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CORPORATE SOCIAL RESPONSIBILITY: Is it still relevant?
A critical look on its effectiveness in the fashion industry and contribution to corporate greenwashing

By

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ABSTRACT

Through the years, corporate social responsibility has served as a tool to demonstrate how accountable businesses are to the communities and the environment in which they choose to operate for their actions. Initially, CSR was thought to be the answer to all of humanity's problems, arguments, however, point to the opposite outcome of corporate social responsibility in business practice. It's interesting to note that as the fashion industry grew, it incorporated more environmental and social aspects, and its evolution over time has further clarified the significance of the concept of CSR in this given context. The fashion industry in general and fast fashion in particular have been under the spotlight in recent years due to its negative environmental and social impacts. Observations imply that the industry has reached a tipping point where the excessive use of the earth's resources has led the industry to contribute to the exploitation and harm of the environment. Overall, this paper endeavors to examine, discuss, and determine whether CSR in the fashion industry offers a path forward or leads nowhere other than towards greenwashing phenomena.

Keywords: Corporate social responsibility; Environmental Social Governance; Disclosure; Greenwashing; Fast-fashion industry; Environmentally friendly initiatives Green marketing; Greenwashing; Marketing strategy; Fast fashion; Textile industry

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LIST OF ABBREVIATIONS

CEO	**Chief Executive Officer**
CSR	**Corporate Social Responsibility**
ESG	**Environmental Social Governance**
EY	**Ernst & Young**
H&M	**Hennes & Mauritz**
ICC	**International Chamber of Commerce**
NPPF	**National Planning Policy Framework**
OECD	**Organisation for Economic Co-operation and Development**
PwC	**PricewaterhouseCoopers**
TBL	**Triple Bottom Line**
UK	**United Kingdom**
UN	**United Nations**
WCED	**Western Cape Education Department**
WRAP	**Waste and Resources Action Programme**

INTRODUCTION

Over the last decades, academicians and industry professionals have become more and more interested in corporate social responsibility, which has been seen as a potentially beneficial strategy for establishing long-term relationships with both various stakeholder groups of the business organization. Archie B. Carroll started developing the theoretical framework and idea of Corporate Social Responsibility in the late 1970s. Later, many academics accepted Carroll's theoretical framework while aiming to further investigate other pertinent new CSR elements.

Also, many businesses have been proactively acting to promote social welfare by incorporating economic, legal, ethical, and charitable duties into their decision-making process. This departs from the conventional shareholder theory, which asserts that businesses act in order to maximize shareholder wealth by arguing that businesses are sometimes compelled to put other interests ahead of shareholder wealth. Instead, it involves striking a balance between two motivations: maximizing shareholder value and generating social value.

At the same time, economic development in the nineteenth and twentieth centuries has led to a globally rather connected society, which, in turn, has made it possible for the fashion industry to move into countries with cheaper labor costs. However, the planet has paid the price for the increasing use of raw materials, dyeing, transportation, and discarding of used clothing. In other words, thanks to the globalization that allowed for the gradual removal of trade restrictions and increased the freedom of movement for goods, services, and labor, the fashion industry is primarily controlled by big businesses with extensive supply chains that rely on outsourcing manufacturing.

It makes sense for governments and international organizations to closely observe clothing producers all around the world. Given its detrimental environmental and social effects, the fashion industry has reportedly taken steps to mitigate the negative effects that its manufacturing processes have on the environment and society. Many businesses have incorporated CSR policies including specific actions to lessen the negative consequences of clothing manufacture throughout its lifecycle. Adopting CSR, however, goes beyond efforts to promote these initiatives to the public and investors. In fact, CSR management and practices consider sustainability reporting to be a fundamental component. However, it is rather difficult to develop a set of measurable indices that effectively represent and measure a firm's CSR actions due to the breadth of CSR activities.

In addition, the production-consumption model in the fashion industry poses enormous obstacles in addressing sustainability. This is particularly important for fast fashion businesses, whose business models depend on frequent, impulse purchases of inexpensive, mass-produced items. More and more companies have started to promote their "greenness" in an effort to improve their reputation and portray themselves as more sustainable, even if their production processes remained unaltered.

Therefore, the goal of this study is to analyze the fundamentals of CSR, focusing primarily on businesses in the fashion sector, as well as examine its darker side; that is; greenwashing practices. The rest of the dissertation is organized as follows: *Chapter 1* goes over the development of CSR from its inception to the present, the notion and theoretical basis thereof while *Chapter 2* makes a comparison between CSR and its successor ESG. In *Chapter 3*, we discuss how sustainability and CSR in particular are perceived within the fashion industry. *Chapter 3* examines whether CSR tends to be mainly used as a strategic marketing tool and a greenwashing mechanism, while *Chapter 4* focuses on the advantages of embracing sustainable and CSR practices in business. Finally, *Chapter 5* provides one example of business in the fashion sector which engages in ethical and truly sustainable practices.

CHAPTER 1: CSR AND SUSTAINABILITY AWARENESS

1.1. Sustainability Versus Sustainable Development

Being ‘sustainable’ and/or pursuing ‘sustainability’ is often related with CSR. Whether this is wrong or right, it will be analyzed later on. At this point, given that there is a fair amount of overlap between terms, it is important to differentiate between ‘***sustainability***’, and ***‘sustainable development’***.

The first term is more linked to the long-term goal of creating a more sustainable world; that is, to exist and develop without overconsuming natural resources so that there is enough for future generations[1]. On the other hand, the term *‘sustainable development’* refers to the means employed in order for the above-mentioned goal to be reached[2]. In other words, sustainable development refers to the process of enhancing quality of life and economic well-being along with balancing resource usage so that intergenerational equity is achieved and legitimate expectations of future generations for equitable access to natural resources are fulfilled[3].

Although there are numerous definitions for sustainable development, the most commonly used one is that in the report “Our Common Future”, also known as Brundtland Report, published in 1987 by the World Commission on Environment and Development (WCED). According to the Report, sustainable development is the ‘*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*’[4]. This definition came as the result of an ecological movement that emerged back in the 1980s and questioned or criticized the existing model of economic development from an ecological and social standpoint and called for "*a new era of economic growth - growth that is forceful and at the same time socially and environmentally sustainable*"[5]; that is, a new model of economic growth that acts as a

[1] See ‘What Is Sustainability and Why Is It so Important?’ <https://www.twi-global.com/technical-knowledge/faqs/faq-what-is-sustainability.aspx> accessed 5 January 2022.

[2] See ‘What Is Sustainability?’ (*Investopedia*) <https://www.investopedia.com/terms/s/sustainability.asp> accessed 4 January 2022; See also https://plus.google.com/+UNESCO, ‘Sustainable Development’ (*UNESCO*, 3 August 2015) <https://en.unesco.org/themes/education-sustainable-development/what-is-esd/sd> accessed 4 January 2022.

[3] See ‘Don’t Confuse Sustainability with CSR’ (*Ivey Business Journal*, 6 January 2015) <https://iveybusinessjournal.com/dont-confuse-sustainability-with-csr/> accessed 4 January 2022.

[4] See the definition of ‘Sustainable Development’ in the ‘Glossary of Summaries - EUR-Lex’ <https://eur-lex.europa.eu/summary/glossary/sustainable_development.html> accessed 5 January 2022.

[5] See Un Secretary-General and World Commission on Environment and Development, ‘Report of the World Commission on Environment and Development ’: 3 <https://digitallibrary.un.org/record/139811> accessed 8 January 2022.

solution and not as the root of the problem of environment's destruction[6]. Sustainable development is also the core principle running through the United Nations' Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 with the aim of protecting the planet, reducing poverty, and making sure that by 2030 peace and prosperity will prevail[7].

Further, drawing on the objectives mentioned in para. 7 and 8 of the National Planning Policy Framework (NPPF), the five Guiding Principles (from the Shared Framework principles) underpinning the revised version of the UK's 2005 sustainable development policy and the UN 2005 World Summit Outcome Document, it is apparent that 'sustainability' is also defined based on three interdependent but not separate 'pillars' or 'objectives'; that is, *economic, environmental,* and *social*[8].

In a similar vein, Deloitte talks about the three dimensions of "***corporate sustainability***" (economic, social, environmental) required in order for a business to be viable in the long-run, or, put differently, «*about the building of company's value through active management of its economic, social and environmental impact*»[9]. The latter implies that all three dimensions must be in balance in order for sustainability to be accomplished, as illustrated in ***Figure 1*** (also known as *Venn diagram*) below:

[6] See Ben Purvis, Yong Mao and Darren Robinson, 'Three Pillars of Sustainability: In Search of Conceptual Origins' (2019) 14 Sustainability Science 681, 683–684 <https://doi.org/10.1007/s11625-018-0627-5> accessed 8 January 2022.
[7] See Art. 3(3) '*It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment*'. 'EUR-Lex - 12008M003 - EN' (*Official Journal 115 , 09/05/2008 P. 0017 - 0017;*) <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12008M003> accessed 5 January 2022.
[8] See 'National Planning Policy Framework' (*GOV.UK*) paras 7 & 8 <https://www.gov.uk/government/publications/national-planning-policy-framework--2> accessed 5 January 2022; See also 'Sustainable Development—Definition and Application at UK Level — Practice Note | Sustainable Development Goals - Resource Centre' <https://sdgresources.relx.com/legal-practical-guidance/sustainable-development%E2%80%94definition-and-application-uk-level-%E2%80%94-practice-note> accessed 4 January 2022; See also UN General Assembly (60th Sess.: 2005-2006), '2005 World Summit Outcome ': <https://digitallibrary.un.org/record/556636> accessed 5 January 2022.
[9] See 'Sustainability and Corporate Social Responsibility (CSR) | Deloitte CIS | Risk' <https://www2.deloitte.com/ru/en/pages/risk/solutions/sustainability-and-csr.html> accessed 4 January 2022.

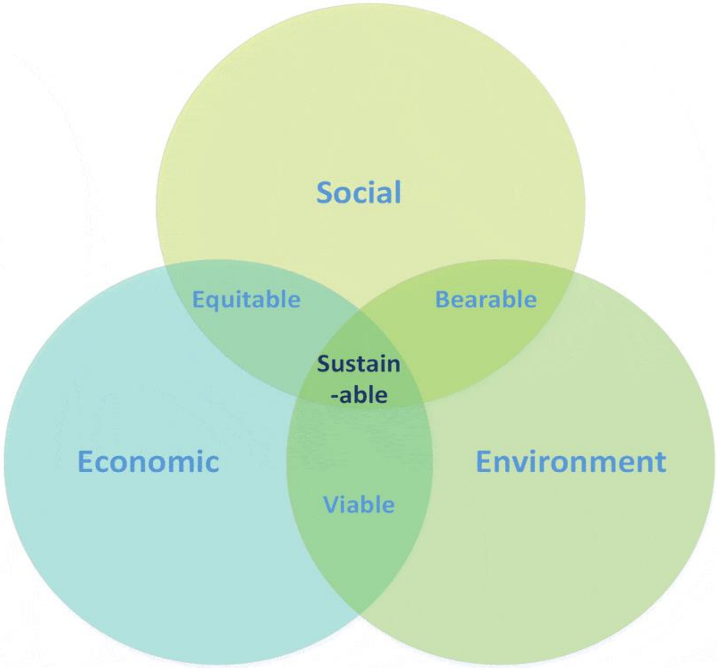

Figure 1: Typical representation of sustainability as three intersecting circles. (Venn diagram)[10]

Based on the above, the difference between the terms of '*sustainable development*' and '*sustainability*' lies on the fact that the latter refers to the goal of sustaining, whereas sustainable development is the strategy to achieve sustainability[11]. According to this view, sustainable development is "*the pathway to sustainability*" or, put differently, sustainability is the "*end-point of sustainable development*"[12].

1.1.1 Sustainability: Is it all about Environmental Issues?

Albeit its fuzzy and elusive nature and the diversity of definitions, especially in the early stages of its development, the concept of sustainability has been primarily framed around three bases: the environmental, the social and economic ones[13]. Of course, in case that we

[10] See 'Sustainability and Sustainable Development' (*Circular Ecology*) <https://circularecology.com/sustainability-and-sustainable-development.html> accessed 8 January 2022.
[11] See 'Sustainable Development & Construction: All You Need to Know' (*Juta UK*, 30 January 2020) <https://juta.co.uk/juta-news/sustainable-construction-development/> accessed 5 January 2022.
[12] See 'Sustainability and Sustainable Development | Mark Diesendorf' 3 <http://markdiesendorf.com/sustainability-and-sustainable-development/> accessed 5 January 2022; See also 'Introduction to Sustainability Guide' (*Circular Ecology*) <https://circularecology.com/introduction-to-sustainability-guide.html> accessed 5 January 2022.
[13] See Thomas N Gladwin, James J Kennelly and Tara-Shelomith Krause, 'Shifting Paradigms for Sustainable Development: Implications for Management Theory and Research' (1995) 20 The Academy of Management Review 874, 876–878 <https://www.jstor.org/stable/258959> accessed 19 January 2022.

refer to one aspect of sustainability, then, it is essential that we use modifying terms like 'environmental' or 'social', which delineate this generic concept by giving the term 'sustainability' a specific meaning[14].

However, the tripartite compartmentalisation of 'sustainability', pervading in business reporting, has given rise to the question as to whether one of the three pillars or aspects of sustainability values more than the other two. In this context, Morelli points out the role of *sustainable environment* as the foundation on which both sustainable society and economy can be built[15]; that is, prioritizing the creation of a sustainable environment is the most efficient way to pave the way for achieving the goal of a sustainable society and economy[16]. According to Morelli, '*environmental sustainability*' is defined «*as a condition of balance, resilience, and interconnectedness that allows humanity to satisfy its needs while neither exceeding the capacity of its supporting ecosystems to continue to regenerate the services necessary to meet those needs nor by our actions diminishing biological diversity*»[17]. On the contrary, Goodlands proposes that environmental sustainability simply means «*the maintenance of natural capital*», in other words «*the source and sink mechanisms of earth must be safeguarded and preserved during the period over which sustainability is required*»[18].

The above statement of Morelli implies that environmental sustainability comes first on the list of the sustainability pillars and this probably lies behind most people's false belief that sustainability is restricted only to environmental issues. This misconception about sustainability has been also reinforced by the overuse of the term 'sustainability' in the previous decades mostly with respect to environmental issues. Even one of the current definitions of '*sustainability*', still included in the latest version of the Oxford English Dictionary [«*The property of being environmentally sustainable; the degree to which a process or enterprise is able to be maintained or continued while avoiding the long-term depletion of natural resources»*], confuses the meaning of 'sustainability' with that of 'environmental sustainability' resulting in uncertainty with regard to its actual meaning[19].

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[14] See John Morelli, 'Environmental Sustainability: A Definition for Environmental Professionals' (2013) 1 Journal of Environmental Sustainability 2 <https://scholarworks.rit.edu/jes/vol1/iss1/2>.
[15] See ibid 1.
[16] See ibid 4.
[17] See ibid 6.
[18] See Robert Goodland, 'The Concept of Environmental Sustainability' (1995) 26 Annual Review of Ecology and Systematics 1, 10 <https://doi.org/10.1146/annurev.es.26.110195.000245> accessed 7 January 2022.
[19] See 'How Sustainable Is Sustainability? - Oxford College of Procurement and Supply' <https://www.oxfordcollegeofprocurementandsupply.com/how-sustainable-is-sustainability/> accessed 9 January 2022; See also 'Sustainability, n.' <https://www.oed.com/view/Entry/299890> accessed 9 January 2022.

Added to that, the majority of problem-solving initiatives taken by international organizations do not put emphasis on the sustainability problem as a whole, but they take action only with respect to one pillar of sustainability at a time, overlooking the mutual exchange among all the three components and that each of them is equally critical for sustainability to be achieved[20].

However, the three-dimensional character of sustainable development is clearly illustrated in the definition laid out by Gladwin et al., according to which «*sustainable development is a process of achieving human development in an inclusive, connected, equitable, prudent, and secure manner*»[21]. The authors' mindset about the notions of sustainability and sustainable development being not just environmentalism manifests itself in the use of the terms 'connected' and 'inclusive'; that is, they recognise that the achievement of economic goals is almost unattainable without also reaching environmental and social goals, without striving for alleviation of poverty, redistribution of income and reduction of economic inequality[22]. Therefore, sustainability is not restricted only to environmental issues; on the contrary, it encompasses both social and economic considerations.

1.2 Corporate Social Responsibility: Is It Synonymous To Sustainability?

In simple terms, 'CSR' means doing the right thing and how a company's existence and operations can align with community welfare. In other words, it reflects what modern businesses are expected to do apart from making money and complying with the law[23]. The majority of the earlier definitions of CSR and work about how the latter applies in practice was begun in the 1960s, but many other more comprehensive and refined definitions and variations of corporate social responsibility have arisen since then[24].

CSR translates into a self-regulatory system, or according to Sheehy into an «*international private business self-regulation, a type of international soft law*» within the business organization that determines the set of organizational activities that need to

[20] See 'The Three Pillars of Sustainability' <https://www.thwink.org/sustain/glossary/ThreePillarsOfSustainability.htm> accessed 11 January 2022.
[21] See Gladwin, Kennelly and Krause (n 13) 878.
[22] See Anja Schaefer, 'Corporate Sustainability – Integrating Environmental and Social Concerns?' 180; See also Gladwin, Kennelly and Krause (n 13) 878–879.
[23] See Archie B Carroll, 'Corporate Social Responsibility' (2015) 44 Organizational Dynamics 87, 87 <https://www.academia.edu/12560924/Corporate_Social_Responsibility_The_Centerpiece_of_Competing_and_Complementary_Frameworks> accessed 5 February 2022.
[24] See Archie B Carroll, 'Carroll's Pyramid of CSR: Taking Another Look' (2016) 1 International Journal of Corporate Social Responsibility 3, 2 <https://doi.org/10.1186/s40991-016-0004-6> accessed 6 February 2022.

be done, so that the company positively contributes to local and global sustainability efforts and benefits both society and the firm itself[25].

1.2.1 The criticism against CSR

As mentioned in the previous paragraph, according to some scholars CSR often looks backwards and focuses primarily on what a company has achieved vis-à-vis sustainability in the past without always acknowledging both its impact on the community in the long run and the risk of not being able to secure greater revenue streams and a pipeline of goods and services in the future[26]. What happens to profits once they are produced is typically the focus of CSR. Essentially, the CSR movement aims to balance the interests of all relevant stakeholders while corporate sustainability primarily takes into account the social and environmental impact of business practices, or how profits are generated[27]. In contrast to the broader concept of CSR, '*corporate sustainability*', is all about how a sustainable strategy can be developed in the future and how a company balances the short and long term[28]. Corporate sustainability fundamentally describes the role that companies can play in achieving the goal of sustainable development[29]. Therefore, it can easily be said that the idea of sustainable development and/or sustainability seems to be the foundation of '**corporate sustainability**' and not of 'CSR'.

Arguably, a lack of long-term vision may well result in companies borrowing capital and resources from the future and consequently, failing to keep a balance in resource allocation between the short and long term[30]. Furthermore, with the emphasis on the achievement of company's legitimacy and their sense of accountability towards their internal and external stakeholders, a firm might end up following the approach that drew consensus from the majority of stakeholders, even if such an approach does not always align with its overarching and long-term strategic goals[31]. This is the narrative of the

[25] See Pratima Bansal and Mark R DesJardine, 'Business Sustainability: It Is about Time' (2014) 12 Strategic Organization 70, 71 <https://doi.org/10.1177/1476127013520265> accessed 9 January 2022; See also Benedict Sheehy, 'Defining CSR: Problems and Solutions' (2015) 131 Journal of Business Ethics 625, 632 <https://doi.org/10.1007/s10551-014-2281-x> accessed 5 February 2022.
[26] See Bansal and DesJardine (n 25) 71–72.
[27] See 'Don't Confuse Sustainability with CSR' (n 3).
[28] See 'The Difference Between Sustainability and Corporate Social Responsibility' <https://unboxedtechnology.com/blog/the-difference-between-sustainability-and-corporate-social-responsibility/> accessed 3 February 2022.
[29] See Kasmin Fernandes, 'CSR and Corporate Sustainability' (*The CSR Journal*, 18 October 2018) <https://thecsrjournal.in/csr-and-corporate-sustainability/> accessed 3 February 2022.
[30] See Bansal and DesJardine (n 25) 72.
[31] See ibid.

structural perspective of CSR, the so called '*Constituency model of CSR*'[32]. This model conceives of CSR in terms of the conflicting interests of different constituencies within the organization; that is, a company is seen as consisting of different groups of people, where each of them has its own interests, and sometimes the interests of one group conflicts with or have priority over those of others[33]. As a result, management is required to make decisions taking into account the broad range of interests within the organization and sometimes be willing to "*subordinate the shareholders' desire for profit maximization to the claims of non-shareholder stakeholders*"[34].

However, it is important to note that this way of thinking about CSR misses the temporal dimension by focusing more on the impact of particular actions in the immediate future without reference to the possible long-term implications thereof. Giving priority to short-term results through maximization of current share prices has been the prevailing practice in the management and decision-making of major U.S corporations since the 1970s, when economist Milton Friedman advocated that the only "*social responsibility of business is to increase its profits*"[35]. In this context, the following question arises: Is it the CSR concept itself that does not require intertemporal trade-offs or the prevailing among business practitioners' structural perspective of CSR that has long endorsed that companies exist principally to serve shareholders' interests at the expense of those of stakeholders in the long-run?[36].

Against this background, Carroll' s quadripartite theory for the CSR concept, also known as Carroll's '*Pyramid of Corporate Social Responsibility*' (see ***Figure 2*** below), holds that except for the binding economic and legal responsibilities towards their owners/shareholders and the state laws respectively, companies are primarily 'ethically' or 'socially' bound to adopt the practices, standards and values that reflect what is considered as fair and protective of their moral rights by both shareholders and

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[32] See '"Two Models of Corporate Social Responsibility" by David K. Millon' 523, 525 <https://scholarlycommons.law.wlu.edu/wlufac/137/> accessed 4 January 2022.
[33] See ibid 524.
[34] See ibid.
[35] See ibid 528–529; See also Cydney Posner, 'So Long to Shareholder Primacy' (*The Harvard Law School Forum on Corporate Governance*, 22 August 2019) <https://corpgov.law.harvard.edu/2019/08/22/so-long-to-shareholder-primacy/> accessed 9 February 2022.
[36] See Updated Statement Moves Away from Shareholder Primacy and Includes Commitment to All Stakeholders, 'Business Roundtable Redefines the Purpose of a Corporation to Promote "An Economy That Serves All Americans"' <https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans> accessed 9 February 2022.

stakeholders[37]. In other words, it's the non-binding ethical and discretionary categories that define the CSR concept and constitute the essence thereof.

Figure 2: Carroll's global pyramid of CSR[38]

Nonetheless, it has been argued that these moral "*obligations*" stemming from both shareholders and stakeholders inside and outside the organization along with the reputation-driven philanthropic categories of expectations dictate what a company should do; that is, a socially responsible company strives to create 'shared value' through balancing the competing demands and interests of various stakeholders without getting involved into managing intertemporal trade-offs[39]. And by not focusing on building long-term relationships and balancing the short- and long-term supply and demand of resources, CSR strategies or practices have been widely criticised as being not sustainable if they do not provide a solution to the underlying cause[40]. In other words, the concept of CSR focuses on balancing the interests of current stakeholders without taking into account the long-term effects on the communities. As a result, these well-intentioned actions are likely to be suboptimal and create liabilities on local communities over the long run[41]. This long-held notion that CSR is only about balancing conflicting interests of shareholder and nonshareholders groups without reference to possible long-term

[37] See Carroll, 'Corporate Social Responsibility' (n 23) 90.

[38] See 'Carroll's CSR Pyramid PowerPoint Template Diagrams' (*SlideSalad*) <https://www.slidesalad.com/product/carrolls-csr-pyramid-powerpoint-template/> accessed 7 February 2022.

[39] See Mark R Kramer and Marc W Pfitzer, 'The Ecosystem of Shared Value' [2016] *Harvard Business Review* <https://hbr.org/2016/10/the-ecosystem-of-shared-value> accessed 6 February 2022; See also Bansal and DesJardine (n 25) 72.

[40] See Bansal and DesJardine (n 25) 72–73.

[41] See ibid 73; See also 'Don't Confuse Sustainability with CSR' (n 3).

strategy considerations is what differentiates according to some critics the notion of CSR from that of 'Corporate Sustainability'[42].

Therefore, in the case of the CSR, the use of the term '*responsibility*' instead of '*sustainability*' seems to be more instrumental when applying those concepts in decision making in a business context. This is also the reason why some academics have been critical of the CSR concept in the early 1950s, with Milton Friedman's statement that the only responsibility of business is "making a profit" to be among the most well-known[43]. Another adversary of the CSR concept was Theodore Levitt, according to whom "*long-run profit maximization is the one dominant objective of business, in practice as well as theory*"[44].

CSR was mainly criticized on the ground that striving to successfully perform with regards to ethical and philanthropic responsibilities creates tensions among the four components of responsibility, while trade-offs between company's short- and long-term goals are not efficiently balanced; that is, the economic responsibility towards company's owners and shareholders dictates that spending resources for ethical and philanthropic purposes should not outplace the necessary trade-off between short term and long term profitability[45]. The fact that the expectations of being morally upright and giving back to society are not codified into laws and are simply expected of business by society along with the traditional idea that money spent for ethical and philanthropic purposes detracts from a corporation's financial performance and eventually lowers its profitability constitute the reasons why some scholars and corporate managers were critical of and reluctant to integrate CSR practices into their business strategies[46].

As expected, that criticism gave rise to some other variations of CSR, that could more accurately capture and articulate the benefits stem from the adoption of CSR practices within the organization and thus, facilitate the acceptance of that concept in general. By replacing the term 'responsibility' with that of 'responsiveness' followed up by the term

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[42] See Carroll, 'Carroll's Pyramid of CSR' (n 24) 5–6; See also Archie B Carroll, 'Corporate Social Responsibility: Perspectives on the CSR Construct's Development and Future' (2021) 60 Business & Society 1258, 1267 <https://doi.org/10.1177/00076503211001765> accessed 7 February 2022.
[43] See Carroll, 'Corporate Social Responsibility' (n 23) 91.
[44] See Carroll, 'Carroll's Pyramid of CSR' (n 24) 1.
[45] See ibid 5–6.
[46] See Hency Thacker, 'Understanding the Four Levels of CSR' (*The CSR Journal*, 12 November 2019) <https://thecsrjournal.in/understanding-the-four-levels-of-csr/> accessed 6 February 2022; See also Carroll, 'Corporate Social Responsibility' (n 23) 90; See also Archie B Carroll and Kareem M Shabana, 'The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice' (2010) 12 International Journal of Management Reviews 85, 95 <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1468-2370.2009.00275.x> accessed 8 February 2022.

‘performance’ later on, business practitioners attempted to emphasize and bring out the action-oriented and results-focused perspective of the CSR concept coupled with the idea that whereas ‘responsibility’ puts some emphasis on motivation, ‘responsiveness’ (Corporate Social Responsiveness - CSR2) and ‘performance’ (Corporate Social Performance – CSP) on the other hand imply that businesses do actually respond to social problems or that they focus on results delivered[47].

1.2.2 The business Case of CSR

All these variants of CSR concept in conjunction with the idea that became known as the “*business case for CSR*” facilitated the broad acceptance thereof within the business community[48]. According to the ‘***business case***’ proposition there is a positive correlation between corporate social performance and financial performance, while the bottom-line benefits of CSR practices on firm’s financial performance may be seen either clearly or "*through the understanding of mediating variables and situational circumstances*[49]. Long ago Chrisman and Carroll had also agreed that "*social activity can result in economic rewards and that business should attempt to create such a favorable situation*”[50].

Based on the idea that taking on CSR initiatives, ethical and philanthropic responsibilities in particular, does actually pay off and yield returns for businesses in an economic and financial sense, Professor Kurucz set out four types of ‘business case’ or benefits when managers incorporating CSR in their business strategies[51]: (**1)** cost and risk reduction; **(2)** obtaining competitive advantage; **(3)** improving reputation and legitimacy; and **(4)** leading to win–win situations for both company and society through synergistic value creation[52]. With respect to the financial benefits companies derive from engaging specifically in environmental protection activities, Berman et al. pointed out that "*taking proactive steps on environmental matters can significantly reduce the costs of complying*

[47] See Carroll, ‘Corporate Social Responsibility’ (n 23) 91.
[48] See Carroll, ‘Corporate Social Responsibility’ (n 42) 1264; See also Carroll and Shabana (n 46) 95.
[49] See Carroll and Shabana (n 46) 95.
[50] See James Chrisman and Archie Carroll, ‘Corporate Responsibility: Reconciling Economic and Social Goals’ (1984) 25 Sloan management review 59, 62.
[51] See Elizabeth C Kurucz, Barry A Colbert and David Wheeler, ‘The Business Case for Corporate Social Responsibility’ (*The Oxford Handbook of Corporate Social Responsibility*, 14 February 2008) 85–86 <https://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199211593.001.0001/oxfordhb-9780199211593-e-004> accessed 8 February 2022.
[52] See Carroll and Shabana (n 46) 95; See also Carroll, ‘Carroll’s Pyramid of CSR’ (n 24) 6; See also Kurucz, Colbert and Wheeler (n 51) 85–86.

with current and future environmental regulations, drive down operating costs improves a firm's image and stakeholders' loyalty"[53].

Despite the fact that businesses are not required by law to address social or environmental issues, they are in a unique position to do so because of the resources at their disposal. Corporations seem to be the only feasible way of alleviating causes of immense human suffering when problems span borders and are so difficult for governments to handle. Businesses that operate in competitive environments and with limited resources are more likely to take on social challenges and to stick with them if it pays off. Fortunately, research indicates that companies 'may be successful by doing good'. Organizations obtain reputational and financial benefits from CSR activities. At the very least, socially responsible businesses are rarely financially harmed[54].

1.3 The Sustainability Model Of CSR: The Right Way Forward

Reflecting again on Carroll's Pyramid of CSR from a 'business case' perspective, it is more than evident that the purpose of this construct is to showcase that there are not any tensions or any hierarchy between and among the four types of responsibilities mentioned above and that CSR is not only about balancing the conflicting interests of shareholders and nonshareholders, as Claydon argues[55]. On the contrary, firms that engage in CSR activities should strive to fulfil all responsibilities at the same time without prioritizing some of them over the others[56].

In addition, the four categories of responsibilities that constitute the essence of CSR should be seen as ***long-term obligations***, or, as Carroll framed it, "*a dynamic framework the content of which focuses both on the present and the future*"[57]. In other words, according to Carroll's conceptualization of CSR, the latter does not only concern the trade-off between material economic development and social or environmental welfare, but the trade-off between short-term gains and long-term profitability.

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[53] See Shawn Berman and others, 'Does Stakeholder Orientation Matter? The Relationship Between Stakeholder Management Models and Firm Financial Performance' (1999) 42 Academy of Management Journal 488, 489–490.
[54] See Michael L Barnett, 'The Business Case for Corporate Social Responsibility: A Critique and an Indirect Path Forward' (2019) 58 Business & Society 167, 169 <https://doi.org/10.1177/0007650316660044> accessed 15 February 2022.
[55] See Jane Claydon, 'Two Models of CSR and Sustainability' (2012) 261–262 <https://www.semanticscholar.org/paper/Two-Models-of-CSR-and-Sustainability-Claydon/01b46afcbd4a8eb81f72ddd2be5deea86e9360ba> accessed 13 February 2022.
[56] See Carroll, 'Carroll's Pyramid of CSR' (n 24) 6.
[57] See ibid.

This view conceives of 'CSR' and 'sustainability' as being inseparable and going hand in hand, so that a socially responsible corporation is the one that embraces sustainability, which implicitly is concerned with both the present and the future[58]. It is also in line with the '***sustainability model of the CSR***', also known as the ***temporal perspective of the CSR*** concept, which totally focuses on the stakeholders' success and viability over the long run[59]. This approach to CSR brings out the idea of sustainability that is embedded therein and sets out a modern standard for corporate management directly opposed to that of the constituency model of CSR. A company should arguably strive for profit generation for survival and growth purposes; however, current net income maximization is not the optimal way for a corporation to achieve sustainability and prosperity in the long run, because it compromises on both future earnings and the well-being of stakeholders will eventually and inevitably pose a threat on shareholders/owners themselves[60].

Therefore, it is arguable that it's not non-shareholders' interests that detract from profitability and shareholder value, but tunnel vision in decision making and the absence of a broader view of company's long-term purpose and best interests that undermines a company's potential to grow their net returns in the form of increased consumer demand and productivity, more expertise and commitment, and long-run viability[61].

1.4 A Shift Away From Shareholder Primacy To Stakeholder Capitalism

Indeed, the notion of sustainability is loaded with a sense of longevity which should arguably be considered as the ultimate goal of any corporation and this is the reason why this term came to become even more popular with both the scientific and business communities. The updated statement on the Purpose of a Corporation adopted by the CEOs of Business Roundtable in August 2019 sealed the shift away from the shareholder primacy to stakeholder capitalism[62]. According to this, "*corporations can play an essential role in improving our society <u>when CEOs are truly committed to meeting the needs of all stakeholders</u>*", "*<u>when boards can focus on creating long-term value, better serving investors, employees, communities, suppliers and customers</u>*", or further "*<u>when CEOs put the customer first and invest in their employees and communities</u>*"[63]. Arguably,

[58] See ibid; See also Carroll, 'Corporate Social Responsibility' (n 42) 1267.
[59] See '"Two Models of Corporate Social Responsibility" by David K. Millon' (n 32) 524–525.
[60] See ibid 530.
[61] See ibid 532.
[62] See Primacy and Stakeholders (n 36).
[63] See Posner (n 35); See also Primacy and Stakeholders (n 36).

this new statement marks the beginning of a new era of corporate management and implicitly reaffirms that sustainability vision is an inherent element of CSR. Put another way, the concept of CSR based on *sustainability concerns* can be more advantageous and yield real benefits for non-shareholders, environment included, in contrast with the constituency model of CSR that prioritizes the maximization of shareholders' wealth[64].

Against this backdrop, it is important to clarify that the new fashion of doing business does not imply that stakeholder capitalism is equated to philanthropy and altruism. It is not a voluntary donation that strives to increase the welfare of others, at the expense of the benefactor, but it is a business model used by companies for creating shared value including profit creation and competitive advantage development by factoring the perspectives of different stakeholder groups into their strategies and decisions[65]. The latter boils down to the quote "*doing good while doing well*", which essentially implies that by putting sustainability and stakeholders' well-being at the core of their business strategies, companies can also benefit from by doing so in terms of economic profit, reputation and integrity[66].

Especially, in the aftermath of the COVID-19 pandemic, corporations have come across the hard truth about their current business models not being able to adequately respond thereto both in economic and social terms. Furthermore, the global nature of the crisis reminds them all not only the important role of business in achieving both a more sustainable world and an inclusive economy, but also the need for a corporate stewardship with respect to environmental issues[67]. As a result, they are now focusing more vigorously on their short- and long-term impact on stakeholders and society in general, while looking beyond their own financial returns on real value creation that encourage high-quality employment, thriving communities, and climate resilience and adaptation[68].

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[64] See '"Two Models of Corporate Social Responsibility" by David K. Millon' (n 32) 539.
[65] See 'How Does Stakeholder Capitalism Work?' (*alva*, 18 May 2021) <https://www.alva-group.com/blog/how-does-stakeholder-capitalism-work/> accessed 11 February 2022.
[66] See 'The Rise of Stakeholder Capitalism' (*JD Supra*) <https://www.jdsupra.com/legalnews/the-rise-of-stakeholder-capitalism-4692790/> accessed 13 February 2022; See also 'Stakeholder Capitalism: A Conversation with Vivian Hunt and Paul Polman | McKinsey' <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/stakeholder-capitalism-a-conversation-with-vivian-hunt-and-paul-polman> accessed 11 February 2022.
[67] See 'SDIS21: What Are the Challenges in Making Business More Sustainable?' (*World Economic Forum*) <https://www.weforum.org/agenda/2021/09/better-business-what-are-the-challenges-in-making-business-more-sustainable-esg-metrics-stakeholder-capitalism/> accessed 13 February 2022; See also Frederick Alexander and others, 'From Shareholder Primacy to Stakeholder Capitalism' 50, 6.
[68] See 'From Shareholder Primacy to Stakeholder Capitalism' 6 <https://pardot.bcorporation.net/l/39792/2020-09-24/9kx4pb> accessed 13 February 2022.

1.5 The Concept Of The Triple Bottom Line

1.5.1 A Link Between Sustainability And CSR

The Green Paper conceived of CSR as "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*"[69]. Also, as already mentioned above, Carroll view the CSR concept as integrating four distinct but not mutually exclusive groups of company's responsibilities: a. *Economic Responsibility*; b. *Legal Responsibility*; c. *Ethical Responsibility*; and *Philanthropic Responsibility*. Simply put, similar to every individual who lives under the social contract and is therefore obliged to comply with the law and give up some of their own rights that are in conflict with the public good, corporations are also bound to act responsibly and fulfil the terms of the social contract by assisting in eliminating social issues and solving environmental problems[70] .

The self-regulating business model of CSR has been primarily framed around the idea known as the Triple Bottom Line (usually abbreviated to TBL) concept that was first implicitly marked out in 1987 in Brundtland Commission but was essentially coined and named by John Elkington in 1994[71]. He first introduced that term in his article in the California Management Review on 'win–win–win' business strategies in 1994, followed up by his book published in 1997 under the title '*Cannibals with Forks*', where Elkington better developed the concept by drawing a parallel between a cannibal and a corporation who both devour their opponents and as the cannibal is being somewhat civilised by using a fork, so does a business by embracing and integrating sustainability in their business strategies[72].

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[69] See Archie B Carroll, 'A Three-Dimensional Conceptual Model of Corporate Performance' (1979) 4 Academy of Management Review 497, 500 <https://journals.aom.org/doi/abs/10.5465/amr.1979.4498296> accessed 14 February 2022; See also 'Corporate Social Responsibility: A Business Contribution to Sustainable Development.' 4 <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=LEGISSUM:n26034&from=EL> accessed 14 February 2022.

[70] See '(PDF) Triple Bottom Line: The Pillars of CSR' 97 <https://www.researchgate.net/publication/325599995_Triple_Bottom_Line_The_Pillars_of_CSR> accessed 14 February 2022; See also 'Corporate Social Responsibility and the Triple Bottom Line | Business Ethics' <https://philosophia.uncg.edu/phi361-matteson/module-3-social-responsibility-professionalism-and-loyalty/corporate-social-responsibility-and-the-triple-bottom-line/> accessed 14 February 2022.

[71] See Agnieszka Zak, 'Triple Bottom Line Concept in Theory and Practice' [2015] Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu 252; See also '(PDF) Triple Bottom Line: The Pillars of CSR' (n 70) 99.

[72] See John Elkington, 'Enter the Triple Bottom Line' 16, 2; See also Ronald Jeurissen, 'John Elkington, Cannibals With Forks: The Triple Bottom Line of 21st Century Business' (2000) 23 Journal of Business Ethics 229, 229 <https://doi.org/10.1023/A:1006129603978> accessed 14 February 2022.

Indeed, a company is moving toward building a sustainable future for themselves and the environment around them when they are focusing not only on the standard bottom line of the profit, or, the financial performance thereof, but also on the other two bottom lines people and the planet[73]. These three dimensions-aspects of the TBL concept, often referred to as the '3Ps' or '3BL' which stands for ***people, planet,*** and ***profits***, are interrelated and closely linked to each other, while they accurately reflect the main three features that a 'sustainable' corporation should be accountable for[74].

Following this idea, it is appropriate for a company to put equal weights on making profit and a positive impact on the planet as well as on society in order for it to achieve 'sustainable development' in the long run[75]. The latter indicates that the TBL theory does not value more a company's environmental or social contribution at the expense of its financial performance and therefore, it should not be considered as trade-offs between the three components-bottom lines; rather, it reiterates the view that an organization can definitively "*do well by doing good*" and yield financial benefits by embracing sustainable business practices and capitalizing on the growing consumer demand for sustainably sourced goods[76].

However, as stressed by Haleem et al., the environmental dimension of the TBL concept, that refers to the innovative steps a company takes in order to reduce its environmental footprint and introduce more sustainable methods of production, has been more widely addressed than the social aspect[77]. This is partly due to the fact that big corporations have been the biggest polluters on the planet and top contributors to greenhouse gas emissions,

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[73] See Jeurissen (n 72) 229; See also '25 Years Ago I Coined the Phrase "Triple Bottom Line." Here's Why It's Time to Rethink It.' (*Harvard Business Publishing*) <https://hbsp.harvard.edu/product/H04E7P-PDF-ENG> accessed 16 February 2022.

[74] See Qamar Farooq and others, 'Basics of Macro to Microlevel Corporate Social Responsibility and Advancement in Triple Bottom Line Theory' (2021) 28 Corporate Social Responsibility and Environmental Management 969, 970 <https://onlinelibrary.wiley.com/doi/abs/10.1002/csr.2069> accessed 14 February 2022; See also '(PDF) Triple Bottom Line: The Pillars of CSR' (n 83) 99; See also Jaroslav Belas and Katarina Zvarikova, 'Triple Bottom Line of the CSR Concept and Its Reporting' (2021) 129 SHS Web of Conferences 07001, 3 <https://www.shs-conferences.org/articles/shsconf/abs/2021/40/shsconf_glob2021_07001/shsconf_glob2021_07001.html> accessed 14 February 2022.

[75] See '(PDF) Triple Bottom Line: The Pillars of CSR' (n 70) 99; See also Belas and Zvarikova (n 74) 3.

[76] See 'The Triple Bottom Line: What It Is & Why It's Important' (*Business Insights - Blog*, 8 December 2020) <https://online.hbs.edu/blog/post/what-is-the-triple-bottom-line> accessed 9 January 2022.

[77] See Xin Pan, Paresha Sinha and Xuanjin Chen, 'Corporate Social Responsibility and Eco-Innovation: The Triple Bottom Line Perspective' (2021) 28 Corporate Social Responsibility and Environmental Management 214, 216 <https://onlinelibrary.wiley.com/doi/abs/10.1002/csr.2043> accessed 14 February 2022; See also Fazli Haleem, Sami Farooq and Harry Boer, 'The Impact of Country of Origin and Operation on Sustainability Practices and Performance' (2021) 304 Journal of Cleaner Production 127097, 304 <https://www.sciencedirect.com/science/article/pii/S0959652621013160> accessed 16 February 2022.

which has been a key driver of climate change[78]. Indeed, being among the main causes for environment's damage through irresponsible use of natural resources and generation of polluting by-products means that those corporations focus now more on what they can do to limit the detrimental impact they have on the environment by raising the consciousness of the various stakeholders and invest on core changes that reduce their carbon footprint[79].

[78] See 'The Triple Bottom Line: What It Is & Why It's Important' (n 76); See also '(PDF) Triple Bottom Line: The Pillars of CSR' (n 70) 104.
[79] See '(PDF) Triple Bottom Line: The Pillars of CSR' (n 70) 104; See also 'The Triple Bottom Line: What It Is & Why It's Important' (n 76).

CHAPTER 2: QUESTIONING THE EFFECTIVENESS OF CSR

2.1 CSR: A Voluntary Initiative Or A Legal Mandate?

The term "CSR" refers to the practice of business to *take responsibility* for their impact on both the environment and social welfare and it generally applies to those actions that go beyond what may be mandated by law[80]. As mentioned above, CSR has been traditionally considered as a self-regulatory/voluntary system, a type of 'soft law' that delineates the organizational activities a company should take on in order to positively contribute to local and global sustainability efforts. Indeed, most CSR definitions favour a voluntary approach towards CSR, such as the definition proposed by the ICC, which reads as follows: "*the voluntary commitment by business to manage its activities in a responsible way*"[81]. Along the same lines, in 2001 the EU Commission has emphasized the voluntary basis of CSR by defining it as "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*"[82].

Against this background, the question whether CSR should be legislated and become binding for companies to adopt CSR strategies or should remain a corporate strategy for voluntary use has been a topic of heated debate for many years now. Indeed, in the light of the view that the voluntary approach is not enough and that companies do not sufficiently contribute to protecting the interests of their stakeholders, the world sees a rise of explicit CSR legislation that makes CSR reporting mandatory and requires certain companies to disclose exhaustive and accurate information about their social and environmental performance along with the establishment robust sanctions in case of non-compliance[83].

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[80] See Dave Ms. Amee Ishwarbhai, 'Voluntary vs. Mandatory CSR' 204 <https://www.academia.edu/33737297/Voluntary_vs_Mandatory_CSR> accessed 17 February 2022; See Mohammad Alwasmi and Ahmad Alderbas, 'Should Corporate Social Responsibility Around The World Be Mandatory or Voluntary?' (2021) 27 Comparative Law Review 169, 170 <https://apcz.umk.pl/CLR/article/view/31695> accessed 17 February 2022.

[81] See Gerd Winter, *Multilevel Governance of Global Environmental Change: Perspectives from Science, Sociology and the Law* (Cambridge University Press 2006) 182.

[82] See 'EUR-Lex - 52006DC0136 - EN' <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52006DC0136:EN:HTML> accessed 17 February 2022.

[83] See Ramon Mullerat, *International Corporate Social Responsibility: The Role of Corporations in the Economic Order of the 21st Century* (Kluwer Law International BV 2010) 370; See also Alejandra Adriana Montiel Justo and Montiel Justo, *Should CSR Be Mandatory, Voluntary or Both?* (2019) 10; See also 'Mandatory Corporate Social Responsibility Legislation around the World: Emergent Varieties and National Experiences' (*Oxford Law Faculty*, 18 November 2020) <https://www.law.ox.ac.uk/business-law-blog/blog/2020/11/mandatory-corporate-social-responsibility-legislation-around-world> accessed 17 February 2022.

As far as the environment is concerned, Mullerat argued with respect to the voluntary nature of CSR that "*the reduction of CO_2 emissions will never be implemented voluntarily, but will only happen if it becomes a legal mandate for companies to do so*"[84]. In a similar vein, the voluntary CSR approach has been widely criticized for being ineffective in sanctioning damaging practices and for facilitating the diffusion of greenwashing due to the lack of transparency and credibility of CSR reports[85]. For example, the Rana Plaza factory collapse in 2013 in Bangladesh, where almost 1,134 garment workers were killed, revealed both the inability of the fashion industry to provide a secure working environment for their employees and the failure of the voluntary approach to compel corporations to engage in CSR practices and make periodical reports on that[86]. This is mostly due to the lack of a binding legal framework and enforceability of minimum CSR standards, which results in corporate managers being given too much flexibility and leeway in putting CSR practices in place[87].

Also, considering that most corporations are still prioritising profit and shareholder value maximization, the voluntary and market-driven approach to CSR seems to fall short of its goal of making businesses understand "*they shall not pursue their immediate profit objectives at the expense of the longer-term interests of the community*"[88]. Indeed, according to the proponents of a mandatory CSR legal framework, under a non-binding CSR framework many companies engage in such activities only for PR purposes and in order to enhance their brand and corporate image without having any real intention of working for the society and environment themselves[89].

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84 See Mullerat (n 83) 452.

85 See Montiel Justo and Justo (n 83) 8; See also Lucia Gatti, Peter Seele and Lars Rademacher, 'Grey Zone in – Greenwash out. A Review of Greenwashing Research and Implications for the Voluntary-Mandatory Transition of CSR' (2019) 4 International Journal of Corporate Social Responsibility 6, 1 <https://doi.org/10.1186/s40991-019-0044-9> accessed 17 February 2022.

86 See Montiel Justo and Justo (n 83) 8; See also Condé Nast, '8 Years After the Rana Plaza Disaster, We Still Aren't Doing Enough to Protect Garment Workers' (*Vogue*, 19 April 2021) <https://www.vogue.com/article/garment-worker-rights-protection-eight-years-after-rana-plaza> accessed 18 February 2022.

87 See Alwasmi and Alderbas (n 80) 170; See also Montiel Justo and Justo (n 83) 8.

88 See Adrian Cadbury, 'Corporate Social Responsibility', *Corporate Governance and Chairmanship A Personal View* (Oxford University Press 2002) 161 <https://oxford.universitypressscholarship.com/10.1093/acprof:oso/9780199252008.001.0001/acprof-9780199252008-chapter-10> accessed 21 February 2022.

89 See Seb Murray, 'Why Giving Back Is the Best Way Forward for Businesses' *The Guardian* (2 February 2018) <https://www.theguardian.com/careers/2018/feb/02/why-giving-back-is-the-best-way-forward-for-businesses> accessed 21 February 2022; See also Sirgapoor Sahil Reddy, 'Comparing the CSR Regulations in India and the UK' (*Legal Maxim*, 20 August 2020) <https://www.legalmaxim.in/comparing-the-csr-regulations-in-india-and-the-uk/> accessed 21 February 2022.

However, without doubt, the flexibility afforded to corporate managers in determining themselves the appropriate percentage of their profits to be spent for CSR related purposes is what often makes the voluntary approach stand out[90]. The Confederation of British Industry (CBI) also pointed out that legally binding regulatory CSR policies will deprive businesses from "*defining CSR as per their own activities and core competencies*"[91]. They essentially imply that a mandatory legal framework might well impose a heavy financial burden on businesses, especially in small and mid-size enterprises, as the demand for hiring more employees with expertise in CSR will inevitably pump up the cost of implementing CSR policy[92]. By the same token, de Colle et al. stressed that corporations run the risk of losing sight of the significance of the standardized measures and concentrating only on "ticking the box" requirements for a certain metrics due to mandatory reporting rules[93].

However, the movement for mandatory reporting has proliferated in recent years. The main argument behind that is that regulating CSR might be necessary in order to make sure that businesses do not overlook their responsibilities to society. Thus, a legal obligation that forces them to no longer operate with the exclusive goal of making profits at the expense of the environment seems to be a necessity. Some studies have also concluded that the quality of CSR reports under a mandatory CSR regulation tend to be higher than that of reports issued voluntarily[94]. The latter indicates that the adoption of CSR reporting regulation may be beneficial in terms of reporting quality. For example, Hamed et al. examined whether the Strategic Report and Directors' Report Regulations 2013, that introduced some amendments to the Companies Act 2006 and mandated firms to report their CSR activities and their impact on society and the environment, brought about significant changes in the quality of CSR reporting in the high-profile market of the UK[95]. More specifically, they concluded that the introduction of new mandatory

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[90] See Montiel Justo and Justo (n 83) 7; See also Alwasmi and Alderbas (n 80) 170, 179.
[91] See 'Legislation and Regulations Relevant to CSR' <https://www.alchemyassistant.com/topics/iLd3HjQDVDMwjZT3.html> accessed 21 February 2022.
[92] See Alwasmi and Alderbas (n 80) 188–189.
[93] See Simone de Colle, Adrian Henriques and Saras Sarasvathy, 'The Paradox of Corporate Social Responsibility Standards' (2014) 125 Journal of Business Ethics 177, 185 <https://doi.org/10.1007/s10551-013-1912-y> accessed 22 February 2022.
[94] See Annkatrin Mies and Peter Neergaard, 'Quality of CSR Reporting: Mandatory or Voluntary Reporting?' in David Crowther and Shahla Seifi (eds), *Governance and Sustainability*, vol 15 (Emerald Publishing Limited 2020) 206 <https://doi.org/10.1108/S2043-052320200000015012> accessed 21 February 2022.
[95] See Ruba Subhi Hamed and others, 'The Impact of Introducing New Regulations on the Quality of CSR Reporting: Evidence from the UK' (2022) 46 Journal of International Accounting, Auditing and Taxation 100444, 2 <https://www.sciencedirect.com/science/article/pii/S1061951821000690> accessed 17 February 2022.

disclosure/reporting requirements resulted in UK listed companies demonstrating a higher quality in CSR reports while they also observed significant changes in firms' behaviour that had a positive impact on both the environment and society[96]. However, as the authors pointed out, the positive correlation between the mandatory reporting requirements and the CSR reports' quality is contingent on a range of factors, such as the quality of firms' corporate governance characteristics, a company's size and age or national culture, which essentially implies that someone cannot draw a reliable conclusion on whether the mandatory CSR approach is eventually superior to the voluntary one or not[97].

2.2 The Switch Towards ESG

Arguably, Corporate Social Responsibility has been a hot topic in corporate world over the past few years and has been utilized as an enhancer of brand reputation and increased company revenue[98]. Consumers are becoming more conscious of the effects that business has on the globe, much alone the environment, as a result of the recent development of easy access to a steady stream of information[99].

In this context, CSR practices seem not to be enough as most companies continue to mainly accommodate the interests of shareholders, albeit to a lesser extent. It is often argued that that the self-regulated, voluntary and informal CSR reporting approach cannot capture and evaluate an organisation's commitment to positive impact[100]. This is particularly so due to CSR's subjectivity and its non-quantifiable approach when it comes to validating the outcomes of companies; CSR practices[101]. That is to say, the qualitative nature of CSR has fallen short of a lasting impact on business and the need to determine

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[96] See ibid 1, 16.
[97] See ibid 16; See also Mies and Neergaard (n 94) 227.
[98] See 'Taking CSR to the next Level with ESG' (*Goby*, 7 August 2021) <https://www.gobyinc.com/evolving-csr-with-esg/> accessed 4 May 2022.
[99] See Karina Zhao, 'Corporate Social Responsibility Reporting: The Case of the Fashion Industry' [2020] Honors Scholar Theses 20 <https://opencommons.uconn.edu/srhonors_theses/728>.
[100] See '3 Paradigm Shifts in Corporate Sustainability to New Era of ESG' (*World Economic Forum*) <https://www.weforum.org/agenda/2021/09/3-paradigm-shifts-in-corporate-sustainability-to-esg/> accessed 4 May 2022; See also 'At the Turning Point of Stakeholder Capitalism, Hub - THE BUSINESS TIMES' <https://www.businesstimes.com.sg/hub/whos-who-in-private-banking-2022/at-the-turning-point-of-stakeholder-capitalism> accessed 4 May 2022; See also Lucian A Bebchuk and Roberto Tallarita, 'The Illusory Promise of Stakeholder Governance' (Social Science Research Network 2020) SSRN Scholarly Paper 3544978 5 <https://papers.ssrn.com/abstract=3544978> accessed 4 May 2022.
[101] See 'Two Sides of the Same Coin: Why Companies Need CSR and ESG' (6 October 2021) <https://www.americanvetsgroup.com/two-side-of-the-same-coin-why-companies-need-csr-and-esg> accessed 4 May 2022; See also '3 Paradigm Shifts in Corporate Sustainability to New Era of ESG' (n 100).

whether a company is actually sustainable in practice[102]. Judy Oh maintains that the most significant shortcoming of CSR programs is that they are not integrated into the heart of an organization's business in order to provide substantial, systemic, and long-term value[103].

So, here comes the questions: Is CSR still applicable? Should companies still continue to set up CSR programs at their organizations? Certainly. However, CSR practices prove to be inadequate on their own. In this context, ESG, which stands for environmental (E), social (S) and governance (G), brings its quantifiable metrics to the table in order to assess company's efforts and real progress towards society, environment and the progress within the company itself. In other words, by using clear-cut assessments ESG is able to gauge a company's performance with regard to their social, philanthropic and internal governance practices and measure its accountability, while it requires that its criteria be integrated into their core operations and business strategy[104].

2.2.1 CSR & ESG: What's The Difference?

At first glance the notions of Corporate Social Responsibility (CSR) and Environmental Social Governance (ESG) seems to converge or even be synonymous. Indeed, both "require" the adoption of policies and practices by organizations that are intended to have a positive impact on the world around. However, they have distinct purposes and qualities.

Merely adhering to environmental rules, volunteering, and making donations is no longer sufficient[105]. This is the reason why businesses have already started migrating from the voluntary CSR to ESG practices using quantifiable criteria to show that they prioritize responsible business activities[106]. As a result, although CSR has been a buzzword when it comes to sustainable business initiatives over the last few decades, it is now rapidly

[102] See 'The Evolution of ESG from CSR' (*Lexology*, 25 March 2021) <https://www.lexology.com/library/detail.aspx?g=80bbe258-a1df-4d4c-88f0-6b7a2d2cbd6a> accessed 9 January 2022.
[103] See '3 Paradigm Shifts in Corporate Sustainability to New Era of ESG' (n 100).
[104] See 'Two Sides of the Same Coin: Why Companies Need CSR and ESG' (n 101); See also '3 Paradigm Shifts in Corporate Sustainability to New Era of ESG' (n 100); See also 'At the Turning Point of Stakeholder Capitalism, Hub - THE BUSINESS TIMES' (n 100); See also 'The Difference Between Sustainability and Corporate Social Responsibility' (n 28).
[105] See 'Taking CSR to the next Level with ESG' (n 98).
[106] See ibid.

being superseded by a strong need for firms to report on Environmental, Social, and Governance issues (ESG)[107].

Their main difference lies in the fact that although CSR is a form of self-regulation which ensures that a company is committed to bring about a positive impact on both the environment and the public sphere, however it is not backed by quantifiable data that confirm their findings. On the other hand, ESG can assess and quantify a company's impact on its employees, customers, the environment, and the community, providing this way some comparable data for investors and customers to easily analyse a company's charitable, social, and internal governance policies, when making investment decisions[108]. Therefore, it may be argued that these two concepts are not mutually exclusive, but two sides of the same coin.

Arguably, ESG implementation is a much more extensive and complicated process than CSR implementation, since it necessitates quantifiable goals, data collecting, and reporting[109]. The latter, though, can be translated into greater transparency as well as the inclusion of larger frameworks like as the Sustainable Development Goals (SDGs), which adds a new layer of significance[110]. Added to that, the purpose for seeking corporate sustainability differentiates ESG from CSR practices; that is, traditionally, the benefit of lowering corporate costs was used to persuade stakeholders to support CSR projects, while ESG is a strategic tool for generating new growth prospects and improving performance[111].

Neil Gaught also said that "*CSR sets the intention, while ESG ensures that these intentions are not only achieved but (that) they are measured*"[112]. Against this background, a study by Deloitte in March 2021 reveals that "*almost 1 in 3 consumers have stopped buying certain products or brands due to ethical or environmental concerns about them*"[113]. The

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[107] See 'The Evolution of ESG from CSR' (n 102).
[108] See '3 Paradigm Shifts in Corporate Sustainability to New Era of ESG' (n 100); See also 'The Evolution of ESG from CSR' (n 102).
[109] See 'ESG vs. CSR: Key Distinctions & What Businesses Need to Know' (*United States*) <https://us.anteagroup.com/news-events/blog/esg-csr-definitions-differences-sustainability> accessed 4 May 2022.
[110] See '3 Paradigm Shifts in Corporate Sustainability to New Era of ESG' (n 100).
[111] See ibid.
[112] See Neil Gaught, 'Understanding the Difference between #CSR and #ESG Is Imperative to Businesses' Sustainability Efforts. @NeilGaught Explains, "CSR Sets the Intention, ESG Ensures That These Intentions Are Not Only Achieved but (That) They Are Measured." #Sustainability Https://T.Co/W8rLswuGZ5' <https://twitter.com/mugenkioku/status/1414651046845091850> accessed 6 June 2022.
[113] See 'Sustainability & Consumer Behaviour 2021' (*Deloitte United Kingdom*) <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/sustainable-consumer.html> accessed 7 June 2022.

latter essentially implies that companies need not only to speak out and take a pledge on environmental and social issues, but also to be open and honest, and present facts and accomplishments when trying to meet their consumers' expectations. Consumers are now more aware of companies' real impact on the environment and more wary of their green and environmental claims. Indeed, a PwC's 2021 survey on ESG revealed that consumers and workers alike are more inclined to purchase from or work for firms that share their beliefs across the many areas of ESG and that COVID-19 substantially changed consumers preferences and expanded the number of conscious consumers ready to pay more for greener and healthier goods and businesses[114].

Now that more and more companies are falling into the trap of green-washing along with the fact that an organization's success is no longer assessed just by its annual turnover, but also by the contribution that it is able to provide to the community, ESG might prove to be a rather useful tool through tracking and evaluating the legitimacy of companies' actions. Indeed, CSR and ESG are linked but not synonymous. For example, if a company wants to establish CSR and ESG practices, CSR will be implemented by expressing internally and through press releases that the firm is dedicated to being more ecological and ethical, while ESG expands on that basis by setting quantifiable targets such as increasing recycled materials by 30% in 4 years and planting 500.000 trees in 7 years.

In general, ESG implementation is a much more extensive process than CSR implementation. It must be noted though that although CSR cannot offer quantifiable metrics, it complements ESG in the sense that it serves as a starting point for the next step to follow, that of a data-driven and measurable change[115], that is; CSR can be leveraged as the groundwork for companies to build on their ESG strategies that produce quantifiable data[116].

2.2.2 ESG: Is It The New Future Of Investing?

In the light of the ever-growing demand for transparency by consumers coupled with the fact that consumer behaviour is shifting towards sustainable alternatives, ESG provides those tools needed, so that consumers can evaluate whether a company is adhering to the

[114] See PricewaterhouseCoopers, '2021 Consumer Intelligence Series Survey on ESG' (*PwC*) <https://www.pwc.com/us/en/services/consulting/library/consumer-intelligence-series/consumer-and-employee-esg-expectations.html> accessed 7 June 2022.
[115] See 'What's the Difference between CSR and ESG?' (*alva*, 27 October 2020) <https://www.alva-group.com/blog/whats-the-difference-between-csr-and-esg/> accessed 5 May 2022.
[116] See 'Two Sides of the Same Coin: Why Companies Need CSR and ESG' (n 101).

CSR goals they set and evaluate its overall social and environmental performance based on quantifiable and comparable data and be sure that they are not just blowing smoke[117].

Consumers aside, ESG issues are also important to investors looking for green/eco investment opportunities, in other words, long-term investment strategies that generate positive impact on both society and environment as well as financial gains[118]. ESG investing is not limited to environmentally and socially responsible business practices; if anything, it attempts to classify businesses based on specific desirable characteristics, such as treatment of employees, health and safety record, diversity of boards, and community engagement[119].

Sustainable funds and ESG index funds in particular seem to bring a broader benefit to investors by providing more downside risk protection in their portfolio during stock market declines compared to traditional non-ESG funds[120]. Indeed, according to Morningstar data, ESG funds outperformed comparable traditional funds, proved more resilient and yielded higher returns during the first quarter of 2020 under the unstable stock market conditions due to the spread of COVID-19 pandemic[121]. The latter clearly indicates that ESG starts gaining ground and that ESG issues are now critical for risk and compliance managers. Potential future investors can now assess not only a company's financial health, but also how it treats the society, how it affects the environment, and how all of these factors collectively contribute to the overall performance of the target company[122]. Therefore, companies that want to be taken seriously are embracing a more impactful ESG approach, especially when there is also the risk of losing investors due to a lack of ESG knowledge[123].

Especially, in the aftermath of the COVID-19 pandemic, businesses have been "forced" even more to comply with ESG standards as governments across the globe are taking on green recovery initiatives. Also, according to the OECD Green Recovery Database "*Since*

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[117] See 'ESG vs. CSR: Key Distinctions & What Businesses Need to Know' (n 109).
[118] See 'Top Green Investing Opportunities' (*Investopedia*) <https://www.investopedia.com/articles/stocks/07/green-industries.asp> accessed 5 May 2022; See also 'What Is Sustainable Investing?' (*NerdWallet*) <https://www.nerdwallet.com/article/investing/sustainable-investing> accessed 5 May 2022.
[119] See 'The Difference between Sustainability and ESG Policies' (*alva*, 13 July 2021) <https://www.alva-group.com/blog/sustainability-and-esg-policies-difference/> accessed 4 May 2022.
[120] See 'What Is Sustainable Investing?' (n 213) *(It should be also mentioned that the term 'ESG Funds' refers to those funds considering environmental, social and governance factors)*.
[121] See 'Sustainable Funds Weather Downturns Better Than Peers | Morningstar' <https://www.morningstar.com/articles/988114/sustainable-funds-weather-downturns-better-than-peers> accessed 5 May 2022.
[122] See 'Taking CSR to the next Level with ESG' (n 98); See also 'The Evolution of ESG from CSR' (n 102).
[123] See 'The Evolution of ESG from CSR' (n 102).

the start of the pandemic, the budget allocated to environmentally positive measures increased from USD 677 billion to USD 1.090 billion compared to that of the previous OECD Green Recovery Database update in September 2021"[124]. The latter clearly indicates that the trend of ESG issues is becoming more and more critical to investing and will continue to do so in the following years.

This is more than apparent in the efforts of the UK to become the first major economy to align their financial system with their world leading net-zero commitment. The Green Finance Strategy document, published in 2019, set out a wide range of policy commitments that would help UK's transition to a sustainable economy, among which was making G20's Financial Stability Board's Task Force on Climate-Related Financial Disclosures' recommendations mandatory across the economy[125]. However, greening finance requires a major change in investment toward sustainable projects and the UK has been successfully undergoing that change, as the market for investments in ESG has developed substantially since 2019[126]. In 2020, in particular, Covid-19 created forward momentum for responsible and sustainable investment, since "*almost half (49%) of the £9.4 trillion in assets were integrating ESG in their investment processes in 2020, up from the 37% reported in last year's report*"[127]. The updated Green Finance Strategy in 2022, will set out more details with regard to existing disclosure requirements including on reporting environmental impact and will assess whether UK financial system is shifting towards a carbon-free world and its overall environmental goals[128]. This goal identifies with that of stakeholder capitalism, which, according to Larry Fink, "*is all about delivering durable, long-term returns for shareholders and asking businesses to be transparent around their planning for a net zero world and demonstrate how they're going to deliver on their responsibility to shareholders, including through sound environmental, social, and governance practices and policies*"[129].

[124] See 'Focus on Green Recovery' (*OECD*, 22 December 2020) <https://www.oecd.org/coronavirus/en/themes/green-recovery> accessed 5 May 2022.
[125] See 'Greening Finance: A Roadmap to Sustainable Investing' (*GOV.UK*) 3 <https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing> accessed 5 May 2022.
[126] See ibid 6 *(According to the Investment Association finds that 49% of the £9.4 trillion in UK assets were integrating ESG in their investment processes in 2020, up from 37% in 2019)*.
[127] See 'Investment Management Survey' (*The Investment Association*) 23 <https://www.theia.org/industry-policy/research/investment-management-survey> accessed 5 May 2022; See also 'Greening Finance: A Roadmap to Sustainable Investing' (n 222) 6.
[128] See 'Greening Finance: A Roadmap to Sustainable Investing' (n 125) 7–8.
[129] See 'Larry Fink's Annual 2022 Letter to CEOs' (*BlackRock*) <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter> accessed 6 May 2022.

At the other end of the spectrum, Bebchuk and Tallarita have stated that the stakeholder capitalism influenced statement on the purpose of a corporation by the Business Roundtable did nothing to toss out the old standard of corporate behaviour[130]; if anything, these two authors observed that the Business Roundtable statement should be viewed as a public relations manoeuvre rather than a genuine restatement of corporate mission[131].

Indeed, the fast and massive market adoption of ESG-focused strategies across the investing sector has produced an unusual quandary. ESG supporters find themselves in the unfortunate position of defending their promise, while even the basic concept of ESG is still under flux in the aftermath of massive market adoption[132]. Standards differ in technique and goal, data is unreliable, and numerous evaluations provide contradicting results. In this regard, an analytical report of ESG and climate-themed equity funds by InfluenceMap, a London-based non-profit, questions the consistency, quality, and authenticity of available products in this category by pointing out that "*More over half of the funds assessed did not meet the Paris Agreement's targets, since approximately 55 % of funds advertised as low-carbon, fossil-fuel-free, or green energy overstated their environmental promises, while more than 70 percent of funds targeting ESG goals fell far short of their commitments*"[133]. More specifically, their findings demonstrate a lack of consistency and, in many cases, insufficient transparency in many ESG and climate-themed funds' adherence to global climate objectives. The reason behind concerns among regulators and investors about greenwashing and transparency lies on the fact that "*some organizations have merely rebranded older funds as green in name only to capitalize on the ESG boom and grasp a portion of the cash pouring into sustainable investments*" as Wall Street Journal reports[134].

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[130] See Twitter and others, 'Column: Last Year CEOs Pledged to Serve Stakeholders, Not Shareholders. You Were Right Not to Buy It' (*Los Angeles Times*, 19 August 2020) <https://www.latimes.com/business/story/2020-08-19/big-business-shareholder-value-scam> accessed 5 May 2022.

[131] See Lucian Bebchuk and Roberto Tallarita, 'The Perils and Questionable Promise of ESG-Based Compensation' (*The Harvard Law School Forum on Corporate Governance*, 9 March 2022) <https://corpgov.law.harvard.edu/2022/03/09/the-perils-and-questionable-promise-of-esg-based-compensation/> accessed 5 May 2022; See also Twitter and others (n 130).

[132] See 'ESG Is Huge and Terribly Flawed. Now What? | Greenbiz' <https://www.climateandcapitalmedia.com/esg-is-huge-and-terribly-flawed-now-what/> accessed 6 May 2022.

[133] See InfluenceMap, 'Climate Funds: Are They Paris Aligned?' <//influencemap.org/report/Climate-Funds-Are-They-Paris-Aligned-3eb83347267949847084306dae01c7b0> accessed 7 June 2022.

[134] See Shane Shifflett, 'WSJ News Exclusive | Funds Go Green, but Sometimes in Name Only' *Wall Street Journal* (9 September 2021) <https://www.wsj.com/articles/funds-go-green-but-sometimes-in-name-only-11631179801> accessed 7 June 2022.

In response to that problem, European Commission's action plan on Sustainable Finance, the Sustainable Finance Disclosure Regulation (SFDR), went into force on March 10, 2021, and it essentially strives to improve financial sector behaviour by preventing greenwashing and supporting ethical and sustainable investing[135]. A closer look at EC's SFDR makes it clear that the latter attempted for the first time to establish standardized norms for market players in terms of disclosure of sustainability-related information for financial products; that is, financial advisors and owners will be required to inform investors about ESG risks in their fund portfolios under the European Union's regulatory environment, while it also requires investment managers to disclose ESG data in order to combat greenwashing, in other words when a company "*appears to give a misleading image of their ecological impact or benefits*"[136]. In addition, over 1,300 of the top UK-registered firms and financial institutions will be required to publish climate-related financial details on an obligatory basis from April 6, 2022, in accordance with Task Force on Climate-Related Financial Disclosures (TCFD) guidelines[137].

Arguably, the rapid and significant increase in ESG and climate-related financial products on global markets seems quite dubious and cast some doubts on whether ESG practices are faithfully implementing the sustainability disclosure standards and guidelines. However, as in many other newly emerged concepts a series of factors can actually undermine their significant nature and the real benefits that come along with them. Since the ESG model is still at its earlier stages, the lack of well-educated or specialised professionals on that particular field is quite prevalent in business world nowadays. Although practitioners with expertise on ESG related issues are proliferating, however, this is particularly the case in larger corporations rather than in smaller companies. Indeed, the latter have difficulty in finding the resources required to both hire ESG experts and comply with ESG regulations and guidelines. Also, the fact that the ESG policy framework is much more stringent, a lot of companies, even the most ESG familiar, often

[135] See Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Text with EEA relevance) 2019 (OJ L).
[136] See 'Regulators Rein in the ESG Bandwagon | Greenbiz' <https://www.greenbiz.com/article/regulators-rein-esg-bandwagon> accessed 8 June 2022; See also Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Text with EEA relevance).
[137] See 'UK to Enshrine Mandatory Climate Disclosures for Largest Companies in Law' (*GOV.UK*) <https://www.gov.uk/government/news/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law> accessed 8 June 2022; See also 'Climate-Related Financial Disclosures for Companies and Limited Liability Partnerships (LLPs)' (*GOV.UK*) <https://www.gov.uk/government/publications/climate-related-financial-disclosures-for-companies-and-limited-liability-partnerships-llps> accessed 8 June 2022.

try to bend those rules and continue their greenwashing practices so that they can still be able to increase their profits. This is particularly true, since investing for environment and society does not always come with profitability; if anything, it can trigger the investment of large amounts of capital in establishing both a proactive and reactive environmental and social strategy. Nevertheless, bad ESG applications in business decision-making by no means nullify or negate its inherent benefits. Also, it should not be forgotten that businesses have not yet realized ESG framework's full potential which unfortunately remains quite underexploited. In order to realize the potential for ESG to promote beneficial social impacts while concurrently accomplishing economic and climate goals, we need to investigate an integrated framework for sustainable financing that incorporates ambitious yet doable ESG approaches. There is no disputing that the way ESG is utilized sometimes presents issues, however, it is imperative that we not leap to conclusions regarding the effectiveness and efficacy of the ESG concept.

CHAPTER 3: FASHION INDUSTRY AND SUSTAINABILITY

3.1 History Of The Fashion Industry

Fashion industry in the 21st century is typically synonymous with fast fashion, which according to Fletcher "*is shaped not by speed but by a set of business practices focused on achieving continual economic growth*"[138]. Fast fashion industry in particular is mainly characterized by standardized production for a mass market of quickly copied designs from high-end labels, low-cost materials and labor, short lead-times to effectively match supply with uncertain consumer demand, fast distribution, which all together result in smaller producers being kicked out of the market, given that they are not able to compete on price alone[139].

However, this streamlined system, which is essentially built on quick response and trendy/highly fashionable design techniques is rooted back to the introduction of the ready-made clothing during Britain's Industrial Revolution[140]. The emergence of the so called 'slop shops', the predecessor of today's thrift shops, had a huge impact on consumer preferences and established demand for pre-made clothing paving the way for a ready-made garment industry in Britain[141]. Mass production is not a new phenomenon; it first started at the time that sewing machine were invented by the mid-1800s[142]. The enclosure movement coupled with technological advancements enabled factories to produce garments at lower prices, which, in turn, led to the increase in demand of ready-made clothes bringing about a change in consumer choices.

After WWII, the rise of consumerism marked the beginning of a new era, where "*short-lived fads became the norm, clothes were disposed of long before they were worn out and a youthful image was suddenly desirable*" as Giertz-Mårtenson pointed out[143]. By the early 2000s, fast fashion has become a global trend and the prevailing method of thinking and doing fashion. Consumer culture that calls for cheaper and cheaper prices explains why most fast fashion apparel companies shift their production to developing countries;

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[138] See Kate Fletcher, 'Slow Fashion: An Invitation for Systems Change' (2010) 2 Fashion Practice: The Journal of Design, Creative Process & the Fashion 259, 260.
[139] See 'An Analysis of the Fast Fashion Industry' (*pdfcoffee.com*) 13 <https://pdfcoffee.com/an-analysis-of-the-fast-fashion-industry-pdf-free.html> accessed 23 February 2022; See also Fletcher (n 138) 260.
[140] See 'An Analysis of the Fast Fashion Industry' (n 139) 3.
[141] See ibid 5.
[142] See ibid.
[143] See Ingrid Giertz-Mårtenson, 'H&M -- Documenting the Story of One of the World's Largest Fashion Retailers' (2012) 54 Business History 108, 112 <https://econpapers.repec.org/article/tafbushst/v_3a54_3ay_3a2012_3ai_3a1_3ap_3a108-115.htm> accessed 23 February 2022.

low-cost labor, lenient laws and tax breaks in those countries can guarantee lower production costs and therefore, enable them to keep clothing prices down[144].

3.2 Fast Fashion: A Price Tag On The Environment

Arguably, fast fashion is a fast-response system that promotes disposability by providing of-the-moment style and the "*instant gratification of continually evolving temporary identities*"[145]. Therefore, it does not come as a surprise that fast fashion is also known as "McFashion", a term that is arguably spot-on, because it captures the main characteristics of this system, such as the speed with which gratification takes place, labor law violations and the unsafe working conditions and last but not least, the detriment caused to the environment by high production and waste[146]. The ever-increasing consumer spending and replacement rate coupled with the low-quality, non-biodegradable fabric used for making their clothes lie behind the criticism that today's fashion industry, fast fashion in particular, is the epitome of unsustainability through its unethical and environmentally damaging practices[147].

In a similar vein, according to the Report of the UK Parliament's Environmental Audit Committee fast fashion is described as "*a term used to reflect a new accelerated fashion business model that has evolved since the 1980s, that involves increased numbers of new fashion collections every year, quick turnarounds and often lower prices, while reacting rapidly to offer new products to meet consumer demand is crucial to this business model*".

Clothing fast fashion brands primarily use cheap synthetic fabric so that costs are kept low and the low prices, in turn, have resulted in the paradox that guaranteeing ethical production and good fabric quality became unsustainable[148]. Indeed, the production of synthetic micro-fibres like polyester, a non-biodegradable resource, and natural fibres such as cotton or wool, makes the largest contribution to the carbon footprint of clothing, because it requires a huge energy consumption in the production process[149]. Considering

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[144] See Jenny Hall, 'Digital Kimono: Fast Fashion, Slow Fashion?' (2018) 22 Fashion Theory 283, 3 <https://doi.org/10.1080/1362704X.2017.1319175> accessed 23 February 2022.

[145] See Annamma Joy, 'Fast Fashion, Sustainability and the Ethical Appeal of Luxury Brands' 276.

[146] See Hall (n 144) 3–4.

[147] See Fletcher (n 138) 259.

[148] See Sandra Mjelde, 'Corporate Social Responsibility in The Fashion Industry: A Pathway or a Dead End?' 10.

[149] See 'Fixing Fashion: Clothing Consumption and Sustainability - Report Summary - Environmental Audit Committee' 30–31 <https://publications.parliament.uk/pa/cm201719/cmselect/cmenvaud/1952/report-summary.html> accessed 17 February 2022.

the significant amounts of textiles in use, the research carried out by the National Federation of Women's Institutes (NFWI) revealed that "*at least 9.4 trillion fibres could be released per week in the UK due to the 68 million loads of laundry per week in the country*"[150].

In addition, the post-purchase consumer behaviour encouraged by those companies boils down to the average item of clothing being worn just a handful of times before ending up in landfill[151]. Indeed, according to The Guardian "*One in three young women, the biggest segment of consumers, consider garments worn once or twice to be old*", which means that the amount of waste being dumped in landfills is getting bigger and bigger[152]. In the UK, new clothing consumption is estimated to be higher than in any other country in Europe, while UK fashion consumers cast away around a million tonnes of textiles per year[153].

In this context, United Nations Economic Commission for Europe raises a red flag about fashion industry's environmental impact; that is, fast fashion – the dominant player of fashion industry– accounts for 8% of global greenhouse gas emissions, while the textiles sector has been identified as the third large contributor to marine plastic pollution with negative health and environmental implications[154]. Arguably, incineration of unsold stock hugely contributes to climate change, as it produces CO_2 emissions and air pollutants that can result in adverse human health effects; that is; burnt clothes made out of synthetic fibers release plastic microfibers and more CO_2 into the atmosphere[155].

Indeed, fashion industry's ever-growing carbon footprint and contribution to climate change has become significantly clear, as McKinsey's research also reveals; that is, the fact that "*the fashion industry emits about the same quantity of GHGs per year as the*

[150] See ibid 34.
[151] See 'What Is Fast Fashion and Why Is It a Problem?' (*Ethical Consumer*, 5 September 2019) <https://www.ethicalconsumer.org/fashion-clothing/what-fast-fashion-why-it-problem> accessed 24 February 2022.
[152] See Lucy Siegle, 'Fast Fashion Is on the Rampage, with the UK at the Head of the Charge' *The Guardian* (21 June 2019) <https://www.theguardian.com/fashion/2019/jun/21/fast-fashion-is-on-the-rampage-with-uk-at-the-head-of-the-charge> accessed 24 February 2022.
[153] See 'Fixing Fashion: Clothing Consumption and Sustainability - Report Summary - Environmental Audit Committee' (n 149) 40.
[154] See 'ETC/WMGE Report 1/2021: Plastic in Textiles: Potentials for Circularity and Reduced Environmental and Climate Impacts' (*Eionet Portal*) 2 <https://www.eionet.europa.eu/etcs/etc-wmge/products/etc-wmge-reports/plastic-in-textiles-potentials-for-circularity-and-reduced-environmental-and-climate-impacts> accessed 24 February 2022; See also 'UN Alliance Aims to Put Fashion on Path to Sustainability | UNECE' <https://unece.org/forestry/press/un-alliance-aims-put-fashion-path-sustainability> accessed 24 February 2022.
[155] See 'Fixing Fashion: Clothing Consumption and Sustainability - Report Summary - Environmental Audit Committee' (n 149) 45.

entire economies of France, Germany, and the United Kingdom combined" and that "*a predicted increase in volumes could scale carbon emissions up to around 2.7 billion metric tons a year by 2030 if no abatement actions are taken*" draw attention to the gravity of the problem[156].

3.3 Fashion Industry In The UK

According to McKinsey, from 2003 through 2013, the global apparel, fashion, and luxury sector led the market in performance, outperforming high-growth sectors like telecommunications and technology by five to eight percentage points annually[157].
However, although the fast fashion industry has experienced a steep, massive growth in the last decade, fast fashion was initially developed in the UK, a pioneer in fast fashion, thanks to the industrialization and the technological manufacturing innovations seen back in the 1800s[158]. Indeed, fashion is still a big business in the UK, as Carolyn Mair has stressed that "*shopping is one of the most popular leisure pursuits in the UK, while the demand for both fast fashion and luxury brands is increasing despite the volatile economic climate*"[159]. The above statement is confirmed by the British Fashion Council revelation that the country's fashion industry contribution to UK GDP amounted to £32 billion in 2017, a 5.4 per cent increase on 2016; that is, a growth rate 1.6% higher than the rest of the UK economy as a whole[160]. Also, according to the WRAP report 'Valuing Our Clothes: the cost of UK fashion' there was an increase of 200,000 tons of clothing purchased in the UK in 2016 since 2012, which indicates the ever-increasing quantity of clothing being purchased in the UK and consequently, the higher environmental impact from its production[161].

[156] See 'How the Fashion Industry Can Reduce Its Carbon Footprint | McKinsey' <https://www.mckinsey.com/industries/retail/our-insights/fashion-on-climate> accessed 24 February 2022.
[157] See 'Creating Value in Fashion: How to Make the Dream Come True | McKinsey' <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/creating-value-in-fashion-how-to-make-the-dream-come-true> accessed 2 March 2022.
[158] See CLOTHING MANUFACTURERS UK, 'A LITTLE HISTORY INTO FAST FASHION IN THE UK' (*CLOTHING MANUFACTURE*, 2 August 2020) <https://www.clothingmanufacturersuk.com/post/a-little-history-into-fast-fashion-in-the-uk> accessed 2 March 2022.
[159] See Carolyn Mair, 'Fashion Consumption', *The Psychology of Fashion* (Routledge 2018) 10.
[160] See 'Fixing Fashion: Clothing Consumption and Sustainability - Report Summary - Environmental Audit Committee' (n 149) 5.
[161] See 'Valuing Our Clothes: The Cost of UK Fashion | WRAP' 9 <https://wrap.org.uk/resources/report/valuing-our-clothes-cost-uk-fashion> accessed 2 March 2022 (The total footprint of clothing in use in the UK was 26.2 million tonnes CO2e in 2016, up from 24 million tonnes in 2012).

In addition, as reported by the British Registered Charity, Waste & Resources Action Programme (WRAP) "*the average UK household possesses around £4,000 worth of clothes, approximately 30% of clothing in wardrobes has not been used for at least a year, while an estimated £140 million worth of used clothing goes to landfill in the UK every year*"[162]. Indeed, UK's most fashion consumers consider clothes worn once or twice to be old, which means that they are among the most voracious and addictive to disposable clothes in the world[163]. Especially, during the Covid-19 lockdown, fast fashion brands' sales were up by 46.3% between March and June of 2020 according to Cheapest Countries Study conducted by Pink Casino, according to which "England accounted for the majority of the increase in 'cheap clothes' searches, while Wales and Scotland led the way for the rise of 'free shipping' queries. Meanwhile, London accounted for the majority of searches for 'free trial''"[164].

The above studies demonstrate that fast fashion and the mass production of clothing that are being sold in discounted prices is a prevalent practice across the UK, with its citizens found to be 98% more likely to search for 'cashback', 'buy now pay later' or 'student discount' than second hand clothing[165]. Besides, Britain's garment industry is mostly known for its sweatshops, the so-called 'dark factories' based in the garment manufacturing hub of Leicester and owned by the biggest UK-based fast fashion retailers such as Boohoo, River Island, Pretty Little Things and Missguided, where a complete absence of employment contracts, unsafe working practices, and wage exploitation coupled with excessive and underreported hours is the new normal[166]. Indeed, as stated in the Financial Times Report, both Missguided and Boohoo are known for sourcing half their clothes in the UK, and particularly in Leicester, Manchester and London, since reshoring their clothing production to small, old, in the verge of collapse garment factories within the country ensures that the latter can rapidly supply those fast fashion retailers[167].

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[162] See 'Textiles | WRAP' <https://wrap.org.uk/resources/guide/textiles> accessed 2 March 2022; See Hall (n 144) 3.
[163] See Siegle (n 152).
[164] See 'Fast Fashion Shopping Habits Jump by 46% during First UK Lockdown, Study Shows – Retail Times' <https://www.retailtimes.co.uk/fast-fashion-shopping-habits-jump-by-46-during-first-uk-lockdown-study-shows/?mc_cid=5ce9588dc2&mc_eid=fe16f83a44> accessed 2 March 2022.
[165] See ibid.
[166] See Dazed, 'Missguided Is Selling a £1 Bikini, Because Fuck the Planet!' (*Dazed*, 17 June 2019) <https://www.dazeddigital.com/fashion/article/44898/1/missguided-one-pound-bikini-cheap-fast-fashion-ethical-climate-emergency> accessed 2 March 2022; See also 'Working Conditions in the Leicester Garment Industry | Ethical Trading Initiative' <https://www.ethicaltrade.org/issues/company-purchasing-practices/working-conditions-leicester-garment-industry> accessed 2 March 2022.
[167] See 'Fixing Fashion: Clothing Consumption and Sustainability - Environmental Audit Committee' 15 <https://publications.parliament.uk/pa/cm201719/cmselect/cmenvaud/1952/full-report.html#heading-8>

However, in the light of climate change the environmental impact caused by the above-mentioned UK's fast fashion brands and their unethical and unsustainable practices of incinerating their unsold or unworn stock and throwing their cheaply made clothing away in landfills indicates that Britain's contribution to environmental degradation is tremendous and its consumers addiction to disposable clothes is putting pressure on planet earth[168]. In this context, the clothing charity TRAID advised that "*the UK's over-consumption of garments plays a significant role in deepening the main environmental challenges at national and global level*", while Environmental Audit Committee's (EAC) report argued that "*The fashion industry's current business model in the UK is unsustainable in view of over-consumption and climate change driving widespread environmental damage and thus, it must change in order to provide decent work, inspire creativity and contribute to the economic success of the UK*"[169].

3.4 Corporate Social Responsibility In Fashion Industry

3.4.1 The Fashion Paradox

Given the law seems to be ineffective in encouraging sustainability and enhancing ethical behavior in business, the importance of CSR in today's companies is undisputable, especially now that consumers are more aware of fast fashion's adverse impact on the planet and demand more transparency and ethical behavior in business[170].

From a societal perspective, Nike's sweatshops scandal back in the 90s with regard to company's inhumane production practices indicated that CSR is more than just another business strategy. More specifically, in 1991, the Institute of Technology and Dutch Institute for Social Studies published a report on Nike's shoe industry in Indonesia exposing the reality behind the façade of a socially responsible corporation; that is, below-minimum wages, child labor and unhealthy working conditions[171]. Ernst & Young also provided a deeper look into one of Nike's plants, where "*workers were daily exposed to*

accessed 2 March 2022; See also 'Dark Factories: Labour Exploitation in Britain's Garment Industry | Free to Read' *Financial Times* (17 May 2018) <https://www.ft.com/content/e427327e-5892-11e8-b8b2-d6ceb45fa9d0> accessed 2 March 2022.

[168] See 'The UK's Fast Fashion Habit Is Getting Worse – and It's Destroying the Planet' (*Greenpeace UK*, 23 November 2020) <https://www.greenpeace.org.uk/news/the-uks-fast-fashion-habit-is-getting-worse-and-its-destroying-the-planet/> accessed 24 February 2022; See also Dazed (n 166).

[169] See 'Fixing Fashion: Clothing Consumption and Sustainability - Environmental Audit Committee' (n 167) 11.

[170] See Zhao (n 99) 20.

[171] See 'Nike Chronology' <https://depts.washington.edu/ccce/polcommcampaigns/NikeChronology.htm> accessed 3 March 2022.

carcinogens that exceeded local legal standards by 177 times in parts of the plant and that 77 percent of the employees suffered from respiratory problems"[172]. Activist voices successfully managed to uncover and bring to light the unethical and unjust labor practices of Nike, putting more pressure on this American sportswear giant and forcing it to pledge to improve the working conditions for its overseas workers[173].

Wary enough after Nike's sweatshops scandal in the 90s, consumers do now expect that firms act as entities that take into account the interest of the general public and need to take care of the various stakeholders' welfare instead of solely focusing on profit[174]. In response to consumer expectations, many companies, Nike included, have incorporated CSR policies and showed commitment to improving their environmental and social impact[175]. Nevertheless, accidents like the Rana Plaza factory collapse in 2013 and the Tazreen Fashion garment factory fire in 2012 both taken place in Bangladesh prove that the progress made on CSR is nowhere near big enough, since low or non-existent workplace safety standards coupled with more garment factory accidents are still a reality in many countries[176]. This gives rise to the following question: Is the growing attention on transparency in supply chains and CSR practices even real?

For some academics, this question goes hand in hand with the so called '*fashion paradox*', which essentially touches upon the issue whether environmental or social awareness and fashion are two things that cannot be put next to each other. The environmental cost of the industry caused by its overall inherent nature and marketing strategies which promote the minimization of clothing life-cycle and cultivate a particular pattern of consumer purchasing behavior by encouraging consumers to devalue their clothing indicates that the sheer nature of the fashion industry makes it fundamentally adverse to

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[172] See Steven Greenhouse, 'Nike Shoe Plant in Vietnam Is Called Unsafe for Workers' *The New York Times* (8 November 1997) <https://www.nytimes.com/1997/11/08/business/nike-shoe-plant-in-vietnam-is-called-unsafe-for-workers.html> accessed 3 March 2022.

[173] See Josh Greenberg and Graham Knight, 'Framing Sweatshops: Nike, Global Production, and the American News Media' (2004) 1 Communication and Critical/Cultural Studies 151, 163 <https://doi.org/10.1080/1479142042000180926> accessed 3 March 2022.

[174] See A Ms. Vishnupriya and IJARIIE, 'RELEVANCE OF CORPORATE SOCIAL RESPONSIBILITY IN THE PRESENT SCENARIO', *IJARIIE* 93, 96 <http://ijariie.com/> accessed 2 March 2022.

[175] See Zhao (n 99) 20–22.

[176] See Elise Marita Faret Auke, 'Corporate Responsability in the Fast Fashion Industry: How Media Pressure Affected Corporate Disclosure after the Collapse of Rana Plaza' 2 <https://repositorio.iscte-iul.pt/handle/10071/14138> accessed 21 February 2022; See also 'Tazreen Fire: Fight for Compensation' (*Clean Clothes Campaign*) <https://cleanclothes.org/campaigns/past/tazreen> accessed 3 March 2022; See also Nast (n 86) Most recently, At least 20 people died, and 24 more were injured, in a fire at a clothing factory in Egypt.

sustainability[177]. Rønholt and Overgaard's research also indicates that "*it is the foundational structure of the fast business model, the speedy manufacturing and consumerism, their unsustainable values that cannot make the fast fashion companies' efforts sustainable, because if they truly want to change, they would have to change their entire values*"[178].

Furthermore, globally complex supply chain management in the textiles and apparel sector continues to pose a challenge to and calls into question the effectiveness of CSR, since lead time pressure, poor working conditions, child labour, human rights abuses and weak regulatory compliance are still encountered in developing countries[179]. Indeed, fast fashion retailer buying practices of placing orders as closer to the season as possible, unreasonable delivery schedules and demands, pressure for further garment cost reduction in an effort to minimise buying risk and reduce production cost result in employees not being paid overtime. For example, Sir Philp Green's Arcadia Group, the retail company, that owns Topshop, Miss Selfridge and Dorothy Perkins, imposed a 2% discount from suppliers, whom it would pay 2 % less on existing and future orders in order to recoup company's millions invested in technology, distribution and people[180].

3.4.2 CSR Effectiveness Against The Fashion Paradox

According to Perry and Wood, the unsustainable practices within the fashion industry indicate that "*reconciliation of CSR implementation and concern for ethical issues with the competitive challenges of the fashion sector*" is much needed in order to ensure supplier business sustainability[181].

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[177] See Thorey S Thorisdottir and Lara Johannsdottir, 'Sustainability within Fashion Business Models: A Systematic Literature Review' (2019) 11 Sustainability 2233, 2 <https://www.mdpi.com/2071-1050/11/8/2233> accessed 4 March 2022; See also Nikolas Rønholt and Malthe Overgaard, 'An Exploratory Study: The Fast Fashion Paradox' (2020) 3; See also Mark K Brewer, 'Slow Fashion in a Fast Fashion World: Promoting Sustainability and Responsibility' (2019) 8 Laws 24, 3 <https://www.mdpi.com/2075-471X/8/4/24> accessed 21 February 2022.

[178] See Rønholt and Overgaard (n 177) 32.

[179] See Patsy Perry and Steve Wood, 'Exploring the International Fashion Supply Chain and Corporate Social Responsibility: Cost, Responsiveness and Ethical Implications' (2019) 15.

[180] See Vivian Hendriksz, 'Arcadia Group Demands 2 Percent Discount from Suppliers to Remain "Competitive"' (*FashionUnited*, 18 January 2018) <https://fashionunited.uk/news/retail/arcadia-group-demands-2-percent-discount-from-suppliers-to-remain-competitive/2018011827746> accessed 8 March 2022.

[181] See Perry and Wood (n 179) 17–18.

But the question remains: Can the concept of CSR be effective in encouraging fast fashion and fashion companies in general to develop sustainable practices and prioritise the interests of a much broader range of stakeholders?

The answer to this question mostly has to do with the debate whether CSR should evolve from a purely corporate discretionary activity to a legally mandated obligation or not. But first, it is crucial to set out the main arguments against a mandatory CSR approach. Firstly, it can deprive companies of the competitive advantage they obtain through advertising their sustainable and socially and environmentally responsible practices. CSR is a competitive advantage and appealing to for businesses because it is optional. Secondly, another common justification for CSR is that since businesses are artificial members of society, they ought to support local wellbeing. This sounds good if CSR remains voluntary, but it loses its foundation when CSR becomes a mandated obligation[182]. Why should a firm be required to provide to society after paying taxes whereas other people in society are not compelled to give their hard-earned money after taxes to the wellbeing of society? The latter demonstrates that requiring CSR is unfair to businesses. Thirdly, the mandatory approach to CSR has been also accused for moving away from Carroll's perception of CSR. The fact that the foundation of CSR is made up of philanthropic and ethical duties indicates that the latter is a voluntary activity whereas mandatory CSR not only alters the purpose of CSR but also departs from businesses' inherent moral duty. When CSR is made required, it loses the special thrill and benefits that come from helping others[183].

Although these arguments do hold water to some extent, they do not take into account the current challenges that capitalism is facing; if anything, they stick to the old, traditional notion of CSR and end up being quite dogmatic. Arguably, Carroll's view has been one of fundamental theories of the CSR concept, however, it seems to be outdated to a certain degree. Also, the argument that companies (as legal persons) and natural persons should be treated alike cannot stand up against ongoing global challenges. Strictly legally speaking, the fact that the former are treated in law as if they were natural persons overlooks that companies have been the major contributors to climate change. Since they constitute the main drives of global economy, they are the only one that should be doing more for social and environmental welfare.

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[182] See Kenan Japhet, Vincent Tawiah and Muhaheranwa Benjamin, 'Debate on Mandatory Corporate Social Responsibility' [2015] SSRN Electronic Journal 6.
[183] See ibid 7.

Therefore, a mandatory approach to CSR seems to be able to strike a balance between companies' and society's welfare, environmental protection included. To elaborate, corporations often tend to publish information about a more racially diverse workforce or a smaller carbon impact if it is to the benefit of that company. Or they do often provide fairly generic sustainability content in their financial disclosures. Even if the reporting is correct, this limited approach does not foster stakeholder trust in the information. Furthermore, organizations cannot be held accountable if they withhold the relevant performance data from stakeholders. In addition, voluntary reporting results in a great deal of variance in reporting techniques, which makes it difficult for stakeholders to compare the performance of different organizations[184]. As a result, a legally mandated obligation to adopt CSR practices could efficiently create a level playing field for companies to compete on a fair basis by establishing guidelines that control what information is given to stakeholders, and thus, it could help allay worries about comparability and "greenwashing".

In response to that call, many European companies will have to adapt to stricter requirements for their sustainability reporting from the 2023 reporting period thanks to the proposal from the EU Commission for amendment of the CSR Directive[185]. However, the mandatory CSR is still not the rule worldwide. The majority of national legislations do not provide for companies to compulsorily incorporate CSR practices in their business strategies and report on them. At the same time, the voluntary approach to CSR along with the lack of universal regulations on CSR have resulted in those issues being managed at an individual organization level[186]. Also, the vagueness and broad nature of the CSR concept in conjunction with cultural differentiation has led to its being interpreted differently by different people with some focusing more on environmental issues while others on the social aspect thereof[187]. Therefore, it seems that a mandatory approach to CSR is a necessity nowadays.

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[184] See 'Mandatory Corporate Reporting on Sustainability: What Is the Likely Impact?' (*Economics Observatory*) <https://www.economicsobservatory.com/mandatory-corporate-reporting-on-sustainability-what-is-the-likely-impact> accessed 3 October 2022.
[185] See 'New Rules on Corporate Sustainability Reporting: Provisional Political Agreement between the Council and the European Parliament' <https://www.consilium.europa.eu/en/press/press-releases/2022/06/21/new-rules-on-sustainability-disclosure-provisional-agreement-between-council-and-european-parliament/> accessed 3 October 2022.
[186] See Nadeem Khan, Nada Kakabdse and Kulwinder Kaur, 'Fashionline: CSR Case of a UK Fashion Retailer' (2015) 13 Problems and Perspectives in Management 34, 35.
[187] See Michael Blowfield and George Frynas, 'Setting New Agendas: Critical Perspectives on Corporate Social Responsibility in the Developing World' (2005) 81 International Affairs 501–502.

CHAPTER 4: GREENWASHING IN THE FASHION INDUSTRY

4.1 The phenomenon of 'Greenwashing'

Back in the 90s, when Nike bragged about the working conditions at its factories across the globe, EY's report on labor and environmental conditions inside Nike's subcontractors' factories in Vietnam brought to the light "*continuing violations of local labor laws on maximum working hours, unprotected chemical exposures, poor treatment of staff and management control of the trade unions*"[188]. Also, in the environmental realm, Primark has been a member of the Sustainable Apparel Coalition and registered with the Greenpeace's Global Detox Campaign in 2014, pledging to phase out hazardous chemicals by 2020 from its products, however a report from 2017 reveals that the Irish fast fashion retailer did not set new target chemicals for eradication[189]. It is also noteworthy that Primark has chosen not to go organic, because organic farming is not as profitable as traditional agriculture[190]. At the same time, it purports to introduce more 'regenerative' farming practices by educating and training local farmers on new farming methods, however the pilot programme they developed to achieve the aforementioned goals "*will be the first-ever non-organic regenerative programme*"; that is, according to Robert Rodale organic farming is inherent in 'regenerative organic agriculture', the kind of farming that surpasses sustainable, meaning that Primark's farming practices cannot be regenerative if they' re not organic[191].

This practice is synonymous to the so called 'Greenwashing', also known as 'Green sheen', a term coined by the American environmentalist Jay Westerveld in 1986 in an effort to expose the empty and misleading green claims of a beach resort in Samoa[192]. 'Greenwashing' represents the "*marketing practice or corporate communication strategy*

[188] See 'Nike Sweatshops: The Truth About the Nike Factory Scandal' (*New Idea*) <https://www.newidea.com.au/nike-sweatshops-the-truth-about-the-nike-factory-scandal> accessed 3 March 2022; See also 'LABOUR-ENVIRONMENT: Shoe Plant Called Unsafe for Workers | Inter Press Service' <http://www.ipsnews.net/1997/11/labour-environment-shoe-plant-called-unsafe-for-workers/> accessed 8 March 2022.
[189] See 'How Ethical/Sustainable Is Primark? – ETHICAL UNICORN' <https://ethicalunicorn.com/2021/10/04/how-ethical-sustainable-is-primark/> accessed 7 March 2022.
[190] See ibid.
[191] See 'Regenerative Organic Agriculture' (*Rodale Institute*) <https://rodaleinstitute.org/why-organic/organic-basics/regenerative-organic-agriculture/> accessed 9 March 2022; See also 'From Sustainable to Regenerative | Primark Cares (UK)' <https://corporate.primark.com/en/planet/from-sustainable-to-regenerative> accessed 9 March 2022.
[192] See Karen Becker-Olsen and Sean Potucek, 'Greenwashing' in Samuel O Idowu and others (eds), *Encyclopedia of Corporate Social Responsibility* (Springer 2013) <https://doi.org/10.1007/978-3-642-28036-8_104> accessed 9 March 2022; See also 'Greenwashing' (*Investopedia*) <https://www.investopedia.com/terms/g/greenwashing.asp> accessed 8 March 2022.

of conveying a false impression or disseminating misleading information regarding the environmental practices of a company or the environmental benefits of their product or services so they appear more environmentally friendly or more ecological, when in reality their activities cause environmental damage"[193]. In similar vein, Siano et al. defined greenwashing "*as a gap between symbolic and substantive actions, with the latter being those initiatives that are in line with the sustainability approach*"[194]; In other words, the term 'greenwashing' perfectly captures the discrepancy between "talk" and "action", and this is the reason why it ended up being related to symbolic actions.

Arguably, there is an abundance of 'greenwashing' definitions and so, there is no a unique definition that is widely accepted as such[195]. Albeit different, each and every definition of greenwashing implicitly refers to two types of greenwashing behaviours on the part of companies: first, '***decoupling***' is the practice of organizations, when they pledge to set up sustainable projects without bringing about any actual changes in practice; and second, '***attention deflection***' that includes a wide range of communication practices, such as selective and inaccurate disclosure and symbolic actions, with the intention of deflecting stakeholders' attention, thus hiding the negative information regarding the company's environmental performance[196].

4.2 The Main Drivers Behind Greenwashing

Nowadays, due to the fact that pressure to become sustainable is getting more and more intense, some businesses have resorted to the use of promotional activities to claim compliance with sustainability criteria while they are not actively pursuing them. These tactics lead to consumer misinformation, market manipulation, and a harmful impact on customers' health[197]. Indeed, due to the pressure being put on companies to be more

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[193] See 'Greenwashing: Definition and Examples' (*Selectra*, 8 June 2021) <https://climate.selectra.com/en/environment/greenwashing> accessed 9 March 2022; See also 'Greenwashing' (n 192); See also Alfonso Siano and others, '"More than Words": Expanding the Taxonomy of Greenwashing after the Volkswagen Scandal' (2017) 71 Journal of Business Research 27, 27; See also Gül Kaner, 'Greenwashing: How Difficult It Is to Be Transparent to the Consumer—H&M Case Study' in Chipo Mukonza and others (eds), *Green Marketing in Emerging Markets: Strategic and Operational Perspectives* (Springer International Publishing 2021) 203 <https://doi.org/10.1007/978-3-030-74065-8_9> accessed 8 March 2022.
[194] See Siano and others (n 193) 27–28.
[195] See Lidia Alexa, Andreea Apetrei and Marius Pislaru, 'Fast Fashion – An Industry at the Intersection of Green Marketing with Greenwashing' (2022) 264.
[196] See Siano and others (n 193) 28–29 ; See also Alexa, Apetrei and Pislaru (n 195) 264.
[197] See 'The European Commission's Quest against "Greenwashing"' (*Obelis — Your Consultant on European Regulation*, 6 January 2022) <https://www.obelis.net/blog/the-european-commissions-quest-against-greenwashing/> accessed 8 June 2022.

socially responsible, it was not until recently that they realised that a more conscious approach towards sustainability is essential for better financial performance[198].

However, despite the fact that greenwashing has been traditionally considered to be 'only about talking' and not doing, Siano et al. argued that there is also a new type of greenwashing, which is about deliberately getting involved in substantive, irresponsible actions (and not only symbolic actions) in order to comply with false or inaccurate statements on sustainability[199]. Further, they highlighted that the current, conventional discussion on greenwashing should not only focus on the distinction between talk and action, but also on the fact that CSR communication may also trigger corporate irresponsibility rather than simply hiding it behind symbolic actions[200].

Indeed, CSR practices followed by companies are often communicated to both stakeholders and society with a view to enhancing and developing their corporate image and reputation and obtaining social legitimacy[201]. Therefore, it is evident that the two concepts of CSR and Greenwashing are inextricably linked to each other. This is particularly due to the fact that CSR communication has been accused of being just another marketing tool, or, a Public Relations tool that not only conceals a company's unsustainable activities, but also stimulates substantive, irresponsible actions on the part of companies, so that they can readily manipulate consumers and achieve profit maximisation[202].

4.3 Greenwashing In The Fashion Industry

When it comes to the fashion industry someone can easily tell that all that glitters is not gold. Nowadays, firm-level greenwashing is significant because of increasing stakeholder demand for high levels of accountability and transparency. The increased demand for sustainability in the corporate world in general is changing the way companies run their businesses. However, according to Rangan et al. "*there is rising pressure to present CSR*

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[198] See Alexa, Apetrei and Pislaru (n 195) 263; See also Siano and others (n 193) 28; See also Mjelde (n 148) 16.
[199] See Siano and others (n 193) 28–29 (The authors call the new type of greenwashing as 'deceptive manipulation').
[200] See ibid 33.
[201] See Lina M Gomez and Ricardo Chalmeta, 'The Importance of Corporate Social Responsibility Communication in the Age of Social Media' (Social Science Research Network 2013) SSRN Scholarly Paper ID 2290793 3 <https://papers.ssrn.com/abstract=2290793> accessed 10 March 2022; See also Siano and others (n 193) 28.
[202] See Mjelde (n 148) 16; See also Siano and others (n 193) 28.

as a business discipline and to require that every program provide business returns”[203]. That is to say, for many CSR initiatives, those outcomes constitute only a byproduct rather than the basis for their existence. And fashion industry would not be excluded from that "greenwashing" trend.

Generally speaking, it is undisputable that sustainability and fashion industry, especially fast fashion, cannot get along well mainly due to the latter being based on a business model that is characterized by short manufacturing cycles and distribution lead time so that consumers' needs are more effectively satisfied, while promoting consumerism and impulse buying of cheap, mass-produced garments[204]. Therefore, being considered as an environmentally conscious company proves to be extremely difficult for a fast fashion brand to achieve, not least now that consumers are leerier of the greenwashing practices that the fast fashion industry adopts in order to maximize their profits.

Indeed, at a time in which the fashion sector is under growing pressure to lessen its environmental effect owing to its huge carbon emissions, more and more customers are actively seeking for companies that are doing well for the environment. And, as Urska Trunk stressed "*plenty of fashion brands are taking advantage of customer environmental concerns by claiming sustainability as a marketing technique, while the great majority of such statements lack reality, they greenwash their clothing lines, while they are also putting off embracing really circular approaches, such as not making the required expenditures to secure a future in which garments can be recycled back into clothes*”[205].

In this context, a recent analysis by Changing Markets Foundation revealed that the world's largest fashion brands are contributing to plastic pollution and climate change by continuing to rely on synthetic fabrics derived from fossil fuels. The research, titled Synthetics Anonymous: Fashion

[203] See V Kasturi Rangan, Lisa Chase and Sohel Karim, 'The Truth About CSR' [2015] *Harvard Business Review* <https://hbr.org/2015/01/the-truth-about-csr> accessed 8 June 2022.
[204] See Alexa, Apetrei and Pislaru (n 195) 265.
[205] See Sarah Butler, 'Dirty Greenwashing: Watchdog Targets Fashion Brands over Misleading Claims' *The Guardian* (14 January 2022) <https://www.theguardian.com/business/2022/jan/14/dirty-greenwashing-watchdog-targets-fashion-brands-over-misleading-claims> accessed 8 June 2022.

Labels' Addiction to Fossil Fuels, examined almost 50 major fashion brands, including Zara, Primark, H&M, and Burberry, on the proportion of fossil fuel-based materials in their collections and vows to move away from them[206]. The same analysis uncovered that fashion brands often deceive customers with misleading green promises which violated UK Competition and Markets Authority criteria[207]. Among the 15 worst performing brands sustainability-wise Primark, Patagonia, Boohoo, Burberry, and Nike are among companies with little to no transparency regarding their usage of synthetics and no numerical information on their websites[208]. H&M, in particular, is a notable example; their so-called Conscious Collection has a larger percentage of synthetic fibers than their main collection (72% vs 61%, respectively)[209]. Also, in May 2021, Hefty's Recycling Bags were found to be "*no different from ordinary bin bags and thus, their misleading branding violated California's anti-greenwashing laws*"[210].

4.4 The Rise Of Greenwashing: Paving The Way For A Mandatory Approach To CSR

Arguably, consumers are gradually getting wary of and sceptical about the authenticity of companies' environmental claims due to the misinformation they are still receiving, and this might indicate the failure or impotence of the CSR concept. In this context, a particularly useful tool in the fight against 'greenwashing' should be mentioned here; TerraChoice, a Canadian-based environmental marketing agency acting as a watchdog, developed the tool of the 'Seven Sins of Greenwashing' in order to help consumers identify misleading environmental claims; that is, the Sin of the Hidden Trade-off, the Sin of No Proof, the Sin of Vagueness, the Sin of Irrelevance, the Sin of Lesser of Two Evils, the Sin of Fibbing and last but not least, the Sin of Worshiping False Labels[211]. However, this seems not to be enough to combat the problem of greenwashing.

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[206] See George Harding-Rolls, 'Fossil Fashion' (*Changing Markets*) 38–39 <https://changingmarkets.org/portfolio/fossil-fashion/> accessed 8 June 2022; See also 'Fashion Industry Addicted to Greenwashing and Fossil-Fuel Based Synthetics: New Report from Changing Markets' (*Eco-Age*, 30 June 2021) <https://eco-age.com/resources/synthetics-anonymous-changing-markets-report/> accessed 8 June 2022.

[207] See 'Fashion Industry Addicted to Greenwashing and Fossil-Fuel Based Synthetics: New Report from Changing Markets' (n 206).

[208] See ibid.

[209] See Synthetics Anonymous Report Harding-Rolls (n 206) 34.

[210] See 'Greenwashing Examples for 2021 & 2022 | Worst Products & Brands' (*The Sustainable Agency*, 23 July 2021) <https://thesustainableagency.com/blog/greenwashing-examples/> accessed 10 June 2022.

[211] See 'Sins of Greenwashing' (*UL*) <https://www.ul.com/insights/sins-greenwashing> accessed 10 March 2022.

Against this backdrop, Gatti et al. ascribed the impotence and the consequent criticism thrown at CSR to its entirely voluntary nature, which, according to them, is a 'grey-zone' that encourages the proliferation of greenwashing phenomena and misleading 'green' information[212]. However, by pinpointing the danger lurking by the adoption of a totally mandatory CSR approach, they strongly support a position of compromise between the opposing views of the voluntary and mandatory approaches; that is, the inclusion of mandatory aspects in CSR[213].

Especially when it comes to the fashion industry, many of the ambitions and promises expressed by businesses are veiled in ambiguous and deceptive environmental statements which are frequently badly defined and result in greenwashing. More specifically, manufacturers claim their items are biodegradable and made out of recyclable materials, although the technology to recycle them back into garments does not simply exist[214]. In this context, Gatti et al. advocate that the voluntary nature of CSR facilitates the proliferation of greenwashing and thus, they propose an integration of mandatory elements in the application of CSR reporting. Indeed, the increase of greenwashing phenomena especially in the fashion industry investigation makes it clear that regulators must take rapid action to overhaul the fossil-fashion sector and stop the destructive cycle of fashion's reliance on cheap manmade components while guaranteeing that the sector moves to sustainable production based on real circular economy principles[215].

By the same token, voluntary certification schemes for textiles such as the Higg Index and The Microfibre Consortium (TMC) have risen as an attempt to self-regulate the fashion industry and minimise greenwashing phenomena, but in reality, they do the opposite, since they are merely a poor substitute for the mandatory measures that should have been put in place[216].

On the other hand, the mandatory CSR duty under the UK Corporate Law and the EU directive on mandatory CSR reporting (2014/95/EU) and potential effectiveness in reducing greenwashing phenomena in the future may validate the view of Gatti at al. and support their proposition[217]. In a similar vein, the EU Commission announced the first

[212] See Gatti, Seele and Rademacher (n 85) 1.
[213] See ibid 16.
[214] See Synthetics Synonymous Harding-Rolls (n 206) 67.
[215] See Synthetics Synonymous ibid.
[216] Licence to Greenwash: How certification schemes and voluntary initiatives are fuelling fossil fashionSee ibid 5–8.
[217] See Gatti, Seele and Rademacher (n 85).

part of its Circular Economy Package on March 30, 2022, with the goal of making sustainable products the standard while this the set of measures includes a proposal to combat greenwashing through several amendments to existing EU legislation, the Unfair Commercial Practices Directive and the Consumer Rights Directive[218]. Didier Reynders, the European Commissioner for Justice said in that regard that "*If we don't start consuming more sustainably, we won't meet our European Green Deal targets - it's as simple as that," said. While the majority of customers are ready to help, we have observed an upsurge in 'greenwashing' and early obsolescence techniques. Consumers should have the right to information in order to make sustainable choices if they are to become true agents in the green transition. They must also be safeguarded from unethical economic tactics that exploit their desire to purchase green*"[219].

4.5 CSR And ESG: Strengths And Weaknesses In The Fight Against Greenwashing

Every second, enough textiles to fill a garbage truck are disposed of or burnt. Besides, as already mentioned, the fashion industry is thought to be the second most harmful industry in terms of water pollution and consumption worldwide. At the same time, growing awareness of the fashion industry's environmental effect has resulted in a move toward more sustainable solutions, resulting in significant development in the worldwide sustainable fashion sector. However, brands often capitalize on the marketing potential presented by society's environmental suffering. In times of extreme environmental challenges, the usage of environmental claims in advertising increases, implying that the rate of green advertising is tied to society's emotion on environmental issues[220].

Inevitably, greenwashing has caused a lot of scepticism among customers about green advertising in general. At the same time, the growing desire for greater transparency has resulted in the implementation of CSR initiatives and ESG standards as analysed above. CSR initiatives generally indicate a company's intentions to address environmental and social challenges, however, the fundamental motivation for the adoption of CSR practices

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[218] See Bolko Ehlgen Feijao Julia Grothaus,Kathrin Bauwens,Lisa Bauer,Mirjam Erb,Sara, 'EU Commission Proposes Ban on Greenwashing and New Consumer Rights to Promote Sustainable Products' (*Passle*) <https://sustainablefutures.linklaters.com/post/102hmfg/eu-commission-proposes-ban-on-greenwashing-and-new-consumer-rights-to-promote-sus> accessed 8 June 2022; See also 'Circular Economy: Commission Proposes New Consumer Rights' (*European Commission - European Commission*) <https://ec.europa.eu/commission/presscorner/detail/en/IP_22_2098> accessed 8 June 2022.
[219] See 'Circular Economy: Commission Proposes New Consumer Rights' (n 218).
[220] See Astrid Sailer, Harald Wilfing and Eva Straus, 'Greenwashing and Bluewashing in Black Friday-Related Sustainable Fashion Marketing on Instagram' (2022) 14 Sustainability 1494, 1 <https://www.mdpi.com/2071-1050/14/3/1494> accessed 8 June 2022.

is often to achieve credibility, resulting in CSR claims being typically inflated, selective, or implausible[221]. ESG policies are similarly concerned with a company's environmental effect and social responsibility activities, however, their data are quantifiable. ESG creates investors who are more selective in the firms in which they invest., especially now that socially responsible investment is on the increase, and investors are using ESG ratings to determine how long-term a firm is likely to be[222].

As analyzed above, the link between business and society was re-examined in the 1960s and 1970s, and thus, new perspectives about corporate responsibilities to society came up. It was highly accepted back then that although business is basically an economic organization, larger enterprises have substantial societal influence and have a responsibility to utilize certain economic resources altruistically to help fulfill social goals[223]. Therefore, it seems logical that it was a long-waited expectation from companies to include CSR into their business strategies in order to be a true source of social improvement. Firms, as members of society, play a critical role in making sure that skills, and expertise are used from current and future generations to activities that have a positive impact on society. As a result, the firm cannot focus just on profit, but must also defend society and the environment[224].

Also, according to Lu et al., establishing a brand image and loyalty was difficult, and businesses realized that engaging in CSR practices was the way forward to develop trust, improve customer fulfilment, and increase both consumer commitment to their products and the competitiveness of the firm in the market[225]. Of course, that was meant to be the beginning of a rather catastrophic culture, the culture of greenwashing. As Balluchi et al. correctly stressed, the fact that certain corporations started creatively managing their reputations with their stakeholders (customers, financial community, regulators, society, etc.) in order to conceal flaws and issues, or look more competitive, has been a growing

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[221] See ibid 2.
[222] See 'Investing in Sustainable Fashion: Companies, Trends & ESG' (*Value the Markets*) <https://www.valuethemarkets.com/analysis/investing-in-sustainable-fashion-companies-trends-and-esg> accessed 9 June 2022.
[223] See Robin W Roberts, 'Determinants of Corporate Social Responsibility Disclosure: An Application of Stakeholder Theory' (1992) 17 Accounting, Organizations and Society 595, 596 <https://www.sciencedirect.com/science/article/pii/036136829290015K> accessed 9 June 2022.
[224] See Federica Balluchi, Arianna Lazzini and Riccardo Torelli, 'CSR and Greenwashing: A Matter of Perception in the Search of Legitimacy' in Mara Del Baldo and others (eds), *Accounting, Accountability and Society: Trends and Perspectives in Reporting, Management and Governance for Sustainability* (Springer International Publishing 2020) 1–3 <https://doi.org/10.1007/978-3-030-41142-8_8> accessed 18 March 2022.
[225] See Jintao Lu and others, 'The Influence of a Firm's CSR Initiatives on Brand Loyalty and Brand Image' (2020) 12 Journal of Competitiveness 106, 107.

concern among social and environmental activists[226]. They also pointed out that the most prevalent type of greenwashing, meaning the firm-level greenwashing, is becoming increasingly important as stakeholder demand for high levels of accountability and transparency grows[227]. The latter is associated with skewed and *selective disclosure,* in which corporations advertise positive environmental initiatives while concealing the negative ones. Arguably, the reason behind this is to provide a favorable, but deceptive, image of the company's true environmental performance.

This *selective disclosure* tactic, in turn, creates a discrepancy between a company's CSR disclosure and its performance in reality, which García-Sánchez et al. named it "*CSR decoupling*"[228]. The latter has inevitably resulted in increased stakeholder skepticism with regard to CSR disclosures over the years[229]. That is to say, organizations participate in specific CSR activities (e.g., environmental) in order to gain corporate legitimacy, while this participation may be merely symbolic. Giving the appearance of being socially responsible can be simpler, cost - efficient, and more agile for businesses, and may initially deliver the same advantages as the actual commitment.

The weaknesses of CSR due to its not quantifiable nature coupled with its usage often as the perfect marketing tool to guarantee and retain brand loyalty has been one of the main reasons behind the rapid emergence of ESG investing and ESG funds. However, this does not imply that CSR must be abandoned or be fallen into disuse. As already proposed earlier, a mandatory approach to CSR can mitigate its weaknesses. Besides, the same suspicion is now covering the ESG concept as well. This criticism has been growing louder over the last years and a couple of researches justify those suspicions surrounding ESG investments. Research carried out by the board of the International Organization of Securities Commissions (IOSCO) found inconsistent data, conflicts of interest and a lack of transparency in methodologies for rating of ESG funds[230]. A good example of why the ESG landscape attracts suspicion is the allegations raised by a former Deutsche Bank manager that DWS participated in greenwashing, or the sale of environmental, social, and

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[226] See Balluchi, Lazzini and Torelli (n 224) 2–3.
[227] See ibid 5–6.
[228] See Isabel-María García-Sánchez and others, 'Assurance of Corporate Social Responsibility Reports: Does It Reduce Decoupling Practices?' (2022) 31 Business Ethics, the Environment & Responsibility 118, 118 <https://onlinelibrary.wiley.com/doi/abs/10.1111/beer.12394> accessed 9 June 2022.
[229] See ibid.
[230] See 'ESG Investment and Green Washing: Myth and Reality' (*Deloitte China*) <https://www2.deloitte.com/cn/en/pages/hot-topics/topics/climate-and-sustainability/dcca/thought-leadership/esg-investment-and-green-washing.html> accessed 9 June 2022; See also 'IOSCO Firms up Proposals for Tighter Controls of ESG Ratings' (*ESG Clarity*, 23 November 2021) <https://esgclarity.com/iosco-firms-up-proposals-for-tighter-controls-of-esg-ratings/> accessed 9 June 2022.

governance (ESG) assets under false premises of them being particularly green and sustainable when they were not[231].

Another similar case is the one came to light by a Bloomberg's analysis. Since Russia's invasion and war against Ukraine on 24th of February, 2022, at least $8.3 billion ESG funds have committed to Russian government bonds and firms and although the proportion is minor in comparison to the nearly $2.7 trillion allocated to ESG-related funds, it has fueled doubt about the benefits of ESG investment[232]. According to the Bloomberg investigation, "*at least 13 of the ESG funds with Russian assets were designated as "Article 9," a classification within Europe's Sustainable Finance Disclosure Regulation that implies the absolute highest degree of sustainability. Another 137 funds were designated as Article 8, indicating to investors that they "promote" ESG features*"[233]. In this context, Former Ukraine Minister of Finance, Natalie Ann Jaresko, accused many giants in the business sector "*for implementing bold ESG practices only when it does not harm their profit line*", while she also stressed that "*This is a moment of truth. Stakeholders have become more active in challenging the foundations of firms stated ESG actions. All too often, companies and their leaders engage in marketing or obfuscation of what they are truly doing – a practice known as "ESG-washing. Putin's war against Ukraine has made it clear that business has a critical role to play if it actually believes in key ESG values like rule of law, good governance and human rights. It's time to put all that talk into action and be consistent with their ESG policies*"[234]. The crisis caused by the war in Ukraine and the imposition of sanctions and embargoes on Russia have arguably a substantial influence on the ESG narrative.

Along the same lines, the fashion ESG system lacks extensive audits and brand transparency, while the legitimacy of the ratings continues to be questioned. This is mainly due to phenomena such as the one with MSCI Inc., the American finance company, who classed Boohoo, the UK fast-fashion retailer, as above industry average in terms of labor practices slightly before the latter was accused for below-minimum wages

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[231] See 'German Police Raid DWS and Deutsche Bank over Greenwashing Allegations' *Financial Times* (31 May 2022); See also 'Deutsche Bank Raided by Authorities over ESG "greenwashing" Claims' (*Fortune*) <https://fortune.com/2022/05/31/deutsche-bank-dws-esg-greenwashing-raid-evidence-seized-whistleblower-fixler/> accessed 9 June 2022.
[232] See 'Greenwashing Is Increasingly Making ESG Moot' *Bloomberg.com* (16 March 2022) <https://www.bloomberg.com/news/articles/2022-03-16/greenwashing-is-increasingly-making-esg-investing-moot-green-insight> accessed 9 June 2022.
[233] See 'ESG Funds Had $8.3 Billion in Russia Assets Just Before War - Bloomberg' <https://www.bloomberg.com/news/articles/2022-03-08/esg-funds-had-8-3-billion-in-russia-assets-right-before-the-war?sref=Ufko9ynM> accessed 9 June 2022.
[234] See 'Russia's Invasion of Ukraine Must Prompt an ESG Reckoning' *Financial Times* (3 March 2022).

and deplorable working conditions[235]. Before even CSR was replaced by ESG, many businesses across the globe acknowledged that the sustainability narrative in business was no more than lip service. However, Covid has served as a catalyst in several ways. Warnings from different scientific agencies, such as the latest Intergovernmental Panel on Climate Change (IPCC) report saying that climate change is worse than previously thought, have also attracted business minds[236]. Investors' increased scrutiny of sustainability reporting will definitely help greenwashing phenomena to be easily detected, especially when leading to blacklisting or legal implications[237]. Furthermore, compared to traditional financial reporting which is standardized and mandated, ESG reporting is challenging owing to poor reporting quality and due to the fact that it is unregulated in the majority of the world.

While these occurrences may appear to pose obstacles to ESG policy or provide reasons to postpone or weaken commitments, actions by politicians, legislators, and financial firms, they might be an opportunity for a more comprehensive and mature approach to ESG to be developed[238]. As proposed earlier, a mandatory worldwide framework is required to minimize heterogeneity, provide more uniformity, openness, and decrease the complexity of ESG disclosure, which might lessen the danger of greenwashing, as ESG is increasingly seen as an essential component of successful and sustainable corporate performance[239].

The EU has already taken a lot of steps toward regulating ESG related issues. For example, the European Financial Reporting Advisory Group (EFRAG) released its first draft on European sustainability reporting standards for public consultation immediately for a period of 100 days ending on 8 August 2022 so that they can meet the ambitious

[235] See Jasmeen Dugal, 'The Rise Of Environmental, Social And Corporate Governance ESG Investment in Fashion' (*fashionabc,* 5 August 2021) <https://www.fashionabc.org/the-rise-of-environmental-social-and-corporate-governance-investment-in-fashion/> accessed 8 June 2022; See also ESG, 'Why Did So Many ESG Funds Back Boohoo?' <https://www.esgdiligence.com/industry-news/why-did-so-many-esg-funds-back-boohoo> accessed 9 June 2022.
[236] See 'ESG: Greenwashing Washed Away by Generational Tide Change' (*Verdict*, 13 April 2022) <https://www.verdict.co.uk/esg-greenwashing-change/> accessed 9 June 2022.
[237] See ibid.
[238] See 'The Russian Sanctions: A Catalyst for ESG? | Protiviti - Italy' <https://www.protiviti.com/IT-it/insights/whitepaper-russian-sanctions-catalyst-esg> accessed 9 June 2022.
[239] See Chitra de Silva Lokuwaduge and Keshara De Silva, 'ESG Risk Disclosure and the Risk of Green Washing' (2022) 16 Australasian Accounting, Business and Finance Journal 146 <https://ro.uow.edu.au/aabfj/vol16/iss1/10>.

deadlines for submitting the first set of draft ESRS to the European Commission by November 2022[240].

[240] See 'ESG: The EU's Agenda for 2022 — What You Need to Know | WilmerHale' <https://www.wilmerhale.com/en/insights/client-alerts/02102022-esg-the-eu-agenda-for-2022-what-you-need-to-know> accessed 9 June 2022.

CHAPTER 5: CASE STUDY: CSR PRACTICES OF A UK FASHION RETAILER

The following chapter is primarily concerned with the CSR initiatives and greenwashing practices of a UK fashion retailer, known as Primark. Primark is the perfect example of a retail clothing giant with multiple stores across Europe that embraces a fast fashion culture while embarks on CSR and ESG business practices at the same time. This case study can put some light on whether it is viable and feasible for a fashion company, not least a fast fashion one, to be truly sustainable in practice.

5.1 Fashion Brands In The Pursuit Of Customer Loyalty

Nowadays, most enterprises, fashion companies included, do incorporate green marketing as a standard part of their advertising campaigns, and green branding has emerged as a key approach for earning major eco-advantages over rivals[241]. Lin et al. also highlight the fact that unlike previous research which focused on enhancing green brand loyalty through green satisfaction and green trust, their study successfully demonstrated that "*green brand image is a relatively strong antecedent of brand loyalty, in other words, there is a direct relationship between green brand image and brand loyalty associated with a green marketing approach*"[242].

Based on the above, it is obvious that firms usually attempt to lure customers by presenting themselves as environmentally friendly, whether this is the truth or not, due to the growing interest in and awareness of sustainability that may be noticed in the behaviour of younger consumers[243]. Some strategic actions have been undertaken in direct response to customer demand for accountability, and others have been undertaken as part of the emphasized business values and goal to be ecologically sustainable[244].

However, there are some doubts around the ecologically beneficial commitments made by fast fashion firms. As mentioned earlier, greenwashing is prevalent among fashion and

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[241] See Jialing Lin, Antonio Lobo and Civilai Leckie, 'Green Brand Benefits and Their Influence on Brand Loyalty' (2017) 35 Marketing Intelligence & Planning 425, 2.
[242] See ibid 17–19.
[243] See Gabrielle Dione Tulangow and Kunthi Afrilinda Kusumawardani, 'GREEN IS THE NEW BLACK: THE ROLE OF GREEN MARKETING AWARENESS AND PERCEIVED INNOVATION IN THE FAST FASHION INDUSTRY' (2021) 1 Proceeding of the International Conference on Family Business and Entrepreneurship 180 <http://e-journal.president.ac.id/presunivojs/index.php/ICFBE/article/view/1373> accessed 3 July 2022.
[244] See Hye-Shin Kim and Martha L Hall, 'Green Brand Strategies in the Fashion Industry: Leveraging Connections of the Consumer, Brand, and Environmental Sustainability' in Tsan-Ming Choi and TC Edwin Cheng (eds), *Sustainable Fashion Supply Chain Management: From Sourcing to Retailing* (Springer International Publishing 2015) 40–42 <https://doi.org/10.1007/978-3-319-12703-3_2> accessed 3 July 2022.

fast fashion companies. This is easily reflected on a report by Changing Markets Foundation, which found that, at best, the environmental certification programs provided a "patchy promise of sustainability" while in reality they do not do more than actually facilitate "greenwashing" for the apparel industry[245].

5.2 The Case Of Primark: Green Or Greenwash?

Primark is an Irish fashion retailer owned by Associated British Foods (ABF) and one of the most successful British fashion retailers with expansion in global markets[246]. Founded in Ireland in 1969, their first ever store was under the name Penney's in Dublin, Ireland, a name that is being used till today while their first UK store opened in Derby in 1973[247]. Despite being best known and recognised for its low price and high value offerings in apparel, footwear and accessories, for women, men and children, Primark has struggled to dispel consumers' preconceived notions that fast fashion is not sustainable, and certainly not ethically produced[248].

The Irish fashion retailer has been one of the first to commit to sustainability and actively communicate about their sustainability activities on their dedicated corporate sustainability webpages[249]. According to their website, the launch of Primark's Sustainable Cotton Programme in 2013, aimed to train farmers grow cotton using more environmentally friendly farming methods by the end of 2022, was a landmark for their ethical and sustainability practices[250]. Also, commitments against animal cruelty are evident through their own brand cosmetic and personal care products being approved under the Cruelty Free International Leaping Bunny programme, the internationally recognisable gold standard for cruelty free products[251].

Nonetheless, in 2013, the catastrophic collapse of Rana Plaza, a facility holding five garment factories that made clothing for around 28 brands, killing 1,138 employees and injuring over 2,000 more served as a heads-up for the international fashion

[245] See 'An Analysis of the Fast Fashion Industry' (n 139); See Harding-Rolls (n 206).
[246] See Vivian Hendriksz, 'Case Study on Primark Sustainability, Ethics, Supply Chain.' (*FashionUnited*, 20 April 2017) <https://fashionunited.uk/primark-sustainability> accessed 7 March 2022.
[247] See 'About Us | Primark' <https://www.primark.com/en-gb/about-us> accessed 3 July 2022.
[248] See Hendriksz (n 246).
[249] See 'Planet | Primark Cares (UK)' <https://corporate.primark.com/planet> accessed 3 July 2022; See 'Reports | Primark Cares (UK)' <https://corporate.primark.com/en/resources/reports> accessed 3 July 2022.
[250] See 'About Us | Primark' (n 247).
[251] See 'Cruelty Free International | Primark' <https://www.primark.com/en-gb/cruelty-free-international> accessed 3 July 2022.

manufacturers to collaborate in order to keep safe those most vulnerable in their supply chains; it also put some doubt on Primark's CSR practices and served as a real wake-up call for the retailer, who sourced from New Waves Bottoms, a supplier in Rana Plaza, to better monitor their suppliers and ensure that CSR is effectively implemented or whether it needs any further improvement[252]. Primark has long claimed that even five years after the collapse of the Rana Plaza building in Bangladesh, they continued to help and compensate those affected while they also joined the 2018 Transition Accord in June 2017, reiterating their pledge to collaborate with other brands and factories so that they can bring about long-term constructive changes in the apparel industry in Bangladeshi[253].

Thankfully, the 2018 Transition Accord, also known as the Bangladesh Accord and about to expire on August 31, 2021, was already renewed for a 26-month period and the new agreement came into force on September 1, 2021 under the name 'International Accord for Health and Safety in the Textile and Garment Industry' which better reflects its broader scope and desirable far-reaching effect[254]. Among the accord signatories was Primark, which has long advocated that looking after their employee's protection and making sure that all safety standards are in place has been one of its major objectives[255].

However, all that glitters is not gold. The fact that Primark keeps selling at rock-bottom prices until today has made us doubt the robustness of their ESG policy while it has also strengthened the allegations that Primark has failed to live up to its corporate sustainable development strategies. According to Tara Scally, the Clean Clothes Campaign editor, the fact that Primark works under a standardized and internationally recognised set of global standards known as the Code of Conduct in all of its sourcing centres does not say much and it is in no way a guarantee that what is happening within the supply chain does take into account employees' wellbeing[256].

Someone can also argue that signs of greenwashing are Primark's famous 'conscious collections', as they only represent a modest portion of the retailer's whole clothes and accessories offering. In other words, they might be a series of symbolic steps to entice

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[252] See Hendriksz (n 246).
[253] See 'Support Provided by Primark since the Rana Plaza Building Collapse in Bangladesh | Primark Cares (USA)' <https://corporate.primark.com/en-us/newsroom/corporate-news/support-provided-by-primark-since-the-rana-plaza-building-collapse-in-bangladesh/n/3a96c071-680f-49e4-a4b4-b228ee6d29ff> accessed 16 August 2022.
[254] See 'Retailers Agree to Extend Bangladeshi Garment Workers' Safety Pact | Reuters' <https://www.reuters.com/business/retail-consumer/exclusive-retailers-unions-extend-legally-binding-worker-safety-accord-2021-08-25/> accessed 16 August 2022.
[255] See International Accord, 'International Accord' (*International Accord*) <https://internationalaccord.org/updates> accessed 16 August 2022; See also Hendriksz (n 246).
[256] See Hendriksz (n 246).

people through greenwashing so that Primark continues to be perceived as sustainable[257]. Primark's gravity of sustainability related commitments has been again under doubt and scrutiny thanks to their spokesman's public statement that '*the promises we have made at Primark to become a more sustainable business are complicated and will take time, due to our size and scale*' which makes us think that we should better not take its promises and pledges with a pinch of salt[258].

Against this background, leather products are still a significant element of Primark's business, while, when it comes to animal cruelty, although Primark had declared that animal testing was not authorized on their items, the company sold cosmetics from other companies and made no guarantees about whether they were tested on animals[259]. Also, pigs were reared and butchered by Associated British Foods, Primark's parent firm, which also marketed eggs, noting that '*By 2025, we want to source 100% cage-free eggs for our UK supermarket brand'; that is,* at the time of writing, this was interpreted to suggest that hens were being caged for the company's wares[260].

Arguably, despite Primark's efforts towards minimising its adverse impact on environment, it did not, however, have any quantifiable environmental reduction objectives to address those challenges. To give an example, the firm is collaborating with Cotton Connect and the Self-Employed Women's Association (SEWA) to develop the '*Primark Sustainable Cotton Programme*' with a view to teaching female farmers sustainable agricultural ways to increase their revenue and use less water and pesticides[261]. However, it did not explicitly define the terms 'less water and pesticides' or 'sustainable agricultural practices'[262].

The unethical background of Primark is to a great extent responsible for the fact that Repair Week, the annual event run by London Recycles that promotes repairing items as

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257 See Naomi Oreskes and Erik M Conway, 'Opinion | Fixing the Climate Requires More Than Technology' *The New York Times* (16 October 2018) <https://www.nytimes.com/2018/10/16/opinion/climate-change-warming-technology.html> accessed 8 July 2021.

258 See 'Evolving and Adapting the B Corp Certification Performance Requirements Based on Stakeholder and Community Feedback' <https://www.bcorporation.net/en-us/standards/performance-requirements> accessed 16 August 2022.

259 See 'How Ethical Is Primark?' (*Good On You,* 9 November 2021) <https://goodonyou.eco/how-ethical-is-primark/> accessed 7 March 2022.

260 See ibid.

261 See ibid; See also 'Primark extends partnership with CottonConnect and the Self-Employed Women's Association to support 10,000 female smallholders in India | Primark Österreich' <https://www.primark.com/at/primark-cares/newsroom/primark-extends-partnership-with-cottonconnect-and-the-self-employed-womens-association-to-support-10000-female-smallholders-in-india/a/265256b9-8e67-48e5-a2e4-198527643aaf> accessed 16 August 2022.

262 See 'How Ethical Is Primark?' (n 259).

a way to extend their life, was severely criticised, since they picked Primark as one of their headline sponsors[263]. In that regard, someone can argue that such an action proves that greenwashing marketing techniques of famous fast fashion brands like Primark are effective and that all they have to do is plaster the words ‘sustainable’ and ‘green or conscious’ all over their products, and consumers will be misled into thinking that buying from these firms does have a positive impact on the environment and combats climate change[264].

Of course, switching from a non-sustainable to a completely green and sustainable company cannot happen overnight, however, it is suggested that each and every action and initiative towards sustainability be backed with trustworthy, reliable and globally developed and recognised certifications. One good example would be getting certified by the independent B Corp Certification, which sets out a series of ‘Performance Requirements’ that a company must satisfy in order for them to be considered as ‘sustainable’[265].

5.3 Primark’s ‘Sustainable’ Collections And Customer Perception

As mentioned earlier, Primark has become a driving force in the fashion industry across the globe thanks to its business model of selling large amounts of a product at outrageously cheap prices[266]. However, human rights public relation crises have had a long-term influence on customer image of the Primark brand, demonstrating the need of taking proactive steps to eliminate potential risks in the supply chain. Especially, in reaction to the horrific Rana Plaza catastrophe, Primark has begun to focus on its corporate social responsibility strategies, putting some ethical efforts to guarantee supplier compliance with ethical standards and enhanced openness surrounding work practices[267]. Nevertheless, Primark's reaction to the incident was originally varied. They were strongly chastised when it was found that the compensation, they promised to

[263] See Tabitha Whiting, ‘This Month in Greenwashing: Primark Sponsor Repair Week, Amazon Launch Conscious Clothing Line, And…’ (*Medium*, 18 March 2022) <https://tabitha-whiting.medium.com/this-month-in-greenwashing-primark-sponsor-repair-week-amazon-launch-conscious-clothing-line-and-7567900f4b7c> accessed 16 August 2022.
[264] See ibid.
[265] See ‘Evolving and Adapting the B Corp Certification Performance Requirements Based on Stakeholder and Community Feedback’ (n 258).
[266] See CASE STUDY: PRIMARK The Corporate Impact of Human Rights Abuse and Effective Due Diligence ‘Human Rights Case Studies’ 1 <https://www.abhi.org.uk/what-we-do/building-trust/human-rights/human-rights-case-studies/> accessed 17 August 2022.
[267] See CASE STUDY: PRIMARK The Corporate Impact of Human Rights Abuse and Effective Due Diligence ibid.

bereaved families could only be claimed if DNA evidence of their relative's death could be provided. Apparently, in no way could this uncaring approach ameliorate the company's significant public outcry[268].

Also, Primark is advertising their ‘Sustainable Cotton Programme’ according to which their clothes production relies as much as possible on ‘*sustainably sourced cotton*’ using ‘*natural pesticides*’ and what not[269]. But how natural can fertilisers be, or, put differently, what is the criterion that makes a fertiliser less harmful and more ‘natural’? This question is difficult to answer when there is no as much detailed information as it should be in Primark’s website. Therefore, someone can easily argue that the so advertised ‘natural’ materials such as cotton are not as safe as we have been made to think. Indeed, Primark's sustainable cotton is not organic. Given that cotton accounts for a considerable percentage of harmful chemical usage, which can create severe health hazards and contamination of rivers, decrease is not an adequate solution. So why isn't Primark simply going organic? The answer is that Organic farming yields lower returns; Primark does not use cotton from its sustainable program exclusively because it does not produce enough cotton for their needs, and there is no target date for sourcing 100% of their cotton from this program[270].

At the same time, Primark has been actively advertising their commitments and efforts on dedicated corporate sustainability webpages with a view to encouraging sustainable sourcing as part of a larger effort to dispel consumer perceptions that 'fast fashion' promotes unethical practices. Indeed, Dach and Allmendiger attempted to determine whether customers are aware of Primark’s corporate sustainability webpages, how they evaluate them, and whether it is beneficial for fashion companies in terms of short-term financial gains and long-term competitive advantages through brand distinctiveness and a more sustainable company reputation[271]. Dach and Allmendiger’ s research concluded that consumer perception of dedicated on sustainability webpages were highly impacted by perceived corporate images but not the other way around[272]. In other words, they concluded that Primark's CSR communication had no effect on individuals' purchasing

[268] See CASE STUDY: PRIMARK The Corporate Impact of Human Rights Abuse and Effective Due Diligence ibid 2–3.
[269] See ‘Sustainable Cotton Programme | Primark Cares (UK)’ <https://corporate.primark.com/en/product/sustainable-cotton-programme> accessed 17 August 2022.
[270] See ‘How Ethical/Sustainable Is Primark? – ETHICAL UNICORN’ (n 189).
[271] See Lilian Dach and Katrin Allmendinger, ‘Sustainability in Corporate Communications and Its Influence on Consumer Awareness and Perceptions: A Study of H&M and Primark’ (2014) 130 Procedia - Social and Behavioral Sciences 409, 410 <https://www.sciencedirect.com/science/article/pii/S1877042814029589> accessed 3 July 2022.
[272] See ibid 417.

behaviour, or their opinions of the company's image, hence, no additional value in the form of competitive advantage was identified.

At the end, Primark's ethics are comparable to those of other high-street merchants and online clothes retailers, as they are all still prioritizing financial gains over the society and the environment. Primark's most CSR initiatives seems to be no more than greenwashing cases. Rather than focusing only on the materials used into their clothes, Primark could have taken a more practical look at its overall environmental and social performance. Also, why not manage the volume of their stock, since this seems to be the biggest problem that needs immediate action. Why not also quit from the disastrous business model of 'Buy Once Wear Once' that urges people to ditch their clothes after just one wear? Such an initiative could definitely affect the way that consumers are attached to specific brands and perceive fashion in general. Unfortunately, Primark continues to hide behind false sustainable promises instead of bringing real change within the fashion industry, even if that means losing some of their profits every year.

CONCLUSION

Over the last decade or so, it appears that fast fashion businesses have been adopting sustainability as their preferred business model. The history of CSR and its connection to the fashion industry has helped to understand both its drawbacks and application. CSR, as well as the most recent ESG framework, practices and standards are a collection of actions, initiatives, and indicators that demonstrate progress toward sustainability. Even before ESG comes to life, CSR has been proved to be a highly effective tool for not only helping brands communicate how they are ethically and socially responsible, but also for promoting positive brand images and deepening relationships with consumers and stakeholders, as the need for change with regard to issues such as climate change and labour rights has never been more urgent.

And as CSR is used or viewed differently depending on the context, it should not be forgotten that its core mission stems from businesses' responsibility to consider not only the maximization of their profits, but also the lasting damage they cause on the environment and society in which it operate. Understanding the evolution of the fashion industry's institutional structure over time has helped to explain why CSR is such a crucial application for this particular sector.

Therefore, it should be clear that CSR is more than just something that can be implemented for its own sake. CSR along with the most recent ESG should be at the core of business strategy, a way of doing business, which essentially means that demonstrating concern for the environment goes beyond simply promoting eco-friendly products and includes corporate cultures, policies, and practices that support a more comprehensive approach to environmental protection, as originally conceived by the CSR model.

Unfortunately, many companies, especially in fast fashion industry, perceive the adoption of CSR practices as a dilemma: Either they have to sacrifice their size and annual turnovers/profit gains in order to comply with CSR be honest advocates thereof or they have to refrain from implementing any CSR practices to safeguard and retain their profits. They more often opt to use CSR as a marketing tool to support their unreliable sustainability practices so that they can be perceived as environmentally responsible. The latter indicates that a lot of companies worldwide have taken advantage of CSR and the growing environmental awareness to increase sales and customer loyalty[273]. The majority of companies want consumers to assume it's complex, but it's actually rather easy; that is, all high street fashion brands need to do only one thing to become more sustainable: to produce less, sell less clothing which is inevitably going to reduce their earnings[274]. Of course, compared to consumers, fast fashion retailers and brands are profit-oriented so reducing the amounts of clothes produced annually seems to be an oxymoron.

Against this backdrop, a legally mandated and globally unified approach to both CSR and ESG reporting seems to be the most efficient way to ratchet up and increase the adoption and real commitment of giant fashion retailer to sustainability. Except for the benefits that it may yield for society and environment, a CSR reporting requirement could also foster a spirit of fair competition on a level playing field and enable businesses to share knowledge with one another by increasing awareness of what other companies are doing in the name of sustainability. In this regard, Europe is standing out as the leader and is paving the way for the transition of CSR from an optional 'programme' to a mandatory one and thus, significantly more transparent sustainable business practices.

[273] See Tom Bottomley, 'Primark's New Sustainability Drive May Not Increase Customer Loyalty' (*TheIndustry.fashion*, 16 September 2021) <https://www.theindustry.fashion/primarks-new-sustainability-drive-may-not-increase-customer-loyalty/> accessed 17 August 2022.

[274] See 'Primark Ethics: Is Primark Actually Worse than Other High Street Shops?' (*Live Frankly*, 15 April 2022) <https://livefrankly.co.uk/sustainable-fashion/primark-ethics-is-it-really-better/> accessed 17 August 2022.

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