

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Humanities**



**Bachelor Thesis**

**Business Ethics and Corporate Social Responsibility in  
the Fashion Industry: Zara Case Study**

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## BACHELOR THESIS ASSIGNMENT

Quynh Chau Nguyen

Economics and Management

Thesis title

**Business Ethics and Corporate Social Responsibility in the Fashion Industry: Zara Case Study**

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### Objectives of thesis

This thesis will focus on the concepts of corporate social responsibility and business ethics through a case study of a leading brand in the fashion industry. Throughout modern history, there have been debates about whether and to what extent businesses have ethical responsibilities that go beyond making profit. The thesis will consider the main concepts and themes in this debate, focusing on areas of particular relevance to the fashion industry, including environmental ethics and issues of labor exploitation. The contemporary role of corporate social responsibility and business ethics in the fashion world will be analyzed through a case study of one of its biggest brands.

### Methodology

The thesis will develop a literature review covering the concepts of corporate social responsibility and business ethics. It will examine the historical development of the terms and their different interpretations by professionals in recent decades, with a particular focus on environmental ethics.

The practical part will involve a case study of a leading brand in the industry, Zara. Data will be retrieved from secondary sources of information. Zara and its parent company's reports, strategies and websites will be analyzed with a focus on their strategies and commitments to social responsibility and business ethics. In order to analyze how these commitments are applied in practice, the company's policies will be compared with publicly available media and industry reports into their activities.

## **The proposed extent of the thesis**

40-50 pages

## **Keywords**

Corporate Social Responsibility, Business Ethics, Sustainable Development, Socially Responsible Behavior, Zara, Fast Fashion

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## **Recommended information sources**

- CARROLL, Archie B. and Kareem M. SHABANA. (2010). The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice. *International Journal of Management Reviews* 12(1):85-105.
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### **Declaration**

I declare that I have worked on my bachelor thesis titled "Business Ethics and Corporate Social Responsibility in the Fashion Industry: Zara Case Study" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 15.03.2022

\_\_\_\_\_Quynh Chau Nguyen\_\_\_\_\_

## **Acknowledgement**

I would like to thank thesis supervisor Dr.Daniel Rosenhaft Swain for his excellent, constant support and guidance throughout the writing process of this thesis.

# **Business Ethics and Corporate Social Responsibility in the Fashion Industry: Zara Case Study**

## **Abstract**

This thesis will introduce, define and analyze the concept of corporate social responsibility from different angles throughout history. In particular, the two most famous models of CSR are explained. Additionally, as a crucial part of CSR, business ethics and its significance will also be introduced. An increasingly significant part of business ethics, environmental ethics, will be presented along with what it actually contains.

In the practical part of the thesis, a brief introduction of the fast fashion industry is made. The main focus of the practical part is a case study of one of the leading fast fashion brands, Zara.

Firstly, the company's advertised commitments in association with CSR and business ethics are explored. Afterwards, Zara's behavior and consistency of its activities in comparison with its commitments are examined.

Finally, Zara's commitments and their activities will be discussed in the context of the CSR models and business ethics definitions from the literature review to support in formulating a conclusion.

**Keywords:** corporate social responsibility, business ethics, sustainable development, socially responsible behavior, Zara, fast fashion

# **Podnikatelská etika a společenská odpovědnost firem v módním průmyslu: Případová studie společnosti Zara**

## **Abstrakt**

Tato práce představí, definuje a analyzuje koncept společenské odpovědnosti firem z různých úhlů pohledu v průběhu historie. Zejména jsou vysvětleny dva nejznámější modely společenské odpovědnosti firem. Kromě toho bude představena také podnikatelská etika a její význam jako klíčová součást CSR. Stále významnější část etiky podnikání, environmentální etika, bude představena spolu s tím, co vlastně obsahuje.

V praktické části práce je stručně představen průmysl rychlé módy. Těžištěm praktické části je případová studie jedné z předních značek rychlé módy, společnosti Zara.

Nejprve jsou zkoumány inzerované závazky společnosti ve spojení se sociální odpovědností podniků a podnikatelskou etikou. Následně je zkoumáno chování společnosti Zara a konzistence jejích aktivit v porovnání s jejími závazky.

Nakonec budou závazky společnosti Zara a její aktivity diskutovány v kontextu modelů CSR a definic podnikatelské etiky z přehledu literatury, což podpoří formulaci závěru.

**Klíčová slova:** společenská odpovědnost firem, etika podnikání, udržitelný rozvoj, společensky odpovědné chování, Zara, rychlá móda

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## **List of abbreviations**

CSR – Corporate social responsibility  
NGO – Non-governmental organization  
TBL – Triple Bottom Line

# 1 Introduction

Corporations have been around for centuries at this point. The traditional idea was that the sole purpose and responsibility of a business is to maximize its financial returns for its shareholders no matter what. This allowed companies to essentially do whatever they wanted to their employees, the environment and even their business rivals, among others. Globalization has even further contributed to this, as it gave companies access to cheaper labor in developing countries and they did not have to deal with the environmental or even labor consequences that resulted from it.

As a result, the notion of corporate social responsibility was born a few decades ago, which basically said that a business should also have certain responsibilities towards society, not just its financial gains. However, due to its abstract and hard-to-define nature, everyone has had a different an idea of what it actually meant for the business world over the decades and years. Therefore, no clear guidelines have been set and each company has interpreted their responsibilities differently.

The notion that companies should be more responsible towards society and nature has been gaining even more popularity in the last few years, as various scandals have been unveiled of some corporate activities.

This is especially true for fashion companies, more specifically fast fashion companies, whose business models are almost dependent on cheap outsourced labor. There have been numerous protests of garment workers in the developing countries, where fashion companies outsource their manufacturing to. Additionally, there have been multiple discoveries that some of the workers have to work in extremely unhealthy and unsafe conditions with low wages. The most extreme and recent case of such atrocities are the discoveries about the Uyghur community in China being oppressed. Aside from that, it is no secret that the fashion industry also contributes to the environmental problems of the world.

Therefore, one of the main goals of this thesis is to define corporate social responsibility and to analyze the interpretation of CSR and current practices of a leading company in the fast fashion industry.

## **2 Objectives and Methodology**

### **2.1 Objectives**

This thesis will focus on the concepts of corporate social responsibility and business ethics. Throughout modern history, there have been many debates whether businesses have a responsibility towards anything else besides their own benefit. Some of these debates are explored in the thesis in an attempt to define corporate social responsibility and business ethics. An analysis of the terms will also be conducted in order to explain them, as well as their significance in more detail through renowned models and principles. Environmental ethics will also be explored.

Additionally, the current role of corporate social responsibility and business ethics in the fashion world will be analyzed through a case study of one of the biggest brands in the space. This should help in determining its role and to which degree a company in a space, where it is becoming more discussed, has already adopted the relevant strategies for it, especially for solving labor and environmental problems.

### **2.2 Methodology**

The first part of the thesis will be to develop a literature review about the terms corporate social responsibility and business ethics themselves. The focus will be on the historical development of the terms and their different interpretations by professionals for the last several decades. In particular, their importance and what they should be made of is explored, as a basis for the practical part.

For the practical part, a brief introduction of the fast fashion industry is made before going deeper into the qualitative analysis through a case study of a leading brand in the industry, Zara. Throughout the case study, data will be retrieved from secondary sources of information. Zara's and its parent company's reports, strategies and websites will be analyzed with a focus on their strategies and commitments to social responsibility and business ethics. For the investigation of Zara's activities in practice, other related case studies and reputable news sites will be searched.

## **3 Literature Review**

### **3.1 Corporate Social Responsibility (CSR)**

#### **3.1.1 CSR Definition**

Business is not what it used to be, there is no doubt about it. It is undergoing significant transformations as a result of crucial social influences such as globalization, technical advancements, internet, social standards, living standards, education and so on. Human, natural resources, and money, lands, etc. are inputs that business relies on society for. Any company's existence, survival, and development are all dependent on the approval of society and its surroundings. In short, business creates wealth for society based on what society offers. This is a mutually beneficial relationship. Consequently, it leads to the concept of social corporate responsibility (CSR).

Attempts to define or, more clearly, state what CSR means grew significantly during the 1960s decade. Keith Davis was one of the earliest and most renowned writers to describe CSR at the time, and he went on to write extensively about the issue in his business and society textbook, following revisions, and essays. In “Can business afford to ignore social responsibilities?”, Davis mentioned: “Social responsibility refers to businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest” (1 p. 70).

Davis believes that social responsibility is an uncertain idea, but it should be taken seriously in the decisions of managers. Furthermore, he thinks it may require a long and complicated process to prove effective, but it will be a good opportunity that will bring long-term economic benefits to the company. Davis became well-known for his viewpoints on the relationship between corporate social responsibility and corporate power. He established his now-famous "Iron Law of Responsibility," which says that a businessman's social obligations must be proportional to their social influence and power. The contributions of Davis to the early definition of CSR were so important that Carroll in “Corporate Social Responsibility” considered him to be “the runner-up to Bowen for the Father of CSR designation” (2 p. 271).

Joseph W. McGuire was another important contributor to the notion of CSR in the 1960s who explained the relationship between legal and economic objectives. He claimed that “the idea of social responsibility supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations”. This statement is appealing because it acknowledges the priority of economic alongside legal obligations while simultaneously encompassing a broader concept of firm responsibility. Despite of lacking what these obligations really were in his definition, he subsequently expanded by suggesting that the company must be concerned in community welfare, politics, education, its employees’ happiness, as well as the entire social world around it. Due to this, a business must act “justly”, as a proper citizen should (3 p. 144).

A study conducted by Keith and Blomstrom in 1975 elaborates on Keith's definition of CSR, stating that a decision-maker's social responsibility is to act in such a way that protects and improves society as a whole in addition to their own interests. They all agreed that business leaders should consider more than simply their company’s interests when making decisions. In particular, protecting and improving are two active dimensions of social responsibility that it suggests. The protection of society's well-being entails the avoidance of harmful consequences. Improving society's well-being necessitates the provision of positive social benefits (4).

In 1980, Thomas M. Jones presented an interesting perspective to the CSR discussion. He refers to the idea that businesses have a responsibility to constituent groups in society other than stockholders, and that this obligation extends beyond what is required by law and union contracts. This definition has two important aspects. First, the obligation must be freely chosen; action influenced by coercive influences such as the law or a union contract is not voluntary. Second, the duty is broad, extending beyond the traditional duty to shareholders who own the company or its equity to other social groups like consumers, employees, suppliers, and communities (5 pp. 59-60). In other words, the duty should extend to the business’ stakeholders as well. According to Carroll, “A stakeholder may be defined as any individual or group who affects or is affected by the organization and its processes, activities and functioning.” (6). Therefore, Jones meant that CSR should not only stop at protecting people who own the company, but also whoever contributes to the company’s successes and is affected by its activities.

Wood has made it clear that the essential idea of CSR is that society and business are intertwined, not separate entities, and that society has certain expectations for proper business performance and outcomes (7).

### **3.1.2 What Should CSR Include?**

In an attempt to formalize and properly define what CSR should include in a company's activities, two models of CSR have been developed, Archie Carroll's CSR pyramid and John Elkington's Triple Bottom Line. These two models are explained in more detail in the subsequent subchapters.

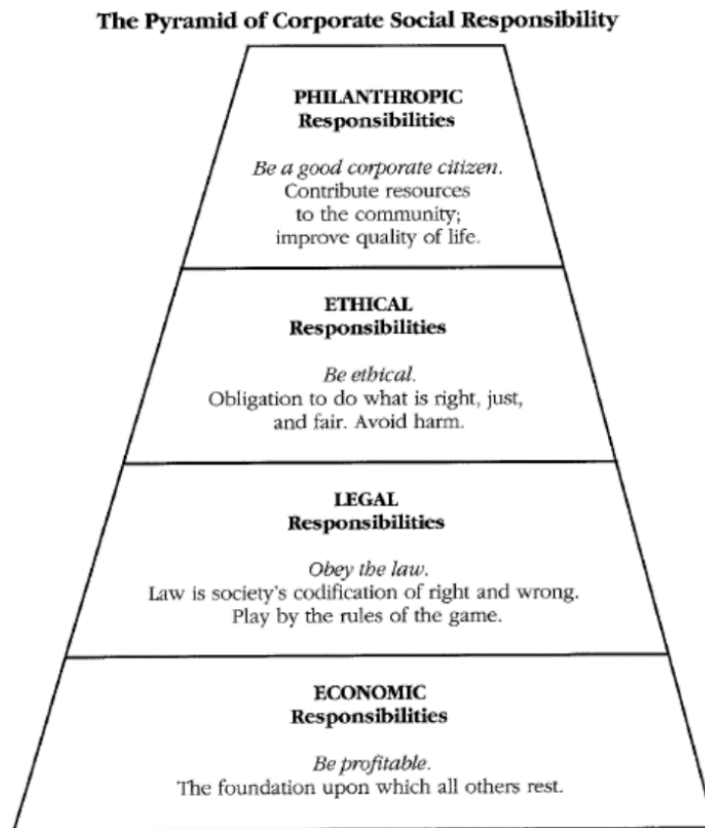
#### **3.1.2.1 Carroll's Pyramid of CSR**

In 1979, Carroll acknowledged that previous definitions discussing the responsibilities of a business included making profit, compliance with the law and "going beyond" these activities. All these points of view were accepted by him. However, he wanted to clarify and complete it by adding certain components to CSR and releasing a more concise explanation. Thus, he offered the following definition: "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (8 p. 500). In 1991, he rewrote his four-part CSR definition which is described as "Carroll's Pyramid of Responsibilities" nowadays. He was referring to the discretionary component as philanthropic at this point and implying that it incorporated "corporate citizenship." Those 4 parts of CSR are: Economic, Legal, Ethical and Philanthropic (9 p. 40). The pyramid is depicted in Figure 1.

##### **3.1.2.1.1 Economic Responsibilities**

The "Economic Responsibilities" component in Carroll's pyramid is placed at the lowest level and also the largest part, so that makes it the base of it. It implies that society expects businesses to produce and sell things and services in order to make profits. This is how the capitalist economic system is structured and operated (2). Many people today still conceive the economic component as what the business company does for itself, while the legal, ethical, and discretionary (or philanthropic) components are what the business does for others, as outlined in Carroll's 1979 definition. Despite the appeal of this difference, he would argue that economic viability is something that business accomplishes for society as well (2).

Figure 1: Carroll's pyramid of CSR



Source: "The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders" by Carroll, A. B. in 1991 (9)

He argued that it may seem strange to some that 'Economy' should be not only considered a social responsibility, but also one of the most important components. According to this approach, society should value companies' ability to sustain themselves economically, both in the short and long term, because if a company cannot sustain itself financially, it will be forced to close down (10).

Carroll's arguments are still valid in Hency Thacker's opinion after two decades. Thacker H. has stated in his journal that it is clear that a business's first and foremost goal is to be as profitable as possible. Employees will lose their employment even before the firm begins CSR efforts since the company will not be able to pay them if it does not make a profit. A company's ability to exist and help society depends on its ability to be profitable. Furthermore, it is a company's responsibility to create goods and services that customers require/want at a reasonable cost (11).

Therefore, the economic component in the pyramid should not be observed as a self-serving responsibility of companies, but rather a foundation of business that also serves society.

### 3.1.2.1.2 Legal Responsibilities

The law outlines the essential "rules of the game" by which businesses are expected to operate. Society expects businesses to carry out their economic missions while adhering to the legal standards established by the legal system. As a result, the second half of the concept is the legal duty (8 p. 500).

Because they must comply with local and national rules and regulations, legal responsibilities vary based on the time they work in and, of course, where they are located (9 p. 42).

This shows how firms conduct their business in the marketplace. Failure to comply with the law can lead to very bad consequences for a company. Tax restrictions, employee health and safety, employment laws, competition with other business are just a few of the legal obligations that a business must follow (11).

The next two responsibilities were an effort by Carroll to define the kind and nature of responsibilities that go beyond the legal compliance (2 p. 16).

### 3.1.2.1.3 Ethical Responsibilities

In addition to extending beyond what is required by law, ethical conduct is defined as the behavior and practices that society expects businesses to follow. Despite the fact that they seem to be expanding constantly, they nevertheless exist as expectations "beyond legal requirements" (8). In 1991, Carroll later elaborated on the ethical responsibilities, which he saw as becoming increasingly important.

According to Kh. T. Singh and M. S. Singh, "Ethical Responsibilities" include acts and practices that are expected or banned by members of society, even if they are not defined in law. Ethical obligations encompass a wide variety of norms, standards, and expectations that indicate a concern for what customers, workers, shareholders, and the community consider to be fair, as well as the protection of moral rights. In other words, ethical duties represent newly developing values and standards that society expects businesses to follow, despite the fact that they may exceed the current standards imposed by law. Another interesting point that the authors brought up was that the changes to values or ethics occur before laws are established, since these are the motivational forces behind law-making and regulation in general (12).



Thacker also agreed that ethical responsibilities are something not forced to do by any authorities. But being an ethically responsible company will not only gain trust and security from their shareholders, but also their stakeholders. The people buying products and services from the company will also feel more confident. Examples of these ethical responsibilities are being friendly to the environment and treating its employees and suppliers and also their employees well (11).

As business ethics is an abstract and big topic itself, it will be analyzed more in-depth in a section below.

#### 3.1.2.1.4 Philanthropic Responsibilities

Finally, the smallest part is philanthropy, located at the top of the pyramid. Despite the fact that there is an expectation that corporations undertake these philanthropic responsibilities, these tasks do not stem wholly from society's expectations towards businesses, as they do with ethical responsibilities. This is why Carroll claimed that these are left to the judgments and choices of individual managers and corporations (8 p. 500).

As described by Kh. T. Singh and M. S. Singh, "Discretionary [philanthropic] responsibilities are those that impose expectations for responses that exceed ethical responsibilities and are truly proactive kinds of actions on the part of an enterprise" (12).

Carroll added that business organizations engage in specific activities guided by a desire to play a social role not required by law, and not expected by ethical or legal standards, but it is increasingly strategic. Carroll used the following instances to illustrate his point: providing day-care centers for working mothers, conducting in-house programs for drug abusers, training the hard-core unemployed (8 p. 500). Another example comes from Kh. T. Singh and M. S. Singh's paper, "Ethics in Corporate Social Responsibility", where they write about the Ronald McDonald House Charities. They locate nearby hospitals that allow families of ill children to be able to stay nearby without paying the high fees of long stays as in hostels. As a voluntary and proactive program, it benefits society at large, the authors said (12).

Thacker believed that enterprises were exploiting natural resources, contributing significantly to pollution and other issues. To counterbalance the negatives, they should give back to the society from which they benefit. Even though this is the smallest part in Carroll CSR's pyramid, people should not take their obligations lightly (11).

Carroll concluded by stating that firms should not get these responsibilities done in any particular order, but that they must be completed at all times.

#### 3.1.2.2 Triple bottom line (TBL) – John Elkington

Another very popular CSR model is the “Triple Bottom Line” (TBL) which was developed and proposed by John Elkington in 1994 (13). The TBL, often known as the 3Ps model, made a significant contribution to CSR by focusing on the “sustainability” aspect. The TBL emphasizes both the profitability issues and the influence which businesses have on social and environmental factors. It highlights the interaction between business and the interrelated elements of People (social), Profit (economics), and the Planet (environment) for a long-term sustainable development, hence the 3Ps model.

The word "sustainability" was first used by the Bruntland Commission and was derived from the concept of “sustainable development”, which is a resource-usage pattern that attempts to fulfill human needs while maintaining the environment so that these needs may be addressed not just now but also in the future (14).

The model aims to cover three primary sectors of sustainability for business that they must take into consideration: economy, society and environment. Firstly, the "economic" bottom line emphasizing “profits” refers to the company's ability to generate material wealth, such as revenue and assets. Secondly, the “social” bottom line focusing on “people” concerns the life quality of people and the fairness between individuals, communities, and countries. Finally, the emphasis of the “environmental” bottom line is on the “planet” which is about preserving and protecting the nature (14).

Carroll has stated that profits, people, and the environment are all inherent in the CSR Pyramid. The triple bottom-line concept aims towards corporate sustainability and the notion of “sustainability” is intertwined with “social responsibility” concepts and terminology (14).

## 3.2 Business Ethics

In Carroll's pyramid CSR model, business ethics is a type of corporate responsibility that goes beyond the law and is expected to be performed by the business towards society and the environment.

However, a formal definition has not been mentioned yet. The following section dives deeper into the definition of business ethics.

### **3.2.1 Business Ethics Definition**

Lewin, for example, referred to business ethics as "a new area of growth in academia". "Nearly every major corporation has put together some form of written code of ethics.", he said (15).

Over years, "Business Ethics" is interpreted differently as follows: According to Amit Das, moral and social values are the foundation for business ethics which let us know what to do and what not to do. It helps to create a basic framework for doing business. It varies from business to business, from one country to another. Especially, he mentioned that ethics should be self-practiced and voluntary, not enforced by law (16).

According to Manisha Paliwal – "In any organization, from top management to employees at all levels, ethics is considered as everybody's business ethics". This author is influenced by two other famous authors - Carter McNamara and John Donaldson, in defining business ethics. Paliwal claimed that business ethics is a tool to determine what is right and wrong to do in the workplace which affects products, services and the relationships with stakeholders. They are the application of ethical rules in business behavior. Besides, it is very interesting that Carter McNamara considered business ethics a moral compass and a strong preventive medicine which leads people to the proper behaviors, decisions and gives the protection to different groups in the business environment (17).

Manuel Velazquez has expressed his own thoughts and opinions regarding business ethics in the book "Business ethics, concept and cases". His definitions of corporate ethics shared some similarities with those of A. Das and M. Paliwal. Likewise, Velazquez agreed that business ethics is a specialized study of moral right and wrong that focuses on the operation of business. It's about knowing what to do and what not to do, and how these principles relate to those who work in social systems and organizations. Business ethics is more than just a study of moral standards and ideals. It is, nevertheless, a set of principles, rules, ethical standards, or regulations that guide, adapt, and govern behaviors in order to maintain standards and integrity in company operations. It is a particular form of professional ethics because it is associated with economic interests. Business ethics is the category of ethics applied to business activities, but it does not separate from its foundation, which is a common social morality and is governed by a set of values and social-ethical norms (18).

### **3.2.2 Significance of Business Ethics**

Some perspectives of the significance of ethics in businesses have been interpreted by different authors as follows:

Ethics is said to be a collection of moral ideas and behaviors that oppose actions of self-gain and advocate honest and modest methods of obtaining corporate revenue. Unfortunately, due to the firm's desire to increase revenues and sales, ethics and corporate social responsibilities are often overlooked (19). Lewis, B. stated that despite a business's goal to acquire profits and a return on investment, it is crucial that the strategies they utilize in their operations are aligned with moral and ethical standards that benefit their stakeholders. He continued: "As a way to market their products and services, marketing campaigns and sales advertisements should be bound by ethical guidelines which ensure the safety of the stakeholders without having an adverse effect on the company's performance" (20 p. 54). Because businesses are a sort of human activity, they must be evaluated not just on their economic performance but also on their moral commitments (21 p. 734). Ferrell believed that by maximizing the profitability of a business, it would help improve the economy as the future world would be dependent on the former success in the long run. The author also noted that in order to maximize a company's profits, it should be transparent and not engage in any unethical activities (22). Sadly, emerging corporate firms and organizations in the present day tend to violate moral and ethical standards in their pursuit of financial rewards (23 p. 407).

### **3.2.3 Environmental Ethics for Business**

#### **3.2.3.1 Environmental Problems in the Business World**

A key concern of ethics in the business world is the impact that a company's activities have on the natural world. In other words, it is the relationship between business and the environment. But why do we need to talk about environmental ethics for business? Does business really have to have a responsibility toward the natural world?

Manufacturing operations have contributed to the degradation of the natural environment. This can lead to the destruction of the planet. From the early 90s, Hoffman has made it clear that environmentalism is not a new concept. Burning rivers, dying lakes, and oil-polluted oceans were all warning signs which came out of the 1960s. Our food included

radioactivity and our water contained lead and mercury. Every breath of air in the hemisphere of North America was deemed polluted. Some said that those were actual ecocatastrophe warnings from Planet Earth unless we could identify boundaries to our growth and make lifestyle changes. He continued that Planet Earth began to speak to us louder than before in recent years, and we began to listen to more of it on news, reports, scientific studies, etc. The tone of the message is frightening. Droughts, heat waves, and forest fires, as well as global warming caused by the build-up of carbon dioxide and other gases in the atmosphere, increasing skin diseases, and the discovery of holes in the ozone layer caused by our usage of chlorofluorocarbons, spoke for themselves. All of these make us even more sensitive to greenhouse gases like carbon dioxide, and it is causing the extinction of thousands of precious species on a daily basis (24).

More than 30 years have passed, but what Hoffman mentioned above is still prevalent in our life today, even to a higher level. Environmental issues, such as climate change and air pollution, are frequently discussed in newspapers, on the radio, and on television. According to United Nations, Greenhouse gas levels have reached their greatest point in 2 million years. The Earth has been warmer by around 1.1°C since the late 1800s. The previous ten years (2011-2020) were the hottest in recorded history. Intense droughts, water scarcity, devastating fires, rising sea levels, flooding, melting polar ice, catastrophic storms, and dwindling biodiversity are all examples of climate change's effects (25). Landrigan in 2015 had stated: "Air pollution is one of the great killers of our age". In 2015, 64.4 million people died as a result of air pollution throughout the world. Since 1990, mortality from ambient air pollution have been rising globally, with the substantial increases occurring in the most rapid industrializing countries (26).

Thus, the integration of environmental ethical considerations into everyday business operations, as well as giving them equal weight with other business concerns, is a critical move.

### 3.2.3.2 Development of Environmental Ethics

Environmental ethics was introduced by the publication of Leopold's Sound County Almanac in 1949 (27). Aldo Leopold, the father of American wildlife ecology, was also the first ecologist to apply his findings to environmental ethics. Since then, environmental ethics has emerged as a critical concern.

Here are a few points of view on this topic from other authors:

“The fact that we face an ecological crisis without any precedent in historic times is no longer a matter of any dispute worthy of recognition” was stated by Senator Albert Go in 1988. He also mentioned two key players in this public policy debate which are businesses and government, and that they must fully participate in this debate (28). The debate must address essential questions such as:

- What obligation does a business have to help with our environmental crisis?
- What is the proper relationship between businesses and government in environmental problems?
- What logic should be used for making and justifying decisions to protect the environment?

Norman Bowie suggested an answer to the first two questions in a keynote during the conference “Business, Ethics and the environment” at the Center for Business Ethics in 1989. According to him, a business has no obligation to protect the environment beyond what is mandated by law; nevertheless, it does have a moral obligation to refrain from interfering in politics in order to defeat or weaken environmental legislation (29).

One year later, in 1991, Hoffman made a number of counterarguments to Bowie in his paper. According to Hoffman, Bowie's first point is very ‘Friedmanesque’. Milton Friedman, an American economist, observed that CSR might lead to a conflict between business and social objectives. He once wrote an essay for the New York Times in 1970: “There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game” (30). It means producing goods and services and making as much money as possible for their shareholders is the main corporate responsibility, while conforming to the basic rules of the society. According to Friedman, no company is compelled to engage in social responsibility unless the shareholders choose to. From this point of view, it is not fair for the business to do more than this. As Bowie put this: An order to assist in the resolution of social issues (such as environmental issues) places impossible requests on a business in practice, because it ignores the financial consequences of such activities on a company's profit. Bowie used the following example: If customers are not willing to pay for the extra cost of eco-friendly products, then it is not the responsibility of the business to correct such market failure. Hoffman sees this as an extreme approach of Bowie which is inappropriate. He claimed that

if the corporate ethics movement has taught us anything over the last fifteen years, it is that business has an ethical obligation to become a more active partner in resolving social issues. Instead of becoming a part of the problem, businesses must develop innovative methods to become a part of the solution (24).

With the same point of view as Hoffman, Ken Goodpaster and others have argued that corporations can and must have a conscience, which includes an environmental conscience. Corporations should not isolate themselves from taking part in environmental concerns. Because corporations provide special knowledge, expertise, and resources that are invaluable in addressing the environmental challenge. Also, all members of society should share the ethical vision and cooperate to solve society's most pressing problems, especially when it comes to the very survival of the planet itself (31).

Despite Bowie's argument that businesses should not concern themselves with social responsibility, over the last few decades since then, businesses have indeed started to become more active in becoming a part of the solution to the environmental problems. Therefore, a set of principles have been formulated for environmental ethics. These are explored in the following section.

### 3.2.3.3 Principles of Environmental Ethics

In 2011, Laszlo Zsolnai suggested three principles for the development of sustainable business based on environmental ethics for business to follow.

#### 3.2.3.3.1 Business should assure natural life conditions and painless existence for animals and other sentient beings

Animal welfare is founded on the notion that non-human animals are sentient and that their well-being should be considered, especially when they are exploited for food or in animal experiments (32).

The Animal Welfare Council (33) has developed criteria for animal welfare that include:

- Freedom from thirst and hunger – with easy access to clean water and a balanced diet to retain health and vitality.
- Freedom from discomfort – by providing an adequate shelter and a comfortable resting place.

- Freedom from disease, pain and injury – by preventing or immediately diagnosing and treating problems.
- Freedom from fear and distress – by ensuring conditions and treatment that prevent mental suffering.
- Freedom to express normal behavior – by giving adequate space, sufficient facilities and company of animals of the same species.

#### 3.2.3.3.2 Business should use natural ecosystems in a proper way, that is, not damaging the health of the ecosystem during use

At the level of natural ecosystems, the so-called ecosystem ethics is relevant for business. It suggests that natural wealth is not diminishing. More precisely, it necessitates that the ecological value of natural ecosystems does not deteriorate over time (Zsolnai, L. 2011). As an American environmentalist, Aldo Leopold, wrote: “A thing is right when it tends to preserve the integrity, stability, and beauty of the biotic community. It is wrong when it tends to otherwise” (34). To put it another way, ecosystem ethics encourages businesses to interact with the ecosystem in such a way that the ecosystem’s health is not harmed.

#### 3.2.3.3.3 Business should not contribute to the violation of the systemic patterns and global mechanisms of the Earth

Zsolnai suggested this third principle which is also known as “Gaian Ethics” based on Gaia theory which applies to business on the Earth scale. The British independent scientist – James Lovelock proposed the Gaia theory in which all creatures and their inorganic surrounds on Earth are tightly interwoven to form a single and self-regulating complex system that keeps the planet’s life condition stable. Lovelock defined the concept of Gaia as a complex entity encompassing the Earth’s biosphere, atmosphere, oceans, and soil, which together constitute an ecological feedback or cybernetic system striving for the best physical and chemical environment to sustain life on this planet (35).

Zsolnai provided a relevant example to this theory in his work: the biosphere and the Earth’s physical components (atmosphere, cryosphere, hydrosphere, and lithosphere) are tightly linked to form a complex interacting system that keeps the planet’s climatic and



biogeochemical conditions in a favored state of homeostasis (32). By using the Gaia theory into the third environmental ethics principle, Zsolnai wants to emphasize the importance of all creatures and elements that constitute this planet and to reflect the actual value that businesses should be contributing to the Earth. He stated that a business activity system can be considered acceptable if and only if its aggregate impact on the living planet is non-negative (32).

### **3.2.4 Labor Exploitation**

Another major concern of business ethics in the last few decades has emerged in the form of labor exploitation, often also called “modern slavery”. There is not a clear formal definition of what labor exploitation is, but in general it can be understood as a company’s way of making money by exploiting workers in its supply chain. This exploitation includes forced labor or slavery or even child labor, where the workers are paid very little or no money, have to work in unhealthy working conditions and for very long hours (36). According to one of Zafirovski’s definition, labor exploitation is when a worker is “paid less than the value, which their marginal net product has for the firms, which employ them“ (37).

As mentioned by Harris, Sapienza and Bowie in 2009, companies nowadays often sacrifice moral and ethical standards in exchange for higher profits. (23 p. 407). According to an article by LeBaron in 2014, at least 21 million people are victims of forced labor across the world. And a vast majority of this forced labor is linked to industry in some way (38).

During the last few decades it has become a trend for retail companies to have more complex supply chains, mostly due to subcontracting. This means that a company like Apple for example, signs a contract with another company to take care of production and also labor for some of Apple’s products. This is mostly done to cut costs and also to reduce their legal responsibility for the work force. The supplier for Apple can then also subcontract some of its work to keep up with the demand and reduce costs further. As LeBaron also mentions: “Forced labor, slavery, and other forms of labor exploitation are not randomly occurring relations. Rather, they are a coherent management practice that suppliers use to balance contractual demands for low-priced production with quick turnaround times, short contracts, unstable demand, and quickening speed to market” (38).

There is increasingly more evidence that subcontracting is what motivates suppliers to resort to forced labor either directly or indirectly. This is partly caused by short contract times – for example in the fashion industry, contracts can be shorter than 6 weeks to complete

orders. This can lead to the supplier having to subcontract its production and labor to a “shadow factory”, where exploiting the labor force is a core part of the business model. Retail companies and their suppliers can avoid retail-monitoring that way, since the employees often do not have official contracts with their employers. (38).

Naturally, retail companies like Nike or Abercrombie & Fitch have launched a number of initiatives to tackle the labor exploitation problem, like social or ethical self-auditing. However, they do not tackle the underlying motivation that leads to the unethical forced labor, or even slavery across their supply chains, as it merely shifts the costs associated with compliance to their suppliers, while still demanding that they complete the orders within a short amount of time at a low cost. This then motivates factories to cheat on their audits, forcing their workers to lie about their wages, overtimes and working conditions. Therefore, according to LeBaron the business models of these retail companies themselves are a subject for business ethics and should perhaps be reconsidered to tackle the labor exploitation in the world (38).

## **4 Practical Part**

The section below is dedicated to a brief introduction to what the term “fast fashion” actually means, followed by a case study of one of the biggest companies in fast fashion, Zara. In case study itself, Zara's strategies for conducting their corporate social responsibility are examined, presenting their way of interpreting their responsibilities towards their workers and the environment. Following that, the current state of affairs relating to environmental and labor problems caused by the fast fashion industry, and more specifically by Zara's commitment to its strategies is analyzed.

Please note that there were limitations to the research presented in this case study. These limitations include the length and scope of the thesis itself and the fact that it only compares the most recent CSR strategies of the firm, which can change over time. Moreover, the strategies are statements from Zara or its parent company itself. Another limitation is that only secondary sources were used to retrieve information, and particularly for Zara's CSR commitments in practice, mostly news articles were cited. Finally, the data for this thesis was collected over a short period of time and at a low cost.

### **4.1 Introduction to Fast Fashion**

The rate at which humans consume and buy clothing has increased significantly. A few decades ago, people used to buy and wear clothing for years; nowadays, they buy new clothes nearly every month. As shown by a study by researchers at McKinsey, from 2000 to 2014 alone, the average number of clothes bought each year by consumers has increased by 60%. In addition, the consumers keep the clothes for half as long now as they used to 15 years ago (39). Why is that? The main reason is that fast fashion brands are racing each other by releasing new collections every one to two times a month, which come with very low prices. It then attracts the purchasing power of tremendously large groups of consumers. This is in contrast to traditional fashion that only has two collections in a year and a higher price tag. As a result, it has created a huge difference between the way garments used to be consumed in the past and how they are consumed now. So, what exactly is fast fashion?

In the nineteenth century, the notion of fast fashion started to take shape. The sewing machine was patented in 1846, and the industrial revolution was happening at the time. That facilitated the growth of so-called fast fashion. In the twentieth century, the garment industry

went through World War II, which resulted in fabric limits and the advent of mass manufacturing of most apparel. This resulted in a shift in consumer preferences and choices produced for the masses and switching to more practical attire designs. These habits have been kept even after the war ended (40). The 1960s, on the other hand, are regarded as the most crucial turning moment in the history of the fast-fashion business when firms in the United States and Europe began to outsource their labor. Furthermore, throughout the 1970s, a large number of garment factories arose across developing countries and attracted merchants since low-cost overseas production was and is still saving businesses millions of dollars (41). When fast-fashion corporations like Zara and H&M were founded in the mid-twentieth century, the world of fashion clothing reached its peak of transformation. Both brands were established from small shops in Europe and had been rapidly growing throughout the years. Idacavage stated in 2018: "The rapid growth that defines these brands today goes hand-in-hand with cost-cutting measures, and not many companies are eager to celebrate or detail the controversial switch to overseas sweatshop labor" (42).

In the "Circular Economy in Textiles and Apparel: Processing, Manufacturing, and Design", Muthu described fast fashion as "a linear economy system, which motivates the customers to buy more clothes because they are affordable but discard these after only one season. The fundamental concept behind the fast fashion strategy is consumption, fast-changing trends, and low quality, which leads the consumers to change their preferences more frequently" (43).

Fashion was "slow" until the twentieth century. Clothes and costumes were ordered and handcrafted by tailors, and fabrics were expensive. However, the advent of overseas factory manufacturing with cheap labor and stores offering trendy garments at low prices updated monthly has caused overproduction and overconsumption. Nowadays, anyone can go to a store and buy cheap polyester apparel, which perhaps will only be worn once. This is what "fast fashion" is, and as a result of this phenomenon, random impulsive purchases become piles of unneeded lumber in closets, which later end up in landfills.

## **4.2 Zara Case Study**

### **4.2.1 Introduction to Zara**

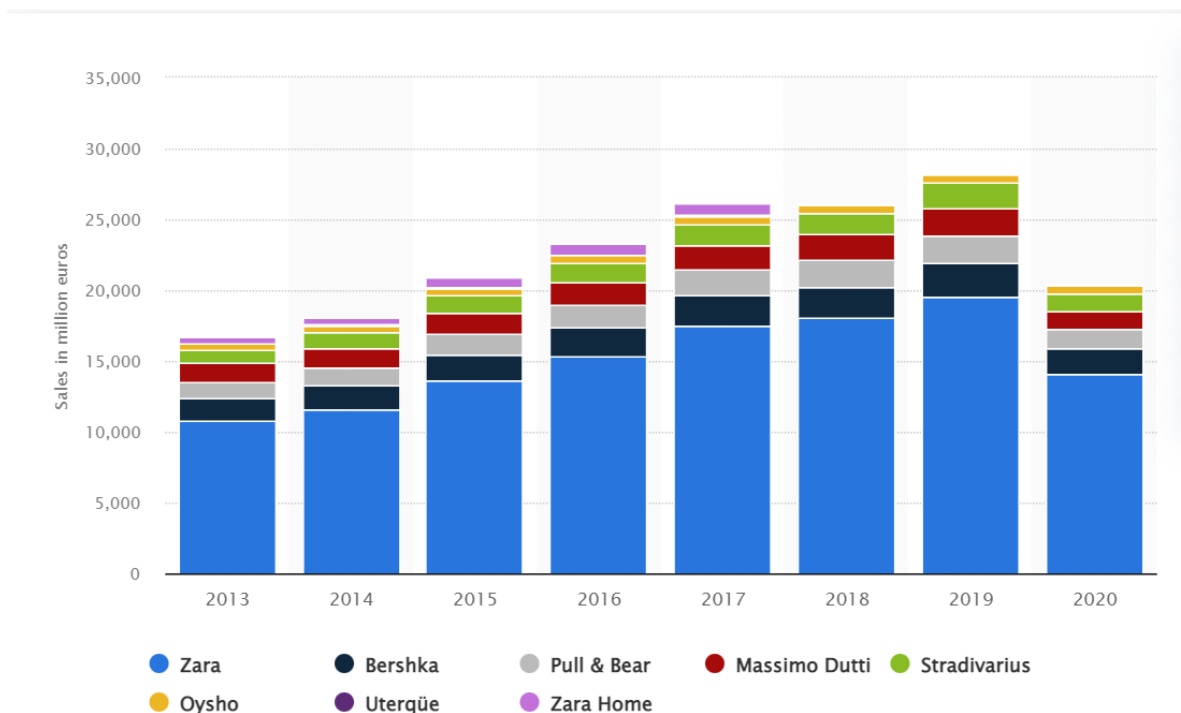
In the fast fashion industry, Zara is the market leader and it is also one of the largest international fashion companies in the world. It has mastered the arts and science of

supplying whatever the customers want in the quickest period possible time. In just two weeks, a designer apparel line is brought from the workshop to Zara's front stores.

Inditex, Zara's parent company, has over 7000 stores in 96 countries, including eight different brands – Zara, Pull&Bear, Bershka, Stradivarius, Uterqüe, Oysho, Massimo Dutti, and Zara Home in which 2208 of them are Zara's stores. The first Zara store opened in 1975 in the town of A Coruna, Galicia, Spain (44). After expanding worldwide for years with the most modern clothing designs on-trend, the brand seems to be more robust than ever.

Zara stores make up just one-third of all Inditex stores, yet they account for 66% (Figure 2) of overall sales (45). Inditex and Zara's net sales grew dramatically from 2013 to 2019. However, from 2019 to 2021, its net sales have decreased slightly, from nearly €20 billion to just under €15 billion (Figure 2). Addressing the reason for this, Zara claimed: "A year dominated by the COVID-19 pandemic. The company prioritized the health of its staff and customers at all times, and every one of its stores was mandated to close or restrict trading hours and capacity during long periods of the year" (45).

Figure 2: Net sales of the Inditex Group worldwide from 2013 to 2020 (in millions of Euros)



Source: C. Simionato – "Sales of the Inditex Group worldwide by format 2013-2020" (46)

Despite recent sales declines, Zara's designers continuously kept track of client preferences and regularly placed orders with internal and external vendors. Almost 11,000

unique products were manufactured during a year, compared to 2,000–4,000 items for key competitors. Behind this success lies Zara’s strength in its distribution process. Zara's core distribution center receives both internally and externally produced items. Products are sent twice a week straight from the central distribution to well-located storefronts, obviating the need for warehouses and reducing inventory levels. Consequently, Zara creates a design and has final goods in shops in four to five weeks for completely new designs and two weeks for adjustments (or restocking) of current items. On the other hand, the standard industrial paradigm may entail design cycles up to six months and manufacturing cycles up to three months (47). Having such a fast turnaround helps Zara become a leading company within the fast fashion industry.

#### 4.2.2 Zara's CSR Strategies

According to internal documents, Zara takes CSR very seriously as a critical part of the industry they are working in – fast fashion (Figure 3)

Figure 3: Zara's current government and management of sustainability framework



Source: Inditex Group annual report 2020 (45)

They claim on their website that sustainability is incorporated into their day-to-day decisions and that their sustainability department has always cooperated with other departments in the company to create strategic proposals for an action plan, develop specific

projects and set goals for the purpose of creating positive impacts on people and reducing their environmental footprint (48).

It is also mentioned that the management of sustainability is at the center of Zara's parent company's entire CSR strategy. The Zara Group has published what seems to be a well-developed management structure, as seen in (Figure 3). From the strategic level of the board of directors through the tactical level of the sustainability committee to the operational level of the chief sustainability officer. Especially, Zara's parent business claims it has also established a social advisory board made up of independent specialists.

Moreover, according to their words, the firm's basic principles, including beauty, clarity, functionality, and sustainability, have guided the company from its founding. It has attempted to live up to its fundamental concept of sustainability by declaring policies relating to the environment, employees, and society.

#### 4.2.2.1 Environment

As stated on Zara's website, Zara focuses on solving four main aspects of the environmental problem: biodiversity, water, emission and circularity.

**Biodiversity:** By 2023, Zara aims to have 100% more sustainable cotton and cellulose fibers and 100% more sustainable polyester and linen in 2025. For biodiversity, they currently have a "forest products policy" and a "responsible animal care policy" that include standards promoting the ethical and responsible treatment toward forests, natural resources and animals. In addition, Zara's group companies use the Join Life label to distinguish products that were made with eco-friendly materials and production procedures. Through the Join Life label, Zara aims to reduce its environmental impact, increase demand for sustainable clothes, and allow for better traceability. Inditex plans to make 50% of their garment being part of Join Life collection in 2022 (49).

**Water:** By 2025, Zara wants to achieve a 25% reduction of the impact of water on suppliers and a 40% water saving in stores. They have some projects to protect marine and freshwater habitats. It emphasizes mainly minimizing the impact of "wet processes" during productions such as dyeing or washing, as well as growing the crop used for raw materials such as cotton or flax. Besides, they also have projects aimed at reducing water consumption and ensuring zero discharges of chemicals that can harm the environment (48).

Emission: By 2022, Zara has set an ambitious goal of obtaining 100% eco-efficient stores, 100% renewable energies in its own operations, 100% neutralized emissions from online shipments and in 2040, they want to achieve 0% net emissions (48).

Reducing emissions has always been a part of Zara's commitment to reduce the impact of climate change. Reducing emissions is a significant challenge for Zara, and the fashion industry as a whole, particularly in the transportation of online purchases. Zara claims that they are currently collaborating with a non-profit organization named Smart Freight Centre, which assists them in optimizing logistics and reducing the distance of online order travel through systems and measuring emissions by using the Global Logistics Emissions Council (GLEC). GLEC is an internationally recognized method for harmonizing transport emissions calculation that Smart Freight Centre developed. They continue that Zara is also working with many other organizations on "compensation projects" intended to restore and protect forests, allowing them to neutralize emissions arising from online shipment transportation (50).

Circularity: By 2023, Zara plans to have 100% designers trained in eco-design, 91.21% reuse or recycle the waste in their own plants, 0% single-use plastics. Another Zara's ambition is to turn any waste into a new resource to reduce the consumption of non-renewable resources. In addition, the firm collaborates with research institutes and start-ups to support technical advancements that enable more effective waste management, the creation of new recycled raw materials, and eco-design tools that promote circularity (48). In reality, it can be seen that plastic bags are not used in any of the company's locations. Some Zara stores provide recycling bins where customers may drop off their worn clothing.

#### 4.2.2.2 Employees

"Our priority is people. We strive to protect the human rights of workers from all our suppliers and manufacturers. That is why we create a sustainable working environment that guarantees respect for the human and labor rights of these employees in line with the international standards". That is what Zara's parent company, Inditex, says on its website. Going along that narrative, relevant strategies, solutions and achievements are also disclosed publicly on the website. (51)

Inditex's first "Code of Conduct for manufacturers and Suppliers" which requires ethical and responsible behavior, was issued in 2001. The company claims to require all of



its suppliers to follow this code, which focuses on protecting workers and promoting a safe environment (51). Zara also says to be developing the "Center Stage 2019-2022" strategy which is directed at understanding and reacting to the needs of supply chain workers, not only in their work environment, but also in their communities (48). To maximize the impact of these initiatives and contribute to the sustainability of the sector, the firm cooperates with trade unions, international organizations, NGOs, civil societies and others. Not only that, Zara also states it has developed a traceability system that enables the firm to track where and how its garments are manufactured at each stage. In addition, it has supposedly developed training and awareness programs focused on gender equality and freedom of association. Due to this, 637 suppliers have been trained in sustainability by 2022. Above 1.2 million workers benefit from this strategy, according to Zara (48).

#### 4.2.2.3 Society

In terms of social support programs, Zara's parent company, Inditex, seems very active. As announced by Inditex on its website, it works on community support projects for vulnerable groups through social integration programs, particularly in the geographical areas where they operate. To accomplish this, they collaborate with many non-profit organizations whose goal is to better the living conditions of these groups in general. The programs that Inditex is reportedly working on include aspects such as health, employment, access to drinking water, education, and humanitarian aid.

Here are some non-profit organizations the firm collaborates with, according to its website:

In 2015, Water.org began working with Inditex. They have been providing water and sanitation to more than a million people. A non-profit organization called "Every Mother Counts" has collaborated with the firm since 2015 on the program to help women in Bangladesh and the United States. The non-profit organization Caritas has been working with Inditex since 2011 to promote access to decent employment for vulnerable people in Spain. Since 2001, Inditex and NGO Entreculturas have cooperated in 13 countries in Europe, Africa and America on some specific training programs for vulnerable groups; in particular, they focus on the younger generation and have helped more than 1 million people. Besides, Inditex also cooperates with different universities on further research in the social field and scholarship programs. Furthermore, the firm established the Tsinghua University

Sustainable Development Fund in 2019 to provide financial assistance to initiatives and research to resolve environmental issues and promote sustainable development. In emergencies such as natural disasters and armed conflicts, Inditex has provided assistance in collaboration with Médecins Sans Frontières' emergency unit since 2008 (52).

It is reported that Zara and its group companies have invested €71.8 million in social programs globally in 2021. This has allegedly resulted in 703 initiatives being launched, over three million people benefiting from these initiatives, and 200 000 young people gaining access to education within five years (53).

### **4.2.3 Current State of Affairs**

It is undeniable that the fashion industry, particularly fast fashion, is rapidly developing nowadays. It is estimated to be valued at \$30.58 billion in 2021 and \$39.84 billion in 2025 (Figure 4). With such high values, the sector is becoming one of the largest and fastest-growth industries in the global economy. However, such a massive expansion comes with significant consequences. The fashion industry faces many issues and hidden threats to the environment and society, including environmental pollution, working conditions of labor, poor salaries for employees, and numerous health risks. These problems are always damaging the whole enterprise's efficiency and sustainable development. Having said that, enterprises must define corresponding goals according to the above issues to help the industry achieve sustainable growth.

As one of the leading businesses in the fast fashion industry, Zara seems to be very concerned about the problems that this industry brings to the community. It is reflected in the creation of many projects and initiatives of the company to minimize the negative impacts on the environment and society, as mentioned in the previous section. But that's what Zara advertises on its website, but how are those commitments being implemented in practice? The following analysis and research, which helps to answer this question, will focus on two main issues: environmental situation and labor situation.

Figure 4: Global fast fashion market growth



Source: "Fast Fashion Global Market Report 2021: COVID-19 Growth and Change to 2030" (54)

#### 4.2.3.1 Environmental Situation

##### 4.2.3.1.1 Environmental Impact of the Fashion Industry

Before looking into detail about Zara's efforts to minimize the negative impact on the environment, it is necessary to understand the current environmental problems caused in reality by the fashion industry in general.

As a result of increased consumption and efficiency in the production of fashion items, the market of low-price and low-quality goods is on its rise. Despite a rise in the number of items possessed, the average per person expenditure on apparel and footwear in the EU and the UK has declined from 30% in the 1950s to 12% in 2009 and only 5% in 2020 (55) (56). Low prices further pose the trend of buying more and wearing products less, which facilitates the fast-fashion model to develop more and more.

The fashion industry is known as "one of the most polluting and damaging sectors of the worldwide economy, not only is the harm evident in the natural world but also within societies of people" (57), which is a growing concern due to its negative environmental and health implications. In the textile industry, most resources are non-renewable. A total of 98 million tons, including oil to make synthetic fibers, fertilizers to grow cotton, and chemicals to make, dye, and finish fibers and textiles are used per year. Textiles production (including

cotton cultivation) utilizes over 93 billion cubic meters of water yearly, adding to water scarcity in some regions. Plastic-based fibers for textiles are anticipated to require 342 million barrels of oil per year, and cotton production is estimated to use 200,000 tons of insecticides and 8 million tons of fertilizer per year. Chemicals used in fiber and textile production processes (dyes and finishing treatments) account for a large amount of resource utilization - over 43 million tons every year (58 p. 38). Also, the manufacture of polyester items causes a significant amount of carbon dioxide. Polyester's environmental damage is two to three times more than that of cotton garment manufacture. Furthermore, polyester and other synthetic fabrics do not decompose in the ocean (59).

According to the Intergovernmental Panel on Climate Change, the fashion industry is responsible for 10% of worldwide greenhouse gas emissions (25). In 2015, textiles production released 1.2 billion tons of CO<sub>2</sub> equivalent, which was 21 times more than all international aircraft and marine transportation combined (58 p. 20).

Textiles' negative environmental consequences happen not only during their manufacturing process but also continue to grow even after garments leave stores for a while. Every year, it is estimated that half of a million tons of plastic microfibers shed during the washing of polyester, nylon, or acrylic-based textiles end up in the ocean. As a result, in recent years, the textiles sector has been highlighted as the main contributor to the issue of plastic existing in the ocean (58 p. 21).

What about old garments? The costs of overconsumption of clothing are not just monetary but also environmental. Clothing utilization — the average number of times a garment is worn before it ceases to be used — has declined by 36% globally in the last 15 years. While utilization is relatively high in low-income nations, it is substantially lower elsewhere. Some studies point out that less than 1% of the material used to produce garments gets recycled into new clothes. This encompasses both post-use clothes and manufacturing offcut recycling. Just 13% of the total material input is recycled in some form after they are used. Most used clothes of high-income countries are mainly exported to developing countries or are cascaded to lower-value applications (58 pp. 36-37). Although such efforts increase textile utilization, most of these textiles eventually end up in landfills or incinerated. Because the fact is that apparel generally is not made either of 100% natural fibers or a single type of fiber that would allow the recycling capacity to exceed its maximum value.

#### 4.2.3.1.2 Zara's Commitment to its Environmental Strategies in Practice

As mentioned in Section 4.2.2.1, Zara has launched a collection dedicated to more sustainable clothing, called the Join Life collection. A case study analyzing the true sustainability of this clothing line has been conducted by Carmen Adriana Gheorghe and Roxana Matefi for an article in the "Sustainability" journal in 2021, where they randomly selected 40 pieces of clothing with the Join Life label and subsequently compared Zara's claims of the sustainability of these with the perspective of an educated consumer. The 40 pieces were selected randomly from 4 categories the following way: 10 women's dresses, 10 men's trousers, 10 girls' clothes and 10 boys' clothes (60).

The results of this study showed that Zara did indeed use mostly recycled materials and/or ecologically grown cotton for the production of clothes in the Join Life collection. However, when taking a closer look at the materials of the clothes from the adult men's and women's section, the majority of the pieces were made of more than one type of fiber, decreasing the possibility for future recycling. On the other hand, the vast majority of the clothes from the kids' section had been produced using only one type of fiber, thus further increasing the future recyclability (60).

A big weakness found by Gheorghe and Matefi through this study is that only a low percentage of the materials used for clothes from this collection were natural fibers, like cotton, which are "sustainable at every stage of their life cycle, from production to disposal" (61), as opposed to their synthetic or semi-synthetic counterparts. Aside from that, only a handful of pieces from the Join Life collection were found to be manufactured in a European country, meaning that the environmental impact could be worse through the transport of these clothes after their production.

Maddie Dockrill has also mentioned a few other critiques of Zara's real commitment to delivering on the goals it set on its website. While she praised Inditex's "Closing the Loop" initiative, where customers are welcome to return old clothes in Zara stores, she also pointed out: "there is no evidence it [Zara] minimises textile waste when manufacturing its products. And, although Zara has set an absolute target to reduce greenhouse gas emissions generated from its own operations and supply chain, there is no evidence it is on track to meet its target" (62).

#### 4.2.3.2 Labor Situation

##### 4.2.3.2.1 Labor Situation in the Fashion Industry

Not only is the fashion, particularly the fast fashion, industry tied to problems caused for the environment, in the recent few years, it has also been shown to be involved in extremely distressful activities regarding labor. These include but are not limited to low wages, long working days, child labor, unhealthy and even life-threatening working conditions. This is the case specifically in developing countries, like Vietnam, Bangladesh and India, where the oversight of these working conditions is limited. Because of this, and the lower cost of labor, these countries are particularly intriguing for the fast fashion brands to order the manufacturing of their clothing, as they can separate themselves from these problems and thus not be held accountable (63).

According to Emma Ross, out of 75 million workers in the fast fashion industry supply chain, only less than 2% earn enough to not be below the poverty line. In addition, during the production of fibers and also the garments themselves, around 8000 synthetic chemicals are used, including ones that have been proven to cause cancer when breathed in regularly. As a result, there have been several protests of garment workers over low pay and bad working conditions in the last few years, the latest example of which is the protest of garment workers in Haiti in February 2022 (64).

The loose upholding of the law by clothes manufacturers has most notably been brought to light in the collapse of the Rana Plaza Factory in Bangladesh in 2013, where a total of 1100 workers were killed and 2500 more were injured. The building was not safeguarded, meaning it was in definitely not in a condition to hold that many workers inside. Nevertheless, despite warnings, the garment workers were urged to work in it, as they would not get any payment otherwise (63).

Another shocking example of bad working conditions in the fashion industry is the forced labor and violation of human rights of the Uyghur population in the Xinjiang region of China. According to an article by The Guardian, the atrocious violations include forced separation, torture and compulsory sterilization of Uyghur women. China is the largest cotton producer in the world with 84% of its cotton coming from the Xinjiang region, where most of the Uyghur population is situated. As such, a number of international fashion companies, including Gap, C&A, Adidas, Muji, Tommy Hilfiger and even Calvin Klein,

were reported to use cotton connected to the unsettling working conditions and violations of the Uyghurs (65).

#### 4.2.3.2.2 Zara's Commitment to Ethical Labor in Practice

Despite Zara having a Code of Conduct for its workers and suppliers across the supply chain, the company could not avoid having controversial reports being published surrounding their usage of low-wage labor force with distressing working conditions. It is now reportedly even involved in an investigation led by French prosecutors to find out whether they are associated with usage of cotton from Xinjiang (66). There are, at this point, countless other reports covering concerning events regarding workers from countries where companies like Zara order their manufacturing.

One such example of the western world being reminded of where their clothes come from happened in 2017, where some of the clothes produced for Zara were reported to contain hidden notes from the factory workers in Istanbul pleading for help. One note reportedly said: "I made this item you are going to buy, but I didn't get paid for it" (67).

In another case, Zara was even fined for "slave-like work conditions found in one of its subcontractors' [AHA] fabrics" in Brazil. In this case, the vast majority of the workers found in these conditions were illegal immigrants from other South American countries without any official documentation. Shockingly, one of them was just a 14-year-old girl. These working conditions included working 12-16 hours a day, 6 days a week, bundled with very poor hygiene and safety measures in the fabric, low wages, no unauthorized leaving of the fabric, and debt peonage. Zara denied their responsibility for these workers, with the argument that AHA and Zara are two separate companies. However, it needs to be mentioned that 99% of AHA's production was commissioned by Zara, making them an almost exclusive manufacturer for Zara (68 p. 8).

## 5 Results and Discussion

This section will discuss the results of the analysis of Zara's corporate social strategies from the standpoint of the mentioned CSR models: Carroll's CSR pyramid, as well as Elkington's Triple Bottom Line. Lastly, the principles for environmental ethics defined by Zsolnai will also be examined through the lens of Zara's CSR activities.

Starting from the bottom of Carroll's CSR pyramid, it is safe to say that Zara is definitely doing well economically with more than 2000 stores over the world and a net income of 14 billion Euros in 2020 (46). Therefore, the “**Economic**” building block of the pyramid is well fulfilled by Zara.

Regarding the “**Legal**” layer of the pyramid, Zara as an international company is highly compliant with local laws of the countries that it operates in. However, on the side of its manufacturers, there have been multiple scandals and even a high-profile legal case made against Zara for the dreadful working conditions in one of its manufacturers', AHA, fabrics in Brazil.

In terms of “**Ethical responsibilities**”, the next part of the pyramid, Zara seems to cover a lot of the bases as far as only their own statements and promises are concerned, as they do have various initiatives for protecting the environment and their workers. Nonetheless, as the study by Gheorghe & Matefi in 2021 showed, although the used material in one of their initiatives, the Join Life collection, is mostly recycled, a lot of the pieces of clothing are not made to be recycled again, since they are made from more than one single type of fiber (60). Additionally, their predominant use of synthetic or semi-synthetic fibers over natural ones leads to the clothes being of lower quality with a shorter lifespan, leading to consumers having to buy more and thus cause more damage to the environment. One must not also neglect the fact that Zara is a leading brand in the fast fashion industry, which is undeniably currently one of the biggest polluters in the world.

There were and still are also scandalous reports regarding the use of low-cost, sometimes even child-labor from overseas. In the legal case in Brazil, Zara denied any sort of responsibility of their manufacturer's activities, despite having published their Code of Conduct for Suppliers and Manufacturers in 2001 already, and even putting “Our priority is people. We strive to protect the human rights of workers from all our suppliers and manufacturers” on their website. Consequently, this denial of responsibility speaks against



their own Code of Conduct and their own words. It also goes directly against what Paliwal defined as business ethics, since they did something that the workers in its manufacturers' fabrics, who are also Zara's stakeholders, would definitely consider wrong and do not feel protected by. With all of that being said, after the biggest scandals, Zara has seemingly put even more effort into becoming more ethical and socially responsible, an example being their "Center Stage 2019-2022 Strategy" initiative and their parent company's "Close the Loop" initiative for returning old clothes, and others. Nevertheless, the possibility that Zara's statements and strategies posted on their website regarding their environmental initiatives and commitments could be their way of "greenwashing" should not be disregarded. "Greenwashing" essentially means that a company spends a lot more resources on appearing to be sustainable, rather than actually being so. On the other hand, it can also mean that Zara has taken Lewis' words on the significance of business ethics to heart and interpret their ethical responsibilities as follows: "As a way to market their products and services, marketing campaigns and sales advertisements should be bound by ethical guidelines which ensure the safety of the stakeholders without having an adverse effect on the company's performance" (20 p. 54).

At the top of the CSR pyramid sits the "**Philanthropic**" block, which Zara seems to accomplish quite respectably. According to their website, they have cooperated with multiple non-profit organizations that work on aspects like clean water with Water.org, health, employment for vulnerable groups with Caritas, education with different universities, and also assistance in emergencies like natural disasters and armed conflicts with Médecins Sans Frontières, among others. This goes in line with Carroll's consent for the Philanthropic part that the initiative should be on the company's side, instead of society's expectations, like with the ethical responsibilities.

When comparing Zara's CSR culture to the **Triple Bottom Line** (or 3Ps) model, for the reasons stated above in this discussion, Zara seems to have fulfilled at least the first of the Ps in the model, namely "Profit". When it comes to the "People" and the "Planet", it might be regarded as impossible for Zara to fulfill with the nature of the fast fashion industry relying on people rebuying new affordable clothes repeatedly, and inherently the speed of releasing new collections in the shortest amount of time possible at a low cost. Their business model essentially relies on subcontracting for this, which has been shown to fuel forced labor, child labor and even slavery, as mentioned by LeBaron. Additionally, due to the speed

at which clothes are now replaced by consumers, fast fashion as a whole industry can be regarded as environmentally unfriendly. This leads to the idea that probably some entire industries can never be ethical, as they would always violate at least one of the three 3 Ps. For fast fashion brands in particular, in order to become more ethical, they would probably have to restructure their whole business model – less new collections, rely less on subcontracting, find friendlier materials and methods to the environment, which would mean they become not “fast” anymore and sacrifice a lot of their economic wealth and success built over the last few decades.

All of the factors mentioned go hand in hand with discussing Zsolnai's three principles for environmental ethics the following way. The first principle of “not harming animals or other sentient beings” is implicitly violated by the usage of dangerous chemicals during the manufacturing process of the materials, like viscose, as the workers have to be in constant vicinity breathing them in, ultimately causing them health problems. The second principle of “not harming the ecosystem” is also violated on several fronts, one of them being the excessive water usage during clothes production causing water shortages in the surrounding areas. Another instance is the release of plastic microfibers when washing clothes made out of synthetic fibers. The violation of the first two principles also implies that the third principle which is “contribute to the violation of the systemic patterns and global mechanisms of the Earth” cannot be fulfilled by Zara at the moment.

## 6 Conclusion

In conclusion, it can be safely said that this thesis has accomplished all the objectives that it was set out to do from the start. Beginning by the literature review, the meaning and significance of corporate social responsibility was presented, through two of the most renowned models for CSR, Carroll's CSR pyramid and the Triple Bottom Line. As an integral part of CSR, business ethics was also introduced, with definitions from multiple authors and also their interpretations of its significance. Subsequently, a topic that has gained a lot of attention within the last few years to decades, namely environmental ethics, was also explored.

Aside from the Zara case study, the fast fashion industry was explained in the practical part. In the case study itself, Zara's and its parent company's statements regarding their commitment to ethics and CSR in general were analyzed. In order to get a sense of their real commitment, other similar case studies were researched, in addition to some recent scandalous events regarding their involvement in unethical behavior towards the workers in their manufacturers' factories. The results of the practical part were then discussed within the context of the different frameworks and/or models presented in the literature review. Also Zara's ethics are brought into question.

Through a big number of commitments and declarations that Zara has made on its website, it is recognizable that Zara does have an idea of becoming an ethical and socially responsible company. However, after diving deeper into them and how Zara puts them into practice, their real intentions became a bit more questionable. This is due to the fact that there are no details about how they plan to deliver on their commitments specifically. Furthermore, as shown in Sections 4.2.3.1.2 and 4.2.3.2.2, Zara has been involved in some high-profile scandals regarding unethical business activities.

Therefore, as mentioned in the discussion, their published commitments to CSR might just be their way of "greenwashing", as the core of their whole business model relies on practices that actually lead to labor exploitation and damaging the environment, which can be regarded as unethical. Thus the idea that maybe some industries, like fast fashion, can never be ethical no matter what they do, was brought up. Because what brings the companies in these industries financial success actually also causes problems for the environment and in the labor force. And in order to solve them and become truly ethical, they would

essentially have to rethink and restructure their whole business models and possibly also give up enormous financial gains.

One of the main takeaways from this thesis is that in reality, it is very difficult to assess whether a company is actually ethical and socially responsible or not, especially if it is restricted to a specific timeframe. As Davis has already mentioned above: “social responsibility is an uncertain idea and it may require a long and complicated process to prove effective” (1 p. 70).

As a result, future research in this could delve a bit deeper into the methods of how to measure whether a company is actually socially responsible or ethical. Again, this can prove to be very difficult, as ethics also heavily depends upon the location and time that the company's activities are measured. Another suggestion for potential future research is a case study of a company or group of companies that belong to “slow” traditional fashion. Then compare it with the results of this thesis.

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