one hand, fashion is all about Simon Porte Jacquemus handbags, the new Doja Cat look, fashion weeks every six months in traditional "fashion capitals", the annual Met Gala fashion show, trendy necklines, and prints, the height of the heels and accessories to match the dress.

On the other hand, fashion is about the production process, sophisticated supply chains, locating facilities in faraway countries to keep production costs down, taxes and customs duties low around the world.

On top of that, there is a third party that, until recently, was only advisable for companies. At the outset, the idea of corporate social responsibility was simple: employees with a decent standard of living are happier, more productive, and bring more profit to the business.

Numerous philanthropic projects of Western corporations were implemented in the middle of the last century under this very slogan. However, after a while, this simple idea changed. Nowadays corporate social responsibility projects not only influence the productivity of employees, satisfaction with their work and results but also the reputation of a business in general and the perception of its products and services by the consumers.

The international standard – ISO 26000 Guidance on Social Responsibility – defines the term Corporate Social Responsibility as follows:

the responsibility of an organisation in relation to the impact of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development; including the health and well-being of the society; takes into account the expectations of stakeholders; complies with applicable law while being consistent with international standards of behaviour; is integrated throughout the organisation and implemented in its relationships.¹

¹ ISO 26000 Social responsibility, URL: <https://www.iso.org/iso-26000-social-responsibility.html> [retrieved 02.02.2023]

CSR aims at ensuring that companies run their business ethically. Today, it is almost mandatory to take into account a company's level of social, economic, and environmental impact on society and the external environment through its activities.

In the early days of CSR, most companies with international status, since the beginning of standardisation in the CSR field, have followed the principles of ethical production in the context of the company's PR strategy. Today, engaging in this behaviour is referred to as greenwashing². Back then, a lot of corporations claimed to be working on solving vital problems, but in reality, they were just playing CSR, investing in advertising, and not trying to make a difference in the world. Even now, many companies exaggerate their climate change efforts in order to get attention, make headlines, and attract potential customers.

The debate about the importance and efficacy of CSR policies has not disappeared since then, especially in fashion, where they are moving as fast as fashion itself. With globalisation, a changing external environment, and in the context of increasing competitive pressure in the world of fashion, CSR helps businesses to build a constructive dialogue with society through their activities, as well as to increase their own competitive advantages.

It is common to talk about the policy of the fashion giants in public, observing full transparency. Any self-respecting fashion giant (and their customers of course) has a "sustainability" section on its website. But there are also small brands and fashion start-ups, which are sometimes even more inclined to implement the principles of sustainability in their business than these fashion giants.

This raises a very logical question, and this question is not the only one. Is there any dependence on CSR principles according to the size of a company? Does the company's "brand name" influence this? What initiatives should a small company with a small budget participate in? Do small businesses need to learn from their elders, or are these companies born innovators destined to follow their own track? What else does CSR in the world of haute-couture have to offer?

² **Greenwashing** – behaviour or activities that make people believe that a company is doing more to protect the environment than it really is. URL: <https://dictionary.cambridge.org/dictionary/english/greenwashing> [retrieved 25.04.2023]

In this thesis, it will consider questions that will shed some light on what CSR was at its origins and what it looks like today; what are the CSR policy trends of major market players and entrants in the apparel industry; what else does CSR policy imply in today's fashion world and whether it is possible for apolitical companies to exist.

PART I. CSR: PAST, PRESENT, FUTURE

Corporate social responsibility (CSR) has been a topic of discussion for several decades now. In the past, CSR was primarily focused on companies donating money to charitable causes, but this approach has evolved over time. The concept of corporate social responsibility is based on the belief that modern businesses have certain obligations to society that extend above and beyond shareholders or investors. Companies take into account, first and foremost, their responsibility to their owners.

In the present, CSR has shifted towards a more holistic approach where companies are expected to take responsibility for their social and environmental impact. CSR is now seen as an essential aspect of corporate strategy, with companies investing in sustainable business practices, ethical sourcing, and community engagement. The concept of CSR also extends this responsibility to other stakeholders: consumers, employees, society in general, the government, and the environment.

Looking to the future, CSR is likely to continue to play a vital role in the business world. As consumers become more socially and environmentally conscious, companies will need to adapt to meet these changing expectations.

In addition to consumer pressure, there is also increasing regulatory pressure on companies to adopt more responsible business practices. Governments around the world are introducing new regulations and guidelines, and CSR is likely to become a legal requirement for corporations in the future. This is demonstrated by the term ESG³, which is not yet widely known but is gradually popping up in the eco-evangelical world.

This will require companies to take a more structured approach to CSR, with a focus on measurement and reporting. In the future, CSR will be seen as an essential component of good corporate governance, and companies that fail to take it seriously will struggle to compete in an increasingly socially conscious world.

1.1. CSR matters: something to be aware of

First and foremost, CSR for a company is the responsibility and impact of its actions on customers, partners, colleagues, staff, community organisations, local communities, and other stakeholders, as well as on society and the whole world.

In addition to the positive impact on society, the statement of social responsibility contributes to the companies' reputation as one that exists not only to make a profit but also to set itself other goals related to issues oriented toward society.

³ ESG - abbreviation for Environmental, Social, and corporate Governance, is a set of criteria through which a company can be measured in terms of its ethics and sustainability, providing a measure of the degree to which the company is futureproof, outside of simply its financial performance.

URL: <https://greenly.earth/en-us/glossary/esg> [retrived 24.04.2023]

Table 1 presents the most widespread definitions of CSR from academic researchers over the past 70 years.⁴

Table 1. Definitions of CSR by academic researchers

Author	Definition
Bowen (1953)	[CSR] refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.
Frederick (1960)	Social responsibility in the final analysis implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms.
Friedman (1962)	There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.
Davis and Blomstrom (1966)	Social responsibility, therefore, refers to a person's obligation to consider the effects of his decisions and actions on the whole social system.
Sethi (1975)	Social responsibility implies bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values, and expectations of performance.
Carroll (1979)	The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time.
Jones (1980)	Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract.
Wood (1991)	The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities.
Baker (2003)	CSR is about how companies manage the business processes to produce an overall positive impact on society.

⁴ Nada K. Kakabadse, Cécile Rozuel, Linda Lee-Davies, "Corporate social responsibility and stakeholder approach: a conceptual review", *International Journal of Business Governance and Ethics* Vol. 1, No. 4, January 2005, p. 281.

In almost the same way, Table 2 introduces interpretations of CSR by representatives from business and society.⁵

Table 2. Definitions of CSR by business & society representatives

Organisation	Definition
World Business Council for Sustainable Development (WBCSD) (2003)	Corporate Social Responsibility is business' commitment to contribute to sustainable economic development working with employees, their families, the local community, and society at large to improve their quality of life.
Organisation for Economic Co-operation and Development (OECD) (2003)	Corporate Responsibility involves the 'fit' businesses develop with the societies in which they operate. [...] The function of business in society is to yield adequate returns to owners of capital by identifying and developing promising investment opportunities and, in the process, to provide jobs and to produce goods and services that consumers want to buy. However, corporate responsibility goes beyond this core function. Businesses are expected to obey the various laws which are applicable to them and often have to respond to societal expectations that are not written down as formal law.
Amnesty International – Business Group (UK) (2002)	Companies [have] to recognise that their ability to continue to provide goods and services and to create financial wealth will depend on their acceptability to an international society which increasingly regards protection of human rights as a condition of the corporate licence to operate.
The Corporate Responsibility Coalition (CORE) (2003)	As an 'organ of society', companies have a responsibility to safeguard human rights within their direct sphere of operations as well as within their wider spheres of influence.
Novethic (2003)	Linked to the application by corporations of the sustainable development principle, the concept of CSR integrates three dimensions: an economic dimension (efficiency, profitability), a social dimension (social responsibility) and an environmental dimension (environmental responsibility). To respect these principles, corporations must pay more attention to all the stakeholders [...] which inform on the expectations of civil society and the business environment.

⁵ "Corporate social responsibility and stakeholder approach: a conceptual review", *op.cit.*, p. 282.

Unilever (2003)	We define social responsibility as the impact or interaction we have with society in three distinct areas: (i) voluntary contributions, (ii) impact of (business's direct) operations, and (iii) impact through the value chain.
Novo Nordisk (2003)	Social responsibility for Novo Nordisk is about caring for people. This applies to our employees and the people whose healthcare needs we serve. It also considers the impact of our business on the global society and the local community. As such, social responsibility is more than a virtue – it is a business imperative.

To summarise all used definitions, the essence of CSR is as follows:

- 1) Corporate social responsibility is a company's responsibility to all the people and organisations it interacts with through its activities, and to all society as a whole;
- 2) The situation changed in 2010 with the release of the International Organisation for Standardisation (International Organisation for Standardisation, ISO) standard ISO 26000:2010. This standard gives a complete and most modern definition;
- 3) Social responsibility is an organisation's responsibility for the impact of its decisions and activities on society and the environment through transparent and ethical behaviour that promotes sustainable development, including public health and well-being; addresses stakeholder expectations; complies with applicable laws and is consistent with international norms of behaviour; and is implemented throughout the organisation.

The concept of “corporate social responsibility” emerged in the West relatively recently, about 20 years ago. Prior to that period, there were scattered standards in various areas of corporate governance, which were mostly related to employee relations policy, corporate ethics, and approaches to environmental protection.

In the area of corporate social policy, standards, and rules had not been developed at all, and all steps were taken intuitively. An “accidental” approach prevailed: working by request, responding to requests from local authorities or labour unions' demands.

Gradually, however, leading companies in the US and the UK began to see the need to bring together the disparate elements of corporate policy related to the relationship between companies and the external environment and to develop holistic approaches to the interaction between companies and society.

By their conception, such a policy would, on the one hand, have to be linked to the company's philosophy, its marketing strategy and, on the other hand, meet society's expectations of the leading companies.

If 20 years ago the ideology of CSR was perceived only by a few enthusiasts in different spheres, today the situation in the world has changed so much that CSR implementation is becoming a vital necessity. A growing number of corporations, regardless of size or profitability, are embracing CSR consciously, realising the extent of their responsibility for the lives of future generations.

Modern trends in the development of society also do not stand aside and push companies to adopt CSR principles. Globalisation of society through universal internet penetration, increased speed of information distribution, the need to protect the environment, and as a consequence, state regulation measures in this direction are some of the trends. The strengthening of the state role, tightening of labour legislation, the dependence of large businesses on state decisions, and the growth of trade unions' influence are also trends that further compel companies to adopt CSR principles.

Moreover, emotions are playing an increasingly important role in decision-making in all areas of life, including choice of product, choice of job, and choice of living place – today any decision is made in favour of the object that, under otherwise equal conditions, causes positive emotions. Positive emotions arise when people's expectations are met or when they receive something even beyond their expectations.

In today's era, when the speed and volume of content consumption by humanity is off the charts, it is not enough for a brand simply to produce a quality product. A brand has to be fashionable and modern, it has to meet the modern expectations of already conscious consumers. This means that companies must not only avoid harming the planet through their production but also get ahead by inventing ever more sophisticated ways to surprise society and bring it the maximum positive effect.

The topic of corporate social responsibility is becoming increasingly relevant due to several factors. One of the main reasons is the growing popularity of ethical consumption.⁶ As the world's population continues to increase, so does the level of consumption, which can lead to the depletion of natural resources and other global environmental problems. In this context, CSR plays a vital role in protecting and preserving the environment for future generations. This can include energy-saving measures, waste recycling, and pollution reduction, among others.

Another reason for the relevance of CSR is the uneven development of the global economy. Developing countries, particularly those involved in crafts and agriculture, are often in a vulnerable position. In such cases, CSR policies can be implemented to support local producers and promote fair trade principles. These can include the prohibition of child and slave labour, ensuring workplace safety, protecting the right to fair labour and the right to

⁶ "Michael Quinn, "The Rise of Ethical Consumerism", September 2 2022, URL: <https://notlost.com/the-rise-of-ethical-consumerism/> [retrieved 02.05.2023]

form labour unions, and committing to human rights and fair pricing that covers the cost of production. Through these measures, CSR can help to improve the working conditions of small-scale farmers and artisans and increase their income.

Finally, there is a growing public awareness and education on global public issues such as pollution, child abuse, terrorism, animal cruelty, and human rights violations. This is driven, in part, by the media and various public organisations that are urging people to be more mindful of these problems. As a result, the role of public awareness in holding businesses accountable for their activities is becoming increasingly important.

In conclusion, CSR is an integral part of modern business operations. As society continues to create a background for the appearance, development, and evolution of CSR, businesses must take responsibility for their actions and become more socially responsible. By doing so, they can contribute to a sustainable future for everyone.

1.2. Evolving from CSR Policy to ESG Reporting

After many years of development, CSR is now part of the corporate culture. And instead of asking the question "What is CSR? How is this policy applied in this company? Are all the necessary conditions met?" and expecting certain answers, it may be possible to try to see CSR as an evolving process, which operates differently in every corporation, industry, and society.

For big-name companies, CSR is now a financial tool and a common corporate practice. Moreover, CSR is a key component of strategic planning for any socially conscious and forward-looking company. However, a large number of companies that have used social responsibility policy simply to create a pretty image for their customers simply as a PR tool for "greenwashing" have earned themselves a rather negative reputation.

Based on the statistics in the Harvard Business School 2021 article "as is often the case, this increased consumer awareness has led to businesses embracing CSR practices: an estimated 90 percent of companies on the S&P 500 index published a CSR report in 2019, compared to just 20 percent in 2011."⁷ With so many companies keen to demonstrate their commitment to CSR, and an increasing number interested in truthful reporting and data figures, it wasn't long ago that a new metric emerged around the world. Environmental and social governance (ESG) is already becoming a fundamental requirement for successful businesses.

⁷ Tim Stobierski, "15 Eye-opening corporate social responsibility statistics", June 15 2021, URL: <https://online.hbs.edu/blog/post/corporate-social-responsibility-statistics> [retrieved 28.04.2023]

What is ESG?

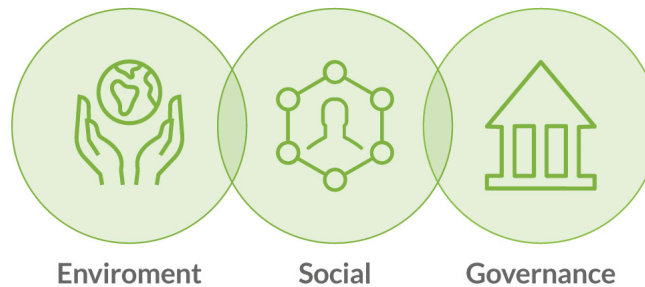


Figure 1. "What is ESG", Screenshot from the website Galooli, URL: <https://galooli.com/glossary/what-is-esg/>⁸

ESG is not just a buzzword. The acronym ESG can be defined as “environment, social policy, and corporate governance”. Generally speaking, it is the sustainable development of business activities, which is based on the following principles:

- responsible attitude towards the environment (E);
- social responsibility (S);
- high-quality corporate governance (G).

ESG principles were first articulated in 2004 in Recommendations⁹ by the financial industry to better integrate environmental, social, and governance factors into analysis, asset management, and securities brokerage operations. It has only recently become popular, but it has already spread to many areas of business.

While CSR aims to make businesses accountable, ESG criteria measure their efforts. Since CSR activities vary widely between businesses and sectors, there is in fact a lack of comparable indicators. ESG activities, on the other hand, are generally much more quantifiable. Clearly defined ESG criteria are quantifiable and tangible propositions. They demonstrate a company's value to investors, customers, and, more and more often, to potential employees. It is expected that ESG metrics will soon become common business practice.

For sure ESG is a business practice available to companies with an existing culture of corporate social responsibility. ESG strategies are developed to demonstrate a company's real performance and successes, rather than to pay lip service to its commitment to CSR. These strategies publicly define particular company goals with measurable results.

It is expected that in the long run, in a global business landscape that is increasingly focused on social responsibility, companies that understand the difference between ESG and CSR

⁸ Josh Malchman, "What is ESG?", May 19 2022, <https://galooli.com/glossary/what-is-esg/> [retrieved 22.04.2023]

⁹ Recommendations by the financial industry to better integrate environmental, social and governance issues in analysis, asset management and securities brokerage by Swiss Federal Department of Foreign Affairs & United Nations, 2004.

(and why ESG and CSR matter) and are not afraid neither only announce their commitment to society nor prove it in numbers will be the winners.

In simple terms, the evolution of ESG from CSR is a natural process that follows basic business principles. And while CSR policies guide companies, ESG allows them to measure their performance, becoming a new form of corporate reporting that meets the challenges of the modern economy.

Why is ESG so important today? The relationship between companies and the societies in which those companies operate is changing radically day by day. Within a generation, people have experienced the upheavals of globalisation, wars, environmental consciousness, awareness of the impact of fashion on the environment, and the ongoing technological revolution.

Life today is the information age in which information spreads super-fast, new trends go viral in the blink of an eye, and humanity cannot keep up with what is happening without taking its eyes off its smartphone screens. Everyone with a social media account is now a media and a potential source of influence. Corporations, with their power and ability to influence their customers, have public accountability at an unprecedented level.

This accountability is also a driving force for companies, creating great opportunities as well as incentives for rationalisation and efficiency. And companies that can also adapt quickly to the quantitative and qualitative reporting of ESG will have a strategic competitive advantage.

Among the main reasons why ESG and CSR are important for modern business, the following can be highlighted. At first, investors are becoming increasingly interested in ESG criteria when making financial decisions, so companies must consider these criteria in order to attract investors. Also, companies applying for contracts and formal development permits are also increasingly faced with ESG assessments. Well-designed ESG targets can shorten supply chains, streamline operations and logistics, reduce costs, and create new business opportunities.

Those companies that can demonstrate impressive ESG results can gain an advantage in hiring in a changing job market. Company-wide involvement in ESG can improve employee morale, increase productivity and contribute to staff retention, and build company loyalty. At last, companies that participate in and maintain close relationships with their local community can improve their long-term prospects and gain a social licence to operate, to be approved by their own consumers.

Are the goals of ESG applicable to small businesses and organisations? Now there is no need to force all companies to apply these criteria for their own evaluation. But objectively, implementing them can contribute to better decision-making, more flexibility in company operations, and a better reputation for customers and customer relationships as a result. What is more, not printing purchase receipts, recyclable product packaging, and a smart approach

to waste management can help a business run itself economically and be an engine for a company's success.

ESG is expected to become an inevitable part of the competitive equation over the next decade, where soft ESG (refers to qualitative information, such as forecasts and commitments that cannot be verified) will be a key aspect of sustainable accountability, and hard ESG (which includes quantitative data and information that can be verified) will be a critical component of bidding and proposals. And, it seems likely that tasks such as identifying and measuring ESG performance will become a separate professional activity.

1.3. Absolute sustainability in the fashion industry: A dream come true?

The fashion industry is known to be one of the most polluting industries in the world, with high levels of greenhouse gas emissions, water consumption, and waste generation. According to a report by the Ellen MacArthur Foundation,

More than USD 500 billion of value is lost every year due to clothing underutilisation and the lack of recycling. Furthermore, this take-make-dispose model has numerous negative environmental and societal impacts. For instance, total greenhouse gas emissions from textiles production, at 1.2 billion tonnes annually, are more than those of all international flights and maritime shipping combined. Hazardous substances affect the health of both textile workers and wearers of clothes, and they escape into the environment. When washed, some garments release plastic microfibrils, of which around half a million tonnes every year contribute to ocean pollution – 16 times more than plastic microbeads from cosmetics. Trends point to these negative impacts rising inexorably, with the potential for catastrophic outcomes in future.¹⁰

Sustainability is becoming an increasingly important part of the fashion industry as more people become aware of the environmental and social impacts of the industry. Leading companies in the fashion industry signed a 'Fashion pact'¹¹ in 2019 to commit to tackling greenhouse gases and making the fashion sector more sustainable. More than 20 companies have signed the document, including well-known brands such as Chanel, Ralph Lauren, and Prada, as well as the H&M Group and Zara. This is a significant step committed by the fashion industry to save the planet and it is expected to be only the beginning and a key example for all players in the industry to follow.¹²

To address these issues, many fashion companies are adopting sustainable practices such as using eco-friendly materials, reducing water and energy consumption in production, and implementing ethical labour practices. The global apparel market share of sustainable

¹⁰ Ellen MacArthur Foundation, "A new textiles economy: Redesigning fashion's future", 2017, URL: <http://www.ellenmacarthurfoundation.org/publications> [retrieved 24.04.2023]

¹¹ The fashion pact, URL: <https://www.thefashionpact.org/?lang=en> [retrieved 24.04.2023]

¹² Sarah Butler, "G7 and fashion houses join forces to make clothes more sustainable", August 21 2019, URL: <https://www.theguardian.com/world/2019/aug/21/fashion-g7-summit-sustainability-kering-inditex-macron> [retrieved 24.04.2023]

clothing items is expected to increase from 3.9% in 2021 to 6.1% in 2026.¹³ Sustainable fashion is not just about reducing environmental impact, but also about creating products that are durable, timeless, and socially responsible.

Oddly enough, considering the availability of information, these days not many people are aware that the clothing industry has a negative impact on the environment. In the fashion industry, people tend to buy more clothes than they actually need. Under the pressure of endlessly shifting trends and a focus on following them, it is obvious that fashion brands and their factories will produce more and more clothes with little regard for the ecological condition of the planet.

"The reason they are doing this is so that the market is not flooded with discounts. They don't want Burberry products to get into the hands of anyone who can sell them at a discount and devalue the brand," Ms Malone said.



Figure 2. "Burberry burns bags, clothes and perfume worth millions", Screenshot from the BBC article, July 19 2018, URL: <https://www.bbc.com/news/business-44885983>¹⁴

At the same time, luxury brands, with their emphasis on exclusivity, are allowing themselves to recycle their old collections in very radical ways. In 2018, for example, British luxury brand Burberry burned items from its past collections. The Times reports the following:

The upmarket label has destroyed more than £28 million of unwanted products over the past year. Even at its notoriously high prices, that is the equivalent of more than 20,000 of its signature trench coats. Burberry admits that its unwanted stock is burnt but says it works with specialist incinerators that are able to harness the energy from

¹³ "Sustainable Fashion 2023: A Look at the Industry's Impactful Statistics", March 23 2023, URL: <https://blog.gitnux.com/sustainable-fashion-industry-statistics/#:~:text=The%20global%20apparel%20market%20share,to%20shop%20secondhand%20for%20items>. [retrieved 22.04.2023]

¹⁴ "Burberry burns bags, clothes and perfume worth millions", July 19 2018, URL: <https://www.bbc.com/news/business-44885983> [retrieved 24.04.2023]

the process. Luxury brands destroy unwanted products to protect their intellectual property and brand values, according to insiders. Designer labels, it is claimed, do not want their products to be worn by the “wrong people” after emerging on to “grey markets” at knockdown prices.¹⁵

The destruction of unsold items has also been a problem for far more democratic brands. A British-Swedish fashion brand, H&M, has been caught in the act. In October 2017, Dutch television programme named Operation X from TV2 reported on investigation^{16 17} which found that the company had been burning 12 tonnes of new unsold clothes a year since 2013. H&M said the items had indeed been destroyed, but only those that failed safety tests for mould and a lead-based substance.

However, the public is inclined to believe that the main reason is still the same – overproduction. Previously, mass-market brands like Zara and H&M produced an average of four collections a year, following the release of new seasonal collections, but now the race for daily changing trends is pushing them to produce more frequently.

It is clear that "Fast Fashion" and the associated overproduction of clothes are taking a huge toll on the environment. In the last 15 years, clothing production has approximately doubled, driven by a growing middle-class population across the globe and increased per capita sales in mature economies. The latter rise is mainly due to the “Fast Fashion” phenomenon, with a quicker turnaround of new styles, an increased number of collections offered per year, and – often – lower prices.¹⁸

A ray of light in the midst of fashion's darkness is that the international community is becoming more aware of the negative sides of the fashion industry and is becoming more conscious of the brands to support by buying their products. As a result, many companies are beginning to transform their operations, paying due attention to the concept of sustainability. It should be borne in mind that sustainability is a trinity of economic, environmental, and social pillars. And companies in the apparel sector that aspire to be at the forefront of the "sustainable" category have to pursue their strategy on all three fronts.

Particular attention should be paid to the importance of social transformation on the road to sustainability, as the fashion industry has been plagued throughout time by numerous image scandals related to human rights violations, unfair raw material production, modern forms of slavery, and completely irresponsible product disposal. The numerous innovations that

¹⁵ Andrew Ellson, “Luxury brands including Burberry burn stock worth millions”, *The Times*, July 19 2018, URL: <https://www.thetimes.co.uk/article/luxury-brands-burning-stock-worth-millions-zxxscjem> [retrieved 25.04.2023]

¹⁶ Vivian Hendriksz, "H&M accused of burning 12 tonnes of new, unsold clothing per year", October 17 2017, URL: <https://fashionunited.uk/news/fashion/h-m-accused-of-burning-12-tonnes-of-new-unsold-clothing-per-year/2017101726341> [retrieved 25.04.2023]

¹⁷ Robert Hackwill "TV report claims H&M burns unsold clothes", October 18 2017, URL: <https://www.euronews.com/2017/10/18/tv-report-claims-hm-burns-unsold-clothes> [retrieved 25.04.2023]

¹⁸ “A new textiles economy: Redesigning fashion’s future”, *op.cit.*, 2017.

companies are developing and planning to implement must now be aimed at increasing transparency in the supply chain and showing truly responsible behaviour in relation to customers, society, and the entire planet.

Consumers, in turn, are also becoming more conscious of their decisions and favour more ethical options while shopping for an outfit. This shift in consumer behaviour is leading to an increased demand for sustainable fashion, pushing the industry to become more sustainable. For example, in a 2021 article by Forbes, a journalist who specialises in sustainable business & ESG trends supported by tech, outlines expectations about how consumer behaviour will change in the future and what industries are preparing for,

Keeping an ear to the ground on what conscious consumers are looking for, and predicting how these desires might grow and adapt, is the key to building a future-proof business. Now, it's not enough for leaders to only guarantee that their business stands the test of time. They need to guarantee that the planet and its people do too.¹⁹

Overall, sustainability is necessary for the fashion industry to ensure its long-term viability and minimise its impact on the environment and society. By adopting sustainable practices and creating sustainable products, the fashion industry can contribute to a more sustainable future for all. Nowadays, it is not enough for the fashion industry to look eco-friendly, it's necessary to be.

¹⁹ Jonquil Hackenberg, "Brands, You Need To Listen To The Conscious Consumer Of The Future", April 29 2021, URL: <https://www.forbes.com/sites/jonquilhackenberg/2021/04/29/brands-you-need-to-listen-to-the-conscious-consumer-of-the-future/?sh=6e8be8a81d46> [retrieved 26.04.2023]

PART II. SUSTAINABILITY AND CHALLENGES AMONG APPAREL BUSINESSES

Today, the apparel industry is rushing to delight its customers with trendy outfits, chic accessories, and new collaborations, but what is the price of these fashion solutions and who will pay it?

The need for sustainability in apparel production is now articulated in many sources, such as reports by the United Nations Environment Programme or reports by sustainability consulting agencies.

Ironically, fashion and related ideas were initially built almost exclusively around industrial capitalism and consumerism, based on the rapid obsolescence of the manufactured product with a corresponding increase in resource output and a constant growth in demand among consumers.

Many people are surprised to learn that, under these prerequisites, the clothing industry consumes large quantities of natural resources, including water, energy, chemicals, and fabrics. Indeed, most of these resources are not renewable, and garment manufacturing can also pollute water, air, and soil. And often, to produce large quantities of new clothing, textile companies will unlikely choose "expensive" countries to locate their facilities. It is no secret that garment factories are often located in countries with lower rental costs and more flexible labour laws. As such, garment manufacturing can also cause social problems, including violations of workers' rights, unfair working conditions, and low salaries in already low-income countries.

More and more, popular publications tell us from their covers that consumers are increasingly aware of the environmental and social issues associated with garment production, and are increasingly looking for products that do not cause environmental and social problems. Underlying the rationale is that failure to meet sustainable production standards can lead to reputational risks, reduced sales, and deteriorating relationships with stakeholders such as consumers, investors, and regulators.

Sustainable apparel production is therefore important to minimise environmental impact, mitigate social problems, satisfy informed consumers, and reduce business risks for companies that need to bring value to society. This is why it is worth considering the challenges faced by the clothing industry and how to overcome at least some of them.

2.1. How clothing companies implement sustainability policies

To begin with, it is necessary to consider a basic set of sustainability challenges faced by the apparel industry. One of the challenges of today is the choice of sustainable materials. Many brands are faced with the need to replace, for example, leather with eco-leather. In the wake of the popularity of ethical fashion, more and more brands are abandoning the use of natural

leather and adopting synthetic one. One of the organisations that advocate the ethical treatment of animals is PETA, and many major brands, even Hermès, following their precepts have abandoned natural leather in favour of a substitute, as it is less harmful to animals. Some of the world's best-known fashion brands are incorporating innovative alternatives to leather into their production processes, which complements other eco-conscious practices in the fashion industry, such as the use of recycled waste, as in Prada's Re-Nylon collection. But any synthetic material is a chemical production, which always has a negative impact on the environment. There is a tremendous amount of pollution in the production of eco-leather. Of course, no particular animals are harmed during its production, but there is a discharge of production waste into rivers, and plastic settles on coral reefs and enters the groundwater, polluting vast areas of the ground.

And second, natural leather can be classified as one of the most durable and resilient materials - items made of such leather can be worn for decades, which raises questions about the longevity of things made of fashionable substitutes. Isn't it a trick to buy a handbag every season instead of one durable and loyal bag for life?

Also, many eco-friendly materials are still under development, and even those currently available may not be suitable for all types of clothing. And on top of that, eco-friendly materials can be more expensive than traditional materials, which can make it difficult for businesses to completely switch to them.

It is also impossible not to mention the topic of waste management. The apparel industry is infamous for generating large amounts of waste, from fabric scraps to unsold stocks. Sustainable management of these wastes can be a problem for businesses, especially those that rely on fast fashion business models. Or the luxury problem that was already mentioned, where unsold models from past collections, for example, are burned, harming nature, but are not available to ordinary people or are not sold at a discount because luxury brands can't allow that to happen.

One of the biggest challenges for businesses in the apparel industry is achieving supply chain transparency, as many businesses use complex, tiered supply chains that may include multiple suppliers, contractors, and subcontractors. This can make it difficult to track the environmental and social impact of each component of the apparel manufacturing process.

Finally, consumer behaviour can also be an issue for apparel businesses seeking sustainability. Many consumers affirm their loyalty to the environment and society in surveys and face-to-face contact but are in fact still focused on fast fashion and low prices and are not willing to pay more for sustainable clothing. For example, a report from the online shopping platform Nosto²⁰ shows that 57% of consumers want fashion to be more sustainable. But with living costs rising, 61% will prioritise price over sustainability when shopping for fashion.

²⁰ Brett Mathews, "Study: consumers want cheap over sustainable", October 4, 2022, URL: <https://apparelinsider.com/study-consumers-want-cheap-over-sustainable/> [retrieved 21.03.2022]

55% agree that sustainable fashion is often too expensive. Despite these challenges, many clothing companies are making strides toward sustainability by adopting greener practices.

Based on the challenges that companies in the industry face, it is obvious there are several ways to implement a sustainability policy, addressing current issues first.

Apparel companies can try to make choices to use sustainable materials such as organic cotton, recycled polyester, or bamboo in their production. They can also focus on using either quality fabrics that are the least harmful to the environment or materials made from recycled fabrics, as well as avoiding overproduction. Uniqlo, for example, takes down jackets for recycling, takes the down out of them, cleans them, and uses them further in sewing new jackets. Down as a filler can serve much longer than the material from which the down jacket itself is made. In this case, such an initiative makes sense in terms of environmental friendliness and reducing production costs.

Also one of the available steps toward sustainability for companies can be to reduce water consumption by introducing water-saving technologies and processes. This can include using closed-loop water systems, recycling wastewater, and implementing low-water dyeing processes.

Apparel companies can reduce waste by implementing circular economy principles, such as designing garments for durability, repairing and reusing garments, and recycling textile waste. The English brand Selfridges has recently offered garment repair services. As part of their sustainability strategy named "Project Earth", they propose to repair shoes, accessories, jewellery, eyewear, replace watch batteries, and much more.²¹

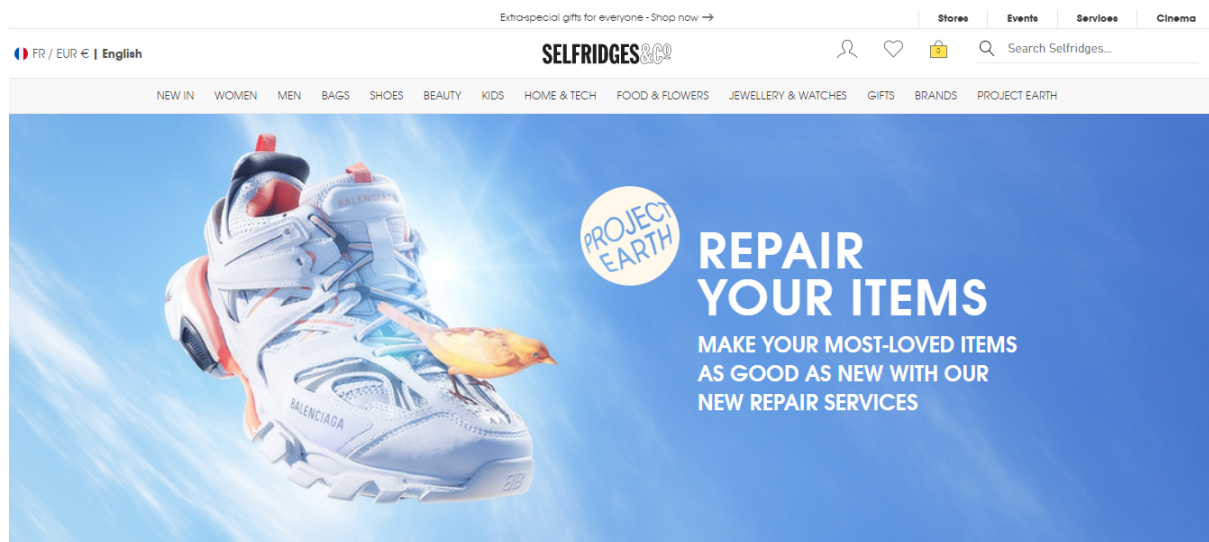


Figure 3. "Selfridges", Screenshot from the brand's website, URL: <https://www.selfridges.com/FR/en/features/project-earth/repair/>

²¹ Project earth, URL: <https://www.selfridges.com/FR/en/features/project-earth/repair/> [retrieved 09/03/2022]

According to a Financial Times Uniqlo has launched a repair service at one of its London flagships as it steps up efforts to turn mending clothes into a viable part of its sustainability plans.²²



Figure 4. "Uniqlo steps up clothing repair service", Jonathan Eley, Financial Times, Screenshot from the article on the website, URL: <https://www.ft.com/content/6902482f-8c2c-4713-964b-10bd660b3564>

In terms of ethical supply chains, textile companies can ensure this point by working with suppliers that comply with social and environmental standards. This can include supplier audits, training, and transparency measures to ensure fair treatment of workers and compliance with environmental standards.

Of course, one necessary and effective step is sustainability targeting. Large companies in particular need to track their progress and make sure they are constantly improving by leading by example. In general, implementing a sustainability policy requires apparel companies to commit to making changes in their operations and supply chains. It involves annual reporting to investors, consumers, and society, and also requires investment in new technologies, materials, and processes to reduce environmental impact and promote sustainable practices in the community.

²² Jonathan Eley, "Uniqlo steps up clothing repair service", September 15, 2022, URL: <https://www.ft.com/content/6902482f-8c2c-4713-964b-10bd660b3564> [retrieved 09.03.2022]

2.2. The opportunities and risks for companies running green

Even if 20 years ago there were still doubts, today sustainability can open up many opportunities for companies. By adopting sustainable practices, companies can build a positive reputation among customers and stakeholders. Consumers are increasingly looking for environmentally conscious brands, and companies that demonstrate a commitment to sustainability can differentiate themselves from their competitors. It can also make more available new markets with environmentally conscious consumers and companies that prioritise sustainability in their supply chains.

Adopting sustainable practices can also lead to cost savings for companies. For example, adopting energy-efficient technologies or reducing waste can reduce companies' operating costs over time, which is also a goal of any business and any industry. Adopting sustainable practices can drive innovation and help companies develop new products and services that meet consumer demand for sustainability.

It sounds promising that adopting sustainable practices can lead to cost savings over time, but the initial investment in new technologies, materials, and processes can be costly. This means that "running green" can also carry risks for companies.

Implementing sustainable practices throughout the supply chain can be challenging because it often requires collaboration with suppliers and other stakeholders. Companies implementing sustainable practices must comply with regulatory requirements related to sustainability, such as carbon emissions standards and waste management regulations.

Greenwashing is the practice of making false or misleading statements about a company's environmental practices. Companies actively using greenwashing can damage their reputation and face legal consequences. And while in the past, such a promotional move was an unpunished one for companies, nowadays "misrepresentation" in the field of environmental policy is already subject to fines.

Moreover, still many of the premium brands, such as Hermès and Gucci, that claim to be "green" are hitting the headlines as the main drivers of progress in ethical manufacturing, and are silent on the fact that they have their own farms to meet consumer demand for expensive leather goods. For sure such behaviour can affect brand reputation and cause distrust of the whole CSR policy.

On this basis, it should be noted that the "green" approach can give companies an opportunity to stand out from competitors, to create a positive reputation, but companies should also be aware of the risks and problems associated with the implementation of sustainable development practices.

2.3. What influences a company's choice of how exactly to be responsible

IT'S TIME FOR FASHION TO SET BOLD GOALS.

The role of the global apparel and footwear industries has shifted far beyond meeting a basic human need. The relationship with fashion in our modern lives has had a collateral and significant impact on our planet's resources. As we face urgent environmental and social challenges caused by climate change and resource depletion, the efficacy of solutions will depend on the creativity, innovation and boldness so characteristic of the fashion industry. It's time for players to change the trajectory.²³

Responsible business, dependence on customer opinion, and the risk of losing face as a brand are all reasons for companies to think about their impact on society. But what factors might influence a company's choice of a particular approach to responsibility?

Companies may feel pressure from stakeholders, such as customers, investors, and regulators, to be responsible in a certain way. For example, customers may expect companies to use green materials or reduce their environmental footprint: active social media users are now influencing brands - there is already a massive demand for sustainability in the info field, and being "not green" in a society with a thriving cancelling culture is even embarrassing. Investors, on the other hand, are taking a rational approach and are likely to prioritise companies with corporate social responsibility initiatives and build on ESG metrics.

Investors, for example, consider that such initiatives can lead to improved long-term financial performance and help mitigate risks related to environmental, social, and governance issues. The company's MSCI 2021 research provides indications of a positive correlation between high ESG performance and financial performance.²⁴

Companies may also look to industry norms and standards to guide their responsible practices. Some industries have established sustainability standards that companies must meet to remain competitive. For example, the textile industry has established the Global Organic Textile Standard (GOTS)²⁵, which sets environmental and social criteria for the entire supply chain of organic textiles, including cotton and wool.

²³ Environmental Impact of the Global Apparel and Footwear Industries Study Full report and methodological considerations, 2018, URL: https://quantis.com/wp-content/uploads/2018/03/measuringfashion_globalimpactstudy_full-report_quantis_cwf_2018a.pdf [retrieved 25.03.2022]

²⁴ Rohit Mendiratta, Hitendra D. Varsani, and Guido Giese, "How ESG Affected Corporate Credit Risk and Performance", 2021, URL: [https://www.msci.com/documents/10199/19248715/Foundations-of-ESG-Investing-in-Corporate-Bonds-How-ESG-Affects-Corporate-Credit-Risk-and-Performance+\(002\).pdf](https://www.msci.com/documents/10199/19248715/Foundations-of-ESG-Investing-in-Corporate-Bonds-How-ESG-Affects-Corporate-Credit-Risk-and-Performance+(002).pdf) [retrieved 24.04.2023]

²⁵ Global Organic Textile Standard Ecology & Social Responsibility, URL: <https://global-standard.org/> [retrieved 24.04.2023]

Companies must consider the cost and feasibility of implementing responsible practices. Some initiatives, such as adopting sustainable materials, may be more expensive than others, while some may be more difficult to implement due to operational constraints.

Companies may also adopt responsible practices as a way of managing risks, such as reputational or regulatory risks. For example, textile companies operating in an industry with high environmental or social risks may adopt responsible practices to reduce these risks. By taking proactive steps, companies can protect their reputation, avoid potential fines or penalties, and potentially even gain a competitive advantage. In addition, responsible practices can help companies comply with regulatory requirements and avoid potential sanctions from regulators.

Ultimately, a company's own values and mission may influence its choice of responsible behaviour. For example, a company that values sustainability may prioritise and address environmental impact reduction. Those companies that prioritise social justice may focus on fair labour practices and social equity. There is no need to blindly follow all environmental practices, but rather focus on what can actually be improved through their company's activities.

To summarise, several factors influence a company's choice of how to be responsible, including stakeholder expectations, industry norms, the cost and feasibility of implementing environmental practices, risk management, and the company's values and mission. Ideally, companies should balance these factors to determine responsible practices that align with their values and strategic goals.

Either way, the hype around ethical fashion is paying off. Thanks to social media and the general popularisation of the conscious consumption society, people are learning that sustainability is not just about obscure biodegradable materials or recycling old clothes. But also, for example, about respectful treatment of employees, high salaries, healthy office environments, and support for local manufacturing, because no need for transportation indirectly reduces the number of harmful emissions into the atmosphere. Today, sustainability in the fashion industry causes controversy and resistance, distrust, and irritation. Despite this, fashion ethics has every chance to become a global trend that will change this world.

PART III. IS THERE A DIFFERENCE: THE CORRELATION BETWEEN THE SOCIAL RESPONSIBILITY PROMOTED BY A COMPANY AND ITS SIZE

Multinational companies play an essential role in every country's economy. In all countries, they contribute significantly to producing goods and services, employment, and investment. As experienced and major players in the business world, they set an example for new companies and those that are gradually becoming corporations.

But small and medium-sized businesses do not stand aside either. For example, a 2018 report by the international accounting company PwC (PricewaterhouseCoopers) states the following: "European SMEs significantly contribute to European competitiveness and social welfare, representing a high share of employment and value-added in all European economies. SMEs in the EU28 account for 99.8% of the total number of enterprises and 66.6% of full employment in the EU."²⁶

From this, it can be concluded that small companies can also be drivers of CSR progress, even though implementing these policies is not a mandatory step for them at the moment. And it is for this reason that it is worth analysing the behaviour of multinational companies, and their actual attitudes towards CSR in the form of successful practices and glossing over them. It is also worth examining the behaviour of smaller companies in terms of CSR policy application and whether the size of the company and therefore the obligation to follow the environmental agenda is a real problem. There may be a difference in the relationship between the social responsibility promoted by a company and its size, but this depends on various factors which will be presented in this chapter.

3.1. Ups and downs of MNCs'

CSR policies can vary widely between large apparel companies and smaller fashion businesses due to differences in size, and consequently in resources and priorities. Large apparel companies are often under greater public and stakeholder attention due to their large size and global reach. These companies may have more extensive CSR policies and programs that cover different areas such as environmental sustainability, labour practices, and community engagement. They may also have dedicated teams or even entire departments to create, manage and implement these initiatives, as well as to report on their progress and impact.

The previously mentioned world-famous Burberry is a British luxury fashion brand that is known to most people for its leather goods and now adheres to the principles of sustainability and ethical standards. Here is information from their official website:

²⁶ "Europe Monitor - Innovation and Digital Transformation: How do European SMEs perform?" PwC, October 2018, URL: <https://www.pwc.nl/nl/assets/documents/pwc-europe-monitor-innovation-sme.pdf> [retrieved 04.04.2023]

"Environmental and social responsibility is an essential element of Burberry's strategy for which the Board is responsible. The Board is also responsible for ensuring its approach to ESG topics is integrated into, and implemented across the business. The governance framework of committees and advisory forums provides updates and key information to the Board to ensure it is able to make informed decisions. The Board receives updates on priorities relating to the environment, people, supply chain, communities, sustainable finance, and communications regularly." ²⁷

In the financial year 2019/20, Burberry created a Sustainability Steering Committee, chaired by the CEO, to review and oversee the Environmental and Social Group strategy. In the financial year 2021/22, the company revised its management of ESG topics. As part of this revision, the Sustainability Steering Committee was transformed into the Sustainability Committee, which will meet four times a year, co-chaired by the CEO and COO. The Sustainability Committee will report to the Board of Directors at least twice a year so that the Board of Directors can better monitor the progress and implementation of the announced CSR efforts.

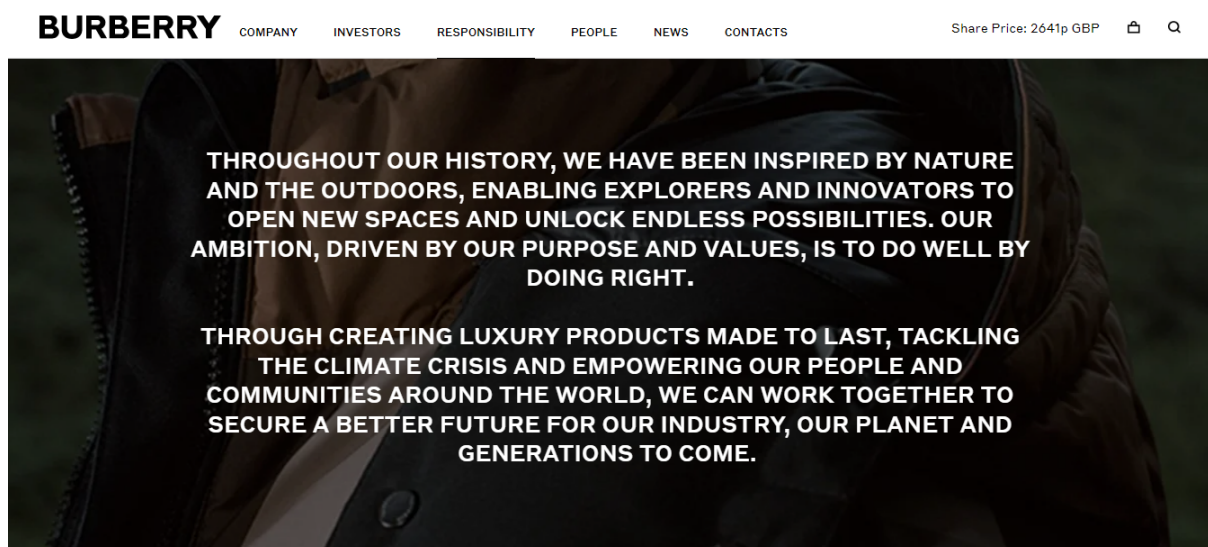


Figure 5. "Burberry's CSR statement", Screenshot from the brand's website, URL: <https://www.burberryplc.com/en/responsibility/approach-to-responsibility.html>

Some of the main activities of the CSR department at Burberry include the following practices. The company strives to increase the lifespan of its products for its consumers. In addition, it is constantly improving and innovating its production processes. Working throughout the value chain, employees are focusing on sourcing certified raw materials, implementing circular business models across Burberry, and eliminating the use of plastic in packaging. Burberry aims to ensure a sustainable supply of all key materials, including cotton, leather, and natural rubber, by 2022. The company is also working with suppliers to ensure they meet Burberry's responsible sourcing standards.

²⁷ Burberry's website: Approach to responsibility, URL: <https://www.burberryplc.com/en/responsibility/approach-to-responsibility.html> [retrieved 24.03.2023]

Burberry is also committed to reducing its impact on the environment and has set targets to reduce greenhouse gas emissions, water consumption, and waste within its operations. The company has also committed to using renewable energy in its shops and offices. They announce the following: "We aim to be Climate Positive by 2040. This means we will cut our emissions across our value chain by at least 90% by 2040 (from 2019) and neutralise remaining emissions through carbon offset projects."²⁸

Burberry has an "Ethical Trading Code of Conduct" which sets out its expectations for fair labour practices and human rights in the supply chain. The company audits its suppliers to ensure they meet these standards and has introduced a training program to raise awareness of human rights issues. Burberry is also committed to supporting the communities in which it operates and has partnered with organisations that support education, creativity, social and environmental sustainability.

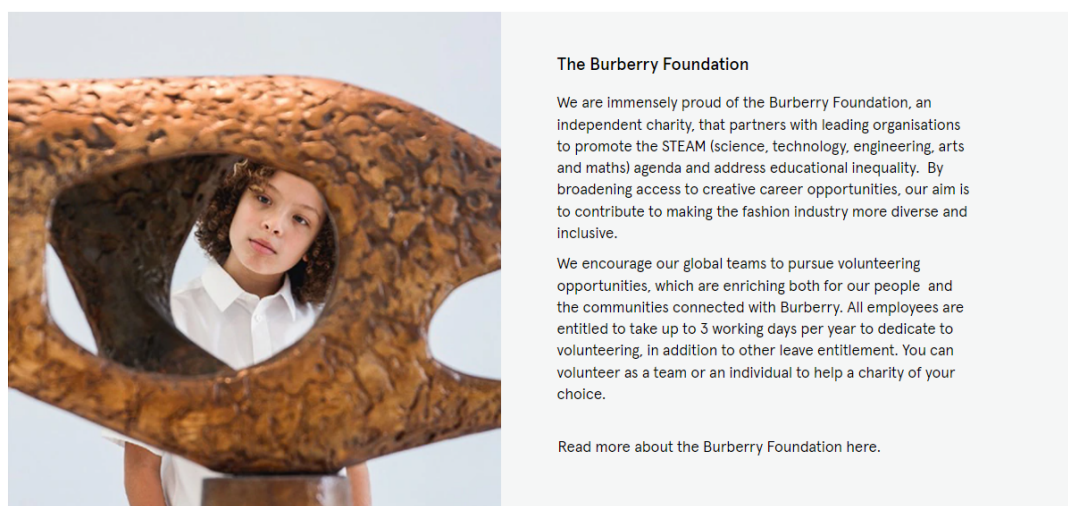


Figure 6. "General information about the Burberry's fund on the company's website", Screenshot from the brand's website, URL: https://burberrycareers.com/content/Responsibility/?locale=en_GB

But all of these changes were helped by the events of 2018 when the company was accused of burning millions of dollars worth of unsold clothing and accessories. The brand was criticised for its environmental impact and recycling practices, which were seen as wasteful and harmful to the environment. In response to this criticism, Burberry pledged to stop destroying unsold items and explore more sustainable and innovative ways of managing waste; the results of these pledges can be seen today based on the company's annual accounts and global targets.

Here's another crystal-clear brand that has already been branded green at its launch and has been criticised more than once. Stella McCartney is a fashion brand that has been a leader in sustainable and ethical fashion for many years. The company's CSR policy includes many

²⁸ Burberry's website, URL: <https://www.burberryplc.com/en/responsibility/planet.html> [retrived 24.04.2023]

initiatives such as using organic and recycled materials, supporting animal welfare, reducing waste, and caring for workers.

The British luxury fashion brand focuses on sustainability and ethical standards in its operations. The company works closely with its suppliers to ensure they meet high ethical and environmental standards. They have also introduced a material traceability program to improve transparency in the supply chain. The company does not use fur, leather, or exotic hides in its products. Stella McCartney publishes an annual sustainability report that outlines the company's progress in achieving its sustainability goals and highlights its key achievements and initiatives. All sustainability reports are available on the company's website and provide a detailed overview of CSR policies and initiatives and their results.



Figure 7. "Statement of Stella McCartney in company's annual report", Screenshot from the Impact report 2021, URL:

https://www.stellamccartney.com/on/demandware.static/-/Library-Sites-StellaMcCartneySharedLibrary/default/dwce449f0d/report/EcoImpact_2021_CM_FINAL.pdf

Despite this rather thorough approach, the company has been criticised for using slave labour in the production of fabrics for its clothing. On 8 October 2020, Stella releases her Manifesto²⁹ for environmental change³⁰. Then on 19 October, there is article³¹ about the

²⁹ "McCartney A to Z Manifesto: Summer 2021 Show", October 8 2020, URL: <https://www.stellamccartney.com/us/en/stellas-world/mccartney-a-to-z-manifesto-summer-2021-show.html> [retrieved 04.04.2023]

³⁰ Grace Cook, "S is for... sustainable, sexy, Stella McCartney The British designer unveils her A-Z manifesto for environmental change", October 19 2020, URL: <https://www.ft.com/content/1cc7ab0d-aa69-4365-bb8f-9a474797dcac> [retrieved 04.04.2023]

³¹ Tom Shearsmith, "Government demand answers from fashion and tech businesses in forced labour inquiry", October 19 2020, URL:

state's issues with brands that have arisen because of suspicions about the use of slave labour in the manufacture of the companies' products, among which Stella McCartney was mentioned. Then in November a new article³² in The Daily Telegraph more specifically mentions the company name and makes it clear that Stella McCartney, like other companies and big-name retailers such as H&M despite their best efforts, cannot guarantee they are not profiting from Uyghur³³ forced labour in China to make their wares.

And despite all the good work the company has done to develop and improve its garment manufacturing conditions, the company's reputation has been tarnished. But the big companies don't stop there. And CSR is a responsibility that these companies have taken on. In its reports, British brand Stella McCartney is not ashamed of such failures but sees them as the way forward.

Stella McCartney's supply chain behaviour is guided by a commitment to ethical and sustainable practices. The company works with its suppliers to ensure they meet high ethical and environmental standards and has implemented a number of initiatives to increase transparency and accountability in its supply chain.

To facilitate monitoring, the company itself has developed a Supplier Code of Conduct, which sets out the company's expectations for ethical and sustainable practices in the supply chain. The Code covers topics such as labour rights, environmental responsibility, and business ethics. The company works directly with its suppliers to help them improve their ethical and environmental performance. This includes training and support to help suppliers meet the requirements of the Supplier Code of Conduct.

Furthermore, to ensure transparency, the company conducts regular audits of its suppliers to make sure they comply with the Code; and engages third-party audit firms to conduct independent audits. Stella McCartney has also implemented a materials tracking program that allows the company to track materials from source to finished product. This program helps increase transparency and accountability in the supply chain.

<https://www.theindustry.fashion/government-demand-answers-from-fashion-and-tech-businesses-in-forced-labour-inquiry/> [retrieved 07.04.2023]

³² Laura Onita, "Fashion brands 'can't rule out' links to Uyghur forced labour", November 4 2020, URL: <https://www.telegraph.co.uk/business/2020/11/04/fashion-brands-cant-rule-links-uyghur-forced-labour/> [retrieved 07.04.2023]

³³ **Uyghur**, Chinese (Pinyin) Weiwu'er, also spelled Uygur or Uighur, a Turkic-speaking people of interior Asia. Uyghurs live for the most part in northwestern China, in the Xinjiang Uyghur Autonomous Region; a small number live in the Central Asian republics. There were some 10,000,000 Uyghurs in China and a combined total of at least 300,000 in Uzbekistan, Kazakhstan, and Kyrgyzstan in the early 21st century. URL: <https://www.britannica.com/topic/Uyghur> [retrieved 04.05.2023]

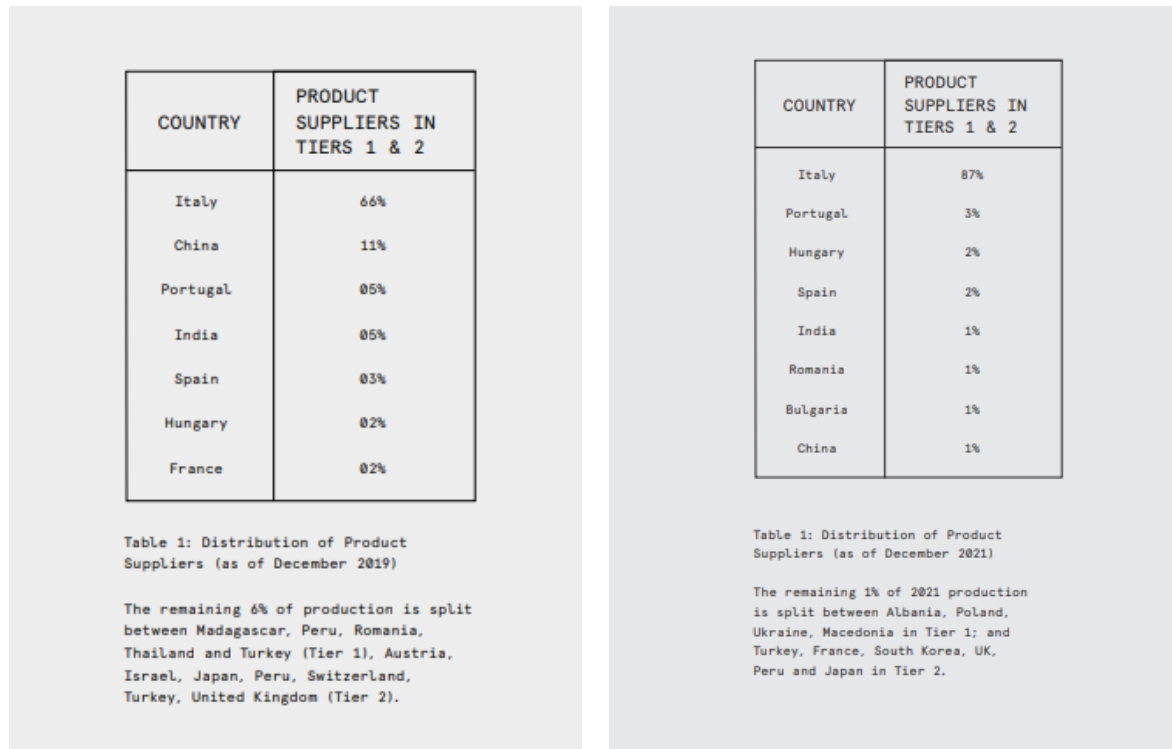


Figure 8. "A comparison of suppliers in the Stella McCartney report for 2019 and 2021", Screenshots from reports, URL(1):

https://www.stellamccartney.com/on/demandware.static/-/Library-Sites-StellaMcCartneySharedLibrary/default/dwc6550a83/report/EcoImpact_2020_Report.pdf,

URL (2):

https://www.stellamccartney.com/on/demandware.static/-/Library-Sites-StellaMcCartneySharedLibrary/default/dwce449f0d/report/EcoImpact_2021_CM_FINAL.pdf

The company conducted an investigation into the matter and pledged to improve its supply chain practices to ensure that its products are ethically sourced. And if we talk about the results of the company's implementation of such a policy, and pay attention to the reporting, from 2019 to 2021, just in the years of claims of the use of minority labour in factories in China, the brand successfully reduced the share of Chinese supplier factories by 10%, due to the lack of guarantees on their part about fair labour. The restructuring of the supply chain and transparent reporting helped the brand not to lose the trust of its loyal customers.

Overall, these companies have faced challenges and criticism related to their CSR policies, but it is important to note that they have also taken steps to address these challenges and improve their practices. By acknowledging their mistakes and committing to improvement, these companies demonstrate a strong engagement with sustainability and social responsibility.

Companies are run by people, and just as there are no perfect people, there are no perfect companies and even those with strong CSR policies can encounter problems and failures.

However, responsible companies are distinguished by their willingness to acknowledge their mistakes, take responsibility for them and take steps to improve their practices.

3.2. Solutions of smaller market players

What about small clothing companies? Can they be more efficient and effective in promoting CSR policies than large multinationals?

Small companies naturally have a smaller staff and fewer managers. But this fact can often play to their advantage because they are more agile and can make decisions quickly. This allows them to adapt to changing circumstances and implement sustainable practices more easily. Smaller companies often have less bureaucracy and can be more innovative in their approach to sustainability. This enables them to find more creative and effective solutions to environmental and social problems.

For example, Rapanui is a sustainable clothing company based on the Isle of Wight in England. The company uses organic and recycled materials in its products and has implemented a closed-loop recycling system that allows customers to return their old clothing for recycling. Rapanui also partners with local schools and community groups to promote sustainable practices. They are not afraid to declare: *"We are proud to say that our products are rubbish."*

On their website, they provide all the information about the company's work, the manufacturing process, and the environmental issues they care about,

Every year 100 billion new items of clothing are produced. A truck full of clothing is burned, or buried in a landfill every second. The textiles industry is the second largest polluter in the world, and slowing fast fashion down a bit won't fix it.

But when we take the waste material at the end and make new products from it at the start, it changes everything. That's what we've done.

As material flows back in ever bigger quantities, we are increasingly blending Remill into our range and making new products from what otherwise would be waste. Products we're proud to say are rubbish. We use natural materials, and renewable energy, and print in real-time, so we only print what people need, when they need it. That's what sustainability means to us.

It's called circular fashion and it's the future, remade. ³⁴

³⁴ Rapanui's website: Circular Organic Clothing, URL: <https://rapanui clothing.com/circular-clothing/> [retrieved 22.04.2023]

Our products, your impact

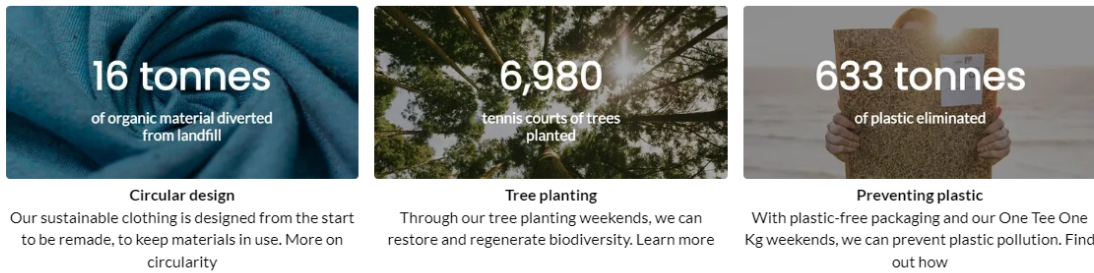


Figure 9. "The company's CSR policies from Rapanui website", Screenshot from the brand's website, URL: <https://rapanuiclothing.com/>

This British eco-friendly clothing brand is not just committed to ethical and sustainable practices, the company aims to benefit the planet through its activities: it has implemented a number of initiatives to reduce its environmental impact, including the use of sustainable materials and production methods, and the reduction of waste in the supply chain. According to their website,

It's the advanced technology in our supply chain that makes this possible. Out in business-as-usual land clothes are mass produced speculatively producing massive amounts of waste: 40% of clothing is never worn. By printing in real time we only make what people need when they need it. That saves money that we spend on making organics and renewables affordable. Our robotics do the same thing, making the pack process 30% more efficient that means we can afford the 10X increased cost of using packaging made from plants, not plastic. We share this technology openly on the internet with other brands via our platform at Teemill.com.

The first working circular supply chain is a systemic approach to a total redesign of the way the clothing industry works. Changing that changes the outcome. It's why we are here.³⁵

In terms of social responsibility, Rapanui is committed to supporting local communities and ensuring fair and safe working conditions for its employees. And in terms of scandals, there have been no major scandals related to Rapanui's CSR policies.

Another brand – Elvis & Kresse is a British company that was founded in 2005 by Kresse Wesling and James Henrith. They were inspired by the abundance of high-quality materials going to waste in the fashion industry and decided to make it their speciality to create luxury accessories and home goods from reclaimed materials, in particular from discarded fire hoses.

³⁵ Rapanui's website: Putting the environment first, URL: <https://rapanuiclothing.com/journey/> [retrieved 24.04.2023]

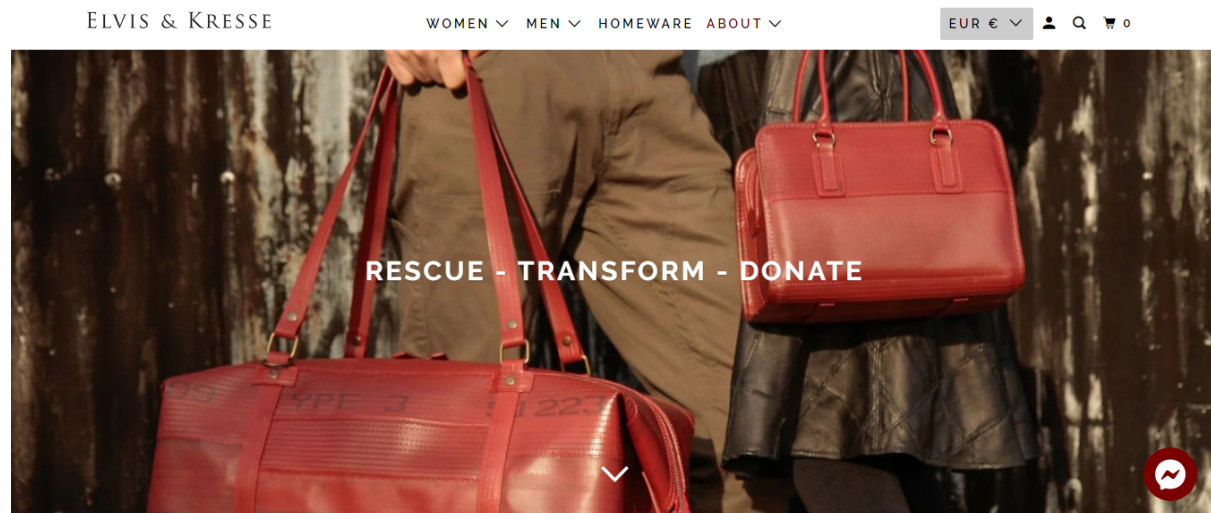


Figure 10. "Company slogan on the website", Screenshot from the brand's website, URL: <https://www.elvisandkresse.com/pages/three-pillars>

The company's core values centre around sustainability, social responsibility, and ethical standards. Elvis & Kresse source materials from a variety of sources³⁶, including surplus and scrap leather and textiles from factories, reclaimed coffee bags, and discarded fire hoses. They also work with local suppliers and artisans, which boosts the local economy.

In addition to their sustainable practices, Elvis & Kresse aims to contribute more with their activities also through partnerships and donations. They donate 50% of their profits from fire hose sales to Fire Fighters Charity, which supports firefighters and their families in the UK.³⁷ They also work with a number of other organisations, including the Burberry Foundation from 2017, to support environmental and social causes.

Elvis & Kresse are promoting values in sustainable fashion and are a great example of how companies can have a positive impact on the environment and society through ethical standards and innovative approaches to sourcing materials if they have a goal to do something really good in this world.

Consider also the example of British actor and former professional rugby player Keith Mason, who is launching a non-profit sportswear brand to help children with brain injuries.³⁸ Keith Mason has launched a non-profit sportswear brand, MasonMerch, to help raise money to build a hospital for children with brain injuries in the UK who are not receiving treatment from the publicly funded National Health Service. Funds raised from the sale of the sportswear range will be donated to the Tafida Raqeeda Foundation to help build the hospital.

³⁶ Elvis & Kresse website: Rescue, URL: <https://www.elvisandkresse.com/pages/reclamation> [retrieved 23.04.2023]

³⁷ Elvis & Kresse website: Donate, URL: <https://www.elvisandkresse.com/pages/donation> [retrieved 23.04.2023]

³⁸ Dickson Boadi, "British Actor Keith Mason Launches Non-profit Sportswear Brand To Help Children With Brain Injuries", April 5 2023, URL: <https://abodac.com/blog/2023/04/05/british-actor-keith-mason-launches-non-profit-sportswear-brand-to-help-children-with-brain-injuries/> [retrieved 22.04.2023]

It is reasonable to conclude from this that many small companies have strong ethical and environmental values at the heart of their business practices. This means that they are more likely to prioritise sustainability and social responsibility and can more easily implement change or even set up their business to become that change themselves.

Small companies often have a stronger connection to the local community and can be more responsive to the needs and concerns of their customers. This allows them to adapt their CSR policy to the specific needs of the local community and build stronger relationships with customers.

Altogether, small apparel companies can be more effective and efficient in promoting CSR policies due to their flexibility, strong values, community orientation, and innovation. With sustainability and social responsibility at the forefront, these companies are setting an example for the entire fashion industry and demonstrating that it is possible to have a positive impact on the environment and society while running a successful business.

3.3. Regardless of the company's size, choosing the Green Way

Based on the examples discussed, there are indeed some differences in how different-sized clothing companies approach CSR policy and there is certainly a reason for this. For sure larger companies have more resources to invest in social responsibility initiatives such as implementing fair labour practices, modifying the supply chain, or investing in community activities.

The example of Stella McCartney shows that companies can have a large supply chain, which can make it difficult to ensure that social responsibility policies are implemented transparently and consistently among all suppliers. But this can be remedied through monitoring and analysis, as practice shows. For large companies, the process is resource intensive, but small ones, in turn, may have a smaller supply chain and a more direct relationship with their suppliers, which can make it easier to enforce the social responsibility policy.

MNCs can face many challenges in implementing social responsibility initiatives, such as managing the expectations of their stakeholders and the risk of negative publicity if social responsibility fails. They have to balance the interests of multiple stakeholders, including customers, shareholders, employees, and local communities while addressing the complex social and environmental issues inherent in their global operations.

In addition, MNCs are often under greater scrutiny by their fans and competitors and are subject to higher expectations than smaller companies, which may result in greater risk if they fail to meet their social responsibility commitments. Negative publicity and reputational damage can have significant financial and operational implications for MNCs, which can hamper effective social responsibility initiatives.

Companies of different sizes may also have different priorities when it comes to social responsibility. Large ones may be more focused on implementing comprehensive and standardised policies for all their affiliates and brands in different countries throughout the supply chain, while smaller companies may be more focused on building close relationships with their suppliers and supporting local communities.

Finally, large companies may have a greater impact on local communities and the environment because of the scale of their operations and their image. This can create a greater responsibility for such companies to promote social responsibility and sustainability initiatives and to live up to their claims.

As for SMBs, it seems logical that their small number of customers implies less impact, but they can still make a significant difference by paying more attention to social responsibility in their operations and setting an example for the industry as a whole, as Rapanui, Elvis & Kresse, and MasonMerch, who have not just adapted their businesses to CSR principles but based on them.

Moreover, a report conducted by fashion resale marketplace Thredup in 2019, stated: "Overall, of the more than 1,000 women surveyed by Thredup, 58% were resolving to be less wasteful this year, with 84% claiming that they plan to shop more sustainably and a further 42% saying that they will be reducing waste by shopping secondhand."³⁹

"The State of Fashion 2020"⁴⁰ report by Business of Fashion and McKinsey & Company notes that there has been a significant increase in consumer interest in sustainability, with 75% of consumers reporting that they would change their consumption habits to reduce environmental impact.

Consumers today are changing their behaviour for the sake of saving the planet, so it's likely that regardless of their size, companies will have to adjust to the new realities. Of course, not all consumers have suddenly become conscious, and some are guided by the price of clothing when making a purchase rather than the company's contribution to the future. After all, there are enough problems in the world apart from the environment. But with the further spread of information, consumer education on eco-responsibility principles, with companies moving towards responsible production, this gap between them and ordinary companies set up solely for profit will grow, possibly dividing the world into two camps: the best and the rest.

³⁹ Robin Driver, Millennials and Gen Z lead pledge to ditch fast fashion in 2019, January 8 2019, URL: <https://www.fashionnetwork.com/news/Millennials-and-gen-z-lead-pledge-to-ditch-fast-fashion-in-2019.1053723.html#:~:text=Overall%2C%20of%20the%20more%20than, reducing%20waste%20by%20shopping%20secondhand.> [retrieved 24.04.2023]

⁴⁰ "The State of Fashion 2020", *Business of Fashion and McKinsey & Company*, 2019, URL: <https://www.mckinsey.com/~/media/mckinsey/industries/retail/our%20insights/the%20state%20of%20fashion%202020%20navigating%20uncertainty/the-state-of-fashion-2020-final.pdf> [retrieved 24.04.2023]

CONCLUSION

In the past, CSR focused on charitable giving, but it has now evolved into a more holistic approach in which companies invest in sustainable business practices, ethical sourcing, and community involvement. CSR is now considered an important aspect of corporate strategy, and companies that don't take it seriously will find it quite difficult to compete in an increasingly socially and environmentally conscious world.

Governments around the world are introducing regulations and guidelines and in the future CSR is likely to become a legal requirement for corporations. In the case of apparel corporations, the relevance of CSR to the industry lies in the issues of ethical consumption and conservation of natural resources which, if not addressed, will lead to global environmental problems.

The fashion industry today is known for its negative environmental impact caused by overproduction, fast fashion, and unethical practices. However, the movement toward sustainability is growing, with more companies adopting sustainable practices and consumers demanding more ethical options. Sustainable fashion is not just about reducing environmental impact, but about creating products that last, last forever, and are socially responsible. In order to truly transform its operations and minimise its impact on the planet, the industry must strive for sustainability on all three fronts - economic, environmental, and social. After all, the fashion industry must not just look green, it must be sustainable to ensure its long-term viability and contribute to a sustainable way forward.

In today's world, emotions play an increasingly important role in decision-making, including consumer behaviour. People are becoming more conscious of the impact of their choices on the environment, society, and future generations, and they are looking for ways to make a positive impact. This has led to a growing demand for sustainable and responsible products and services, including in the fashion industry.

The urgency of the environmental and social challenges we face requires the fashion industry to act boldly and innovate. Stakeholder pressures, industry regulations, cost and expediency, risk management, and company values and mission all influence the approach to responsible behaviour. Consumers are becoming more aware of this impact, and they are demanding that companies take responsibility for their actions.

Companies need to balance these factors to define responsible practices that align with their values and strategic goals. Ethical fashion is gaining momentum, and people are learning about sustainability from more than just materials and recycling. Respectful treatment of employees, high wages, a healthy office environment, and support for local production are all part of sustainability in the fashion industry today and, of course, this is just the beginning of the next round.

Although the fashion industry faces controversy, resistance, and distrust, fashion ethics has the potential to become a global trend, so the industry must continue to set bold goals, take action, and lead the way into a more sustainable and responsible future. As a result, companies that prioritise sustainability and responsible practices are more likely to gain the trust and loyalty of customers.

And the few examples of companies discussed in the thesis highlight some of how companies of different sizes approach CSR policies. Large companies may have more resources to invest in social responsibility initiatives, but they also face greater challenges in managing multiple stakeholders and the risk of negative publicity. Smaller companies may have fewer clients, but a more direct relationship with them and the communities they serve, and it is easier for them to implement a social responsibility policy.

Companies of all sizes may also have different priorities when it comes to social responsibility: large ones focus on standards-based policies, while smaller companies build close relationships with their suppliers and support local communities from the very beginning of their business.

Despite all these differences in how different apparel companies approach CSR policies depending on their size and the number of resources they have, all companies contribute to improving the world environment. And all apparel companies must pay attention to social responsibility in their operations and set an example for the entire industry. The apparel industry has a significant impact on the environment, on people from small to large, and on entire communities around the world, and these companies can make a huge contribution to solving the complex social and environmental problems inherent in their global operations. And given the growing consciousness of consumers and the importance of a company's stated commitment to its target market, it is clearer every year that the future belongs to companies that choose to move down the Green Way.

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