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**CORPORATE SOCIAL
RESPONSIBILITY AND
SUSTAINABILITY IN THE TEXTILE
INDUSTRY. COMPARATIVE ANALYSIS
INDITEX AND H&M GROUP.**

Higher impact of the act local and think global.

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INDEX

1. INTRODUCTION.....	3
2. CORPORATE SOCIAL RESPONSIBILITY.....	4
2.1 Principles.....	4
2.1.1 Accountability.....	5
2.1.2 Sustainability.....	5
2.1.3 Transparency.....	6
2.2 Factors that influence CSR.....	6
2.3 The firms change in terms of CSR.....	7
3. SUSTAINABILITY.....	8
3.2 Sustainability Reports and Ethical Indexes.....	10
4. TEXTILE INDUSTRY: CSR AND SUSTAINABILITY.....	12
4.1 Groups of Interest.....	13
4.2 Accord on Fire and Building Safety in Bangladesh.....	14
5. COMPARISON ANALYSIS: INDITEX AND H&M GROUP.....	15
5.1 Introduction.....	15
5.2 Selected Companies.....	16
5.2.1 Inditex.....	17
5.2.2 H&M Group.....	17
5.3 Scoring.....	18
5.4 Economic Dimension.....	18
5.5 Environmental Dimension.....	24
5.6 Social Dimension.....	26
6. CONCLUSIONS.....	30
6.1 Comparative analysis conclusions.....	30
6.2 Overall Conclusion.....	32
7. BIBLIOGRAPHY.....	34
8. INDEX OF TABLES.....	39

1. INTRODUCTION.

For the last few decades, society's commitment for fighting against social issues and injustices as well as fighting against the damaged situation of the environment, has been increasing. Since the beginning of the 21st century, the arising social awareness related to these topics has made that not only individuals themselves, but also governments and big corporations, develop and implement new regulations and norms in order to contribute to the reduction of the damage caused by its economic activity.

For this reason, when thinking about the concept of an enterprise, it is inevitable that in one way or another, Corporate Social Responsibility will appear in our minds. There is a debate on whether social and economic objectives are compatible, but for the moment, it seems that most companies are opting for obtaining benefits for shareholders, as well as for the sustainability on the environment and the development of society.

The increase in the use of CSR policies also leads to an increase in concern of companies, that the information and transmission of the initiatives that are being applied is real and transparent.

As a consequence of the need of the companies for their stakeholders to be well informed, the Sustainability Reports emerged, in which the companies reflect the CSR activities that have been carried out during the year. A significant factor that influences stakeholders when deciding, is the Corporate Reputation, which is highly related to CSR, since a positive corporate reputation will benefit shareholders.

Beyond the debate on whether social and economic benefits are compatible or not, there also exists a division of groups that believe that CSR is just another trend and then in a few years from now, it will be forgotten by managers. It is not the first

time that this situation happens, in the case of Total Quality Management, at its launch was predicted to be the future of companies and currently it is barely used.

In this paper a general analysis of the current status of CSR is presented, along with a comparative analysis of Inditex and H&M in relation to this matter.

2. CORPORATE SOCIAL RESPONSIBILITY.

The concept of Corporate Social Responsibility has been defined in multiple different ways, as it can lead to different interpretations, but most interpretations of this concept agree on the ethical criteria for the environment and social aspects. AECA¹ defines CSR as "the voluntary commitment of companies to the development of society and the preservation of the environment, from its social composition and responsible behavior towards the people and social groups with which it interacts" (AECA, 2019).

The UNIDO definition of CSR, introduces a new concept on the discussion, the triple bottom line (TBL), "CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line-Approach"), while at the same time addressing the expectations of shareholders and stakeholders " (UNIDO, 2019)².

2.1 Principles.

"Because of the uncertainty surrounding the nature of CSR activity it is difficult to define CSR and to be certain about any such activity. It is therefore imperative to be able to identify such activity and we take the view that there are three basic

¹ AECA stands for Asociación Española de Contabilidad y Administración de empresas (Spanish Association of Accounting and Business Administration).

² UNIDO stands for United Nations Industrial Development Organization

principles which together comprise all CSR activity: These are: Sustainability, Accountability and Transparency" (Crowther and Aras, 2008: 14-20).

2.1.1 Accountability.

The principle of accountability implies the assumption of responsibility of the effect on the external environment of its economic activity. Accountability also implies the recognition of the firm as part of a bigger social frame and that its actions affect other groups and not only the organization. Therefore, companies report all externalities that it might have caused. In order to report accurately, firms need to quantify its performance based on the following criteria (Crowther and Aras, 2008: 16):

- Understandability to all parties
- Relevance of the users of the information provided
- Reliability of measurement, impact and freedom from bias
- Comparability, between different periods of time and different firms

Firms can follow these characteristics when reporting the information, but since there are no official standards to measure performance, it is still difficult to compare different organizations within an industry.

2.1.2 Sustainability.

The principle of sustainability refers to the concern of the effects that the present actions will have in the future. The limitation of resources such as capital or raw materials is a key factor for the management of a firm, since if a resource is used, it will no longer be available in the future, this is when making responsible decisions is crucial.

As the issue of sustainability is of great importance, it will be analyzed more deeply in the following section.

2.1.3 Transparency.

Internal and External transparency is one of the most relevant values a firm should consider. Internal transparency refers to the transparency of the firms accounting and financial reports, of the procedures and decision-making process, and external transparency refers to the way the company manages and informs external parties.

Honesty and clarity about the firm can grow more trust to employees and customers, and by increasing trust, reliability will also increase. Some benefits for the firms resulting of transparency, are that trust will maintain the current customers and also employees and attract new ones. Generally, transparency creates a positive impact for the firm.

2.2 Factors that influence CSR – Legal, Political, Strategic, Ethical.

When making a decision, specially related to CSR, a company might be influenced and should be based on the following factors. By Analyzing them, the firm will manage to stablish its own possibilities and limitations in terms of new CSR measures. In a firm, four types of factors can be distinguished (Navas López and Guerras Martín, 2012: 78-79):

- Legal factors: the minimum threshold that a firm is required to respect by law, is determined by the level of respect that a society shows for the laws and regulations that were stablished by its institutions.
- Political factors: they are the result of the company's will to fulfill and attend the needs of its stakeholders, especially those who have been given priority because they were considered more relevant. Employees are usually the prioritized internal stakeholder. In terms of external stakeholders, the ones that are considered more relevant are those who are convincing consumers in their decision-making process by using social environmental or ethical criteria.
- Strategic or competitive factors: CSR also helps to position the company in a more competitive level and can also create more value in several ways, by

saving costs and reducing risk, improving its reputation which will make them differentiate from its competitors and, becoming more attractive as an employer.

- Moral-Ethic Factors: an organizations mission and culture can incorporate some moral ethic criteria based on the values of the firm as a whole, the owners and manager team and of the society around the company.

2.3 The firms change in terms of CSR.

As mentioned previously, there exists a debate about whether CSR activities are an investment or if it just generates an additional cost for the company. There is not a clear answer to this debate, as most ethical questions, and there are differences in the way of thinking in the business world. Friedman stated that "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 in the rules of the game, which is to say, engages in open and free competition, without deception or fraud" (Friedman, 1970). He was a clear defensor that a company should only be focused on economic profits. On the other hand, there have been several studies that prove that investing in CSR can increase the profits in the long run. This would create a circular cycle, in which the increase of profits generated by the invest in CSR can increase the amount of capital addressed to CSR initiatives and generate again higher profits.

If this ideal situation followed its course as planned then, companies would be willing to be socially responsible, since it would enhance the corporate reputation of the company which is beneficial for shareholders. The business and economic interest is not the only reason why companies change, but also because the employees and people that work within a company are also worried and committed with CSR.

3. SUSTAINABILITY.

During the second half of the 20th century, a general rise in the awareness could be observed in a global and local scale. The results of this rise in awareness were several international treaties related to the environmental and sustainable development issues that the planet was and is still facing.

Since then, the subject of sustainable development has been a hot topic in most political and governmental meetings and will probably continue to be on the spotlight.

3.1 Agreements.

- Brundtland Report:

Our Common Future, or Brundtland Report, is the report published in 1987 by the World Commission on Environment and Development. It was the result of the realization of severe deterioration of the environment and its main purpose was to persuade and guide countries to sustainable development. As a guide, seven Strategic Imperatives were suggested, which would lead them into a more sustainable track and would stop the damage and deterioration that most countries were following in order to grow and be more competitive (World Commission on Environment and Development, 1987).

- reviving growth
- changing the quality of growth
- meeting essential needs for jobs, food, energy, water, and sanitation
- ensuring a sustainable level of population
- conserving and enhancing the resource base
- reorienting technology and managing risk
- merging environment and economics in decision making

The Brundtland Report was accepted by more than 50 countries. Since then, the United Nations has held a series of conferences in which sustainability is discussed on the international scene.

- United Nations Conferences and Summits

The Earth Summits, the first held in Stockholm in 1972, the second in Rio de Janeiro in 1992, the third one in Johannesburg in 2002 and the fourth one held in Rio de Janeiro in 2012, also known as Rio+20. The United Nations has arranged a new meeting for 2019, the UN Sustainable Development Summit in September at UN headquarters in New York. In September of this year, the Climate Summit will take place too (United Nations, 2019).

In these meetings, new plans and new challenges are proposed. Results, progress and improvements are evaluated, and the plans proposed in previous meetings are revised and updated if it is needed.

- Montreal Protocol

The Montreal Protocol on Substances that Deplete the Ozone Layer, created in 1987, had the purpose to eliminate substances that damage the ozone layer in a progressive way. By the end of 2014, the objectives were successfully achieved, 98% of ODS (Ozone Depleting Substances) had been eliminated (United Nations Development Programme, n.d.).

- Kyoto Protocol

Created In 1997, and implemented in 2005, the Kyoto Protocol purpose is to establish a series of objectives and goals in order to reduce greenhouse gases. In the case of developed countries, the limits and restrictions are more severe, since these nations are responsible for the high levels of greenhouse gas. The agreement requires mostly national measures for meeting the objectives, but it also suggests three market-based mechanisms that could help to achieve them: International Emissions Trading, Clean Development Mechanism and Joint Implementation.

The Doha Amendment was adopted in 2012, due to the failure to achieve the expected objectives, it includes new goals and new targeted gasses and extends the commitment period up to 2020 (European Parliament, 2015).

- Paris Accord

The Paris Agreement, which was created in 2015, has as its main objective to reduce the global warming, trying to maintain a limit in which the global temperature does not increase by more than 2°C and as far as possible, try to keep it below of 1.5°C.

These are some highlights among the issues that were agreed, meetings will be celebrated every 5 years in order to set new goals, transparency in communicating and evaluating their progress, and providing assistance to developing countries so that they can also reduce their emissions of harmful gases. This agreement covers the period from 2020 onwards (European Council, 2018).

3.2 Sustainability Reports and Ethical Indexes.

A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model and demonstrates the link between its strategy and its commitment to a sustainable global economy (Global Reporting Initiative, 2019).

Now a days, most companies decide to create and publish a sustainability report, which requires deep analysis of the company and its actions during the year, but the firm can also benefit from it, as it reflects transparency and compromise with its current stakeholders and will attract new ones by improving the image of the corporation. It also allows the company to reorganize and plan its CSR activities in order to be more sustainable and committed with social interests. If this is made efficiently the company will be more competitive and a step ahead of its rivals.

- FTSE4Good

FTSE4Good emerged in the year 2001, its creation resulted in a great change for business practices and activities in order to get the recognition of this company. The Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Transparent management and clearly-defined ESG criteria make FTSE4Good indexes suitable tools to be used by a wide variety of market participants when creating or assessing sustainable investment products. Its criteria can be used for research, reference, financial products or benchmarking. The firm conceded UNICEF the company's profit, in order to act as a role model for other companies (FTSE Russell, 2019).

There also exists sets of indicators specialized by regions such as FTSE4Good ASEAN 5 Index, FTSE4Good Emerging Indexes or FTSE4Good IBEX Index, this last-mentioned index is a partnership with Bolsas y Mercados Españoles which covers companies in the IBEX 35 and the FTSE Spain All Cap Index (FTSE Russell, 2019).

- Dow Jones Sustainability Index

One of the oldest and most important indexes worldwide, the JDSI analyzes each year the sustainability parameters of companies differentiated according to the sector to which they serve, varying some parameters, and creates a ranking which is made public. Therefore, companies feel the pressure of updating and improving the sustainability in their activities, in order to keep or improve their position on the ranking. This offers a better understanding and broad idea to the investors who are concerned about the sustainability issues when making their investment decision.

3.3 GRI Standards.

GRI or Global Reporting Initiative, helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being. This enables real action to create social, environmental and economic benefits for everyone. The GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions and rooted in the public interest (Global Reporting Initiative, 2019).

The Global Reporting Initiative is an instrument that organizations use to reveal and reflect what initiatives are being implemented in the firm to the stakeholders. These initiatives should be included in the Sustainability reports. GRI is the most commonly used model by companies, and its main purpose is to promote sustainability reports among organizations, this will enable to measure and to compare firms.

This initiative suggests a set of indicators focused into three areas: economic, environmental and social; through which companies can perceive and analyze the sustainability issues of their company as well as compare it with their competitors. The core objective of the GRI is to achieve a sustainable economy worldwide, so that companies, through the writing of the reports, are aware of the effects that their activity causes relative to the three areas mentioned previously. This free and easy access guide is available for all companies. It occurred in 1997, and since then it has become the most used model by companies for the elaboration of their memories, since it offers the advantage of being more transparent and reliable to the groups of interest of the firms.

4. TEXTILE INDUSTRY: CSR AND SUSTAINABILITY.

The textile industry has always been one of the most relevant through history in a global scale. With its origins in the trade of fabrics such as cotton or silk, the

production of a smaller amount and domestic level, the textile industry as the rest of the industries has evolved, after different phases, the development of machinery of the production process and the rise of large corporations, the textile and fashion world has transformed into what is called nowadays Fast Fashion.

Inditex, known as the pioneer of fast fashion, and whose singular business model allowed the firm to gain a lot of power and position itself a step ahead of its competitors. Many of the smaller players in the industry look up to Inditex, but with the success of the company and the spread of this new trend, a new question arises, to what extent is the fast fashion trend sustainable? What CSR and sustainability measures are the firms implementing?

The doubts about this new way of clothing manufacturing go further and also cover issues about the environment or human rights among other issues.

The textile companies are aware of the increasing importance of CSR and they are trying to develop and implement new rules and measures in order to contribute to the fulfillment of the CSR objectives. In the following section, the previously mentioned topics will be covered as well as the relationship with stakeholders and the analysis of specific examples.

4.1 Groups of Interest.

The groups of interest of a company or best known as stakeholders can be defined as, "a party that has an interest in a company and can either affect or be affected by the business" (Investopedia, 2018).

In 1984 Freeman, with his book *Strategic Management: Stakeholder Approach*, was the person who uncovered the problem that existed and still exists in companies in relation to stakeholders and their individual needs and desires.

The conflict between the groups of interest appears because of the incompatibility of reaching the expectations of all in the desired levels. (Navas López and Guerras Martín, 2012: 66).

They can be differentiated into internal groups of interests: employees, managers and shareholders; and external groups of interest: manufacturers, suppliers, customers, community, environments and animal welfare.

4.2 Accord on Fire and Building Safety in Bangladesh.

One of the fundamental subjects of the CSR, is the branch of human rights. The 24th of April of 2013 took place one of the key events for all manufacturing companies, but especially the ones belonging to the textile industry. It was the tragedy of the Rana Plaza, an eight-floor factory which collapsed, causing the death to 1,100 people and injuring more than 2,000 workers. Despite the fact that the previous day, large cracks had been observed in the structure, and that most of the shops and banks in the lower floors closed and did not attend to work, the employees of the textile factories were called to work in order to keep performing their activities.

This factory produced garments for mostly western companies, such as Mango, Benetton, Primark or El Corte Inglés among many others.

This tragic event became the starting point for the creation of several agreements and treaties in order to improve security and sanitary measures, as well as measures for preventing a possible future fire or collapse of other buildings. They cover the suppliers located in Bangladesh of the firms which signed the agreement.

The Accord on Fire and Building Safety in Bangladesh carries out its inspections under the national plan of action (NPA), which determines if a building should be evacuated, closed, or if the number of machinery and workers should be reduced to reduce the risk of possible collapse.

As a result of this accord, most of the factories that supply for the signatory brands, had already been provided with the installation of the fire preventing systems and security measures, but when the accord reached its limit date in May 2018, there were still some factories that were missing the installation of the mentioned systems. "755 factories were yet to complete the installation of their fire safety systems and 578 factories had yet to conduct a Detailed Engineering Assessment

and utilize it to complete the structural remediation work” (Accord on Fire and Building Safety In Bangladesh, 2018).

For this reason, in 2018 came into force the 2018 Transition Accord, which extends the period of the agreement until 2021, in order to keep the implementation and revision of the working conditions in the factories. Further in time it is intended to delegate the functions of the accord to the Government of Bangladesh 'Remediation and Coordination Cell (RCC).

Despite the great advances in worker safety, there are still many things to improve, including the remuneration of these workers, since the average salary is still below the poverty line, causing them to have to work overtime.

5. COMPARISON ANALYSIS: INDITEX AND H&M GROUP.

5.1 Introduction.

In the following section, a comparative analysis of corporate social responsibility and the sustainability of two companies will be carried out. In this case the chosen companies are both related to the retail industry. Inditex and H&M are the firms that are going to be analyzed and compared. This analysis will serve as a guide to formulate a motivated investment recommendation according to the information analyzed and the evaluation process that has been used, to The Government Pension Fund Global, managed by the Norges Bank Investment Management, our client on the fictitious case that was proposed.

I have decided to use the weighing and criteria suggested for the retail sector in particular by RobecoSAM, a company that together with the DJSI, maintains the Long-Term Value Creation Global Index (RobecoSAM, 2018) These highlighted criteria are:

- Economic Dimension – 49%
- Brand Management – 20%

- Customer Relationship Management – 30%
- Supply Chain Management – 50%
- Environmental Dimension – 29%
 - Policy and Environmental Management System – 40%
 - Operational Eco-Efficiency – 40%
 - Packaging – 20%
- Social Dimension – 22%
 - Indicators of Labor Practices and Human rights – 35%
 - Relationship with Interested Parties – 35%
 - Attraction and Retention of Talent – 30%

As well as the criteria, it also suggests an uneven weighting for each dimension, in the case of retailing, giving more weight to the economic dimension, followed by the social dimension and the minor weight to the environmental dimension, to which these percentages correspond respectively 49%, 29% and 22%. Above next to the listed criteria are the weights I have decided to give to each one of them.

This comparison is based on information collected from the Internet, more specifically from the companies' corporate website and annual reports for the year 2017. When I have not found enough information to evaluate a criterion, I have decided to put a three in the evaluation of that criterion.

This comparison is obviously incomplete without performing an audit that certifies the scope of what is expressed in the published information by the firms, so the evaluation of the criteria is based on the good faith of the publications.

5.2 Selected Companies.

This table shows some relevant information of the two chosen firms.

Year 2017	Location	Career	Net sales	Employees	Activity	Stores	Markets
INDITEX	Spain	33 years	25.3 M €	171,839	Retailing	7,490	202
H&M	Sweden	71 years	22,2 M €	171,000	Retailing	4,959	72

Table 1 - Basic Information of the firms
Source: Own Elaboration with data from the corporate websites Inditex and H&M Group

5.2.1 Inditex.

Inditex, one of the biggest and most important textile company in the world, and the biggest in Spain, was founded by Amancio Ortega, in the year 1985, as the parent company for smaller brands, among which, Zara can be emphasized. It was and still is located in Arteixo, La Coruña. Initially, its core activity was to manufacture clothing oriented to the female public, but nowadays, it produces clothes for man, children and other target groups.

Inditex works as a holding company, and consists of 8 different brands Zara, Massimo Dutti, Pull and Bear, Bershka, Stradivarius, Oysho, Uterque and finally Zara Home. Each one of these brands are managed as an individual firm, belonging to the bigger and global structure of Inditex. Since 2001 the group, as a whole, has been listed on the stock exchange market and it is part of the IBEX 35.

What originally started as a small store in the north of Spain, Inditex has been growing and expanding little by little, with its first stores outside the Spanish territory in Portugal, New York or France, to the 202 markets that covers today and more than 7000 stores (Inditex, n.d.). The company has become a reference leader in the fashion industry, due to its innovation and adaptability in its business model, adopting new trends in fast fashion as well as implementing CSR measures.

5.2.2 H&M Group.

Hennes & Mauritz more commonly known as H&M is one of the most recognized Swedish multinationals in a global scale. This company of the textile sector offers fashion garments for women men and children, along with accessories and decoration for the house. It is considered one of the leading brands in the sector, although it has strong competitors.

H&M group is formed by 9 different brands all managed by the H&M group, these brands are: H&M, COS, Weekday, Cheap Monday, Monki, H&M HOME, & Other Stories, Arket and Afound. The firm has its origins in 1947 when the Hennes store

was opened, where women's clothing was sold. Years later it merged with the firm Mauritz which sold menswear, and that is when H & M arises. It is in the 80s when the brand begins to expand both in Europe and to other continents. During the 2000s, the group creates some of its other brands and consolidates in the market and expands its scope.

Both brands are among the most powerful in the sector, both listed on the stock exchange and have the same structure, a parent company that manages several firms.

5.3 Scoring.

1. Deficient economic, environmental or social practices compared to the market and sector, polluting and harmful economic activity.
2. Deficient economic, environmental or social practices compared to the market and sector, sustainable development is not considered in business values.
3. Practices in economic, environmental or social issues are in accordance with the common practices of the market and sector, sustainable development is part of the company's strategic objectives.
4. Benchmark in its sector and market in economic, environmental or social matters. Considered as a priority matter at a strategic level.
5. Exemplary and pioneering economic, environmental or social practices worldwide. Considered as a priority matter at a strategic level

5.4 Economic Dimension.

- Brand Management

The information provided about the management of the brands, branding or marketing campaigns is very scarce in the case of the two companies. Nevertheless, some aspects of which I have been able to gather information will be covered.

The use of social networks is now more than ever one of the most effective methods for advertising. The impact on social media will be measured by the number of followers of the two main brands from each group, Zara and H&M.

The chart below shows the total amount that the two brands have been able to raise in their official accounts in the most used platforms. These large numbers, 60.6 millions for Zara and 66.9 millions for H&M, reflect the great responsibility that the brands have in order to publish and post not only seasonal campaigns and new trends, but also expand the sustainability and responsible message that the two companies share as values.

	Zara	H&M
Instagram	31.8 M	29.5 M
Facebook	26.8 M	36.1 M
Twitter	1.3 M	343.4 K
YouTube	69 K	368.1 K
Pinterest	674.5 K	647 K
TOTAL	60.6 M	66.9 M

Table 2 - Information about the firms' social media platforms accounts
 Source: Own Elaboration with data from the social media accounts of Zara and H&M

Another way of making the brand known in other aspects is through the elaboration of an annual report, in which apart from the operations and the methods of managing the internal processes, it also displays the programs, foundations, or collaborations that the company has carried out or has participated in. This helps the consumer to be aware of the social and environmental action of the company and know the different initiatives in which they can also participate or contribute either through the purchase of items or donations etc. Through these social and environmental causes, they can obtain certifications or recognitions. H&M group has an exclusive marketing department for every brand. The company elaborated for the year 2017 an annual report, and a specific sustainability report. On its corporate website, several policies that the company follows are published, and this

makes the customer understand better the company. Inditex's annual report and sustainability report are really complete, and they are easy to understand and to find information on them. But both groups lack on information about their marketing strategy.

H&M collaborates annually with high end brand designers and important figures from the fashion industry such as Karl Lagerfeld, Balmain or Erdem, which was the one selected for 2017. These participants design a of the collection that will be sold in H&M stores for much more affordable prices, thus bringing high fashion to its consumers.

In order for the comparison to be fair, on the corporate website of the H&M Group, a section on responsible advertising can be found, which states that the message of their campaigns should be clear, simple and provide information on the news in the firm. They promote cultural diversity and styles. The selection of models is regulated by its advertising policy, which is against promoting drugs or alcohol, but instead encourages the promotion of H&M values. The participation of children as models is also controlled, ensuring their willingness to participate and their supervision to ensure the safety of the child.

Based on the information collected and considering the insufficiency of official information published, the score for H&M is 4 and 3 for Inditex.

- Customer Relationship Management

For the CRM section, I have chosen a set of indicators that will provide information about the current projects and innovations that the two groups are implementing, in order to improve its relationship with their customers.

Primarily, regarding the response to customers, both companies mention that the response and attention offered to the customer has to be as fast and pleasant as possible, either through the online services or face-

to-face, although in the case of Inditex the firm goes further and its employees in the stores are take part in comprehensive training programs, which help to improve their response.

Secondly, the innovation systems and new technologies implemented in stores and in their management systems, make the shopping experience for the customer much easier, fast, and personalized, which are key factors for today's society. In this topic, Zara will be analyzed first. The firm internally developed the Radio Frequency Identification (RFID) system, that streamlines the storage process which allows the employee to have more time to assist customers. Its integrated stock management system helps to proceed online orders. The implementation of these kind of systems allows the company to offer same-day or next-day delivery services, which fulfills the order of the customer faster. Finally, the interactive fitting rooms service that is available in some of Inditex's stores, offers the customer a completely new shopping experience, where they can request other sizes or colors, and the garments will be brought to their fitting room. In the case of H&M, its stores are also equipped with the RFID system, but apart from this data, there is insufficient information about new technologies being used in the stores.

The last aspect to be analyzed of this criterion is the social media and applications for the firms. In both cases, the companies emphasize the use of social media platforms for collecting information about trends and learning about the new customer needs. In terms of the application for mobile devices, the to brands offer really useful and updated services, such as the scan and buy, which allows the customer to scan the label of an item and pay for it online if there is no color or size available.

It is remarkable that in both cases, the new measures and initiatives are usually implemented first in Zara and H&M, the largest brands of each

group, and once they have been established, they are extended to other brands. The score for this aspect for H&M is a 4 and for Inditex it is a 5.

- Supply Chain Management

It is very famous and recognized by most people the great effort made by the Inditex group to achieve its current supply chain, with a high performance and efficiency, this is probably one of the key factors that has allowed it to become a leading company in the sector. Taking this factor into consideration, the analysis of the criterion of the supply chain management will be focused on the sustainability of the supply chain.

Designing is the first step of any production process, both companies agree that it is in this first stage when not only the shape and style will be chosen, but also the type of fabric and material, which will have an impact on the environment, and this is something that the team of designers must be aware of. By the year 2020, all members of the design team will participate in circular design principles programs, in order to ensure their consciousness with this topic.

The obtaining of raw materials and suppliers is one of the most controversial subjects for the textile industry, it is often in this phase of the process when the scandals related to the violation of the human rights happen. For this reason, both firms really emphasize the origin of their raw materials. H&M declares that by choosing certain materials or some recycled ones, it reduces the impact around them. It also sets the year 2030 as the limit so that 100% of its raw materials are recycled or obtained from sustainable sources. H&M has its own animal welfare and material ethics policy, which has to be strictly followed by its suppliers too. Inditex also has a code of conduct for manufacturers and suppliers which has to be complied. The group promotes the principles of human and labor rights as well as safety and environmental issues. Their traceability system allows Inditex the supervision, control and verification of the process of their resources. The

group has put a lot of effort on the development and improvement of this particular system.

Regarding the production phase, H&M does not own any production factory. It states that their products are produced by independent suppliers, which are located mostly in really poor areas, and this promotes the economic activity of those countries. The firm works with organizations such as International Labor Organization or the Ethical Trading Initiative (ETI), in order to promote the relationship between factory owners and its employees, fair wages and health and safety measures. As for the distribution of its commodity, it is mostly shipped by trains or ships to H&M's warehouses, this transportation phase represents around 6% of the greenhouse gas emissions in the lifecycle of a garment.

Conversely, Inditex owns 11 factories, all located in Arteixo, Galicia, and half of the factories that they work with are located in relatively close areas. This allows Inditex to adapt fast to the changes in customer needs and preference. It is really important for Inditex to supervise the quality of their products as well as the procedures under which they are made, in order to avoid negative effects that these can cause for the environment. They work with universities and several laboratories in order to meet the zero-discharge goal by 2020.

As mentioned previously, the logistic design of Inditex is admirable due to its efficiency and ability to perform fast and adapt to the demanding customers. New logistics centers are equipped with sustainable technologies, and the older ones are being updated in order for them to also be sustainable, not only for saving and reducing the consumption of energy, but also generating their own. The distributing duty is performed entirely by subcontractors, but Inditex also covers the greenhouse gas emissions and controls how much is being issued and how can it be reduced. The company reduced by 2 million kilometers in transport by increasing the number of items shipped at a time.

The scoring in this section and according to all the analysis and comparison made, is a 3 for H&M and a 5 for Inditex.

5.5 Environmental Dimension.

○ Policy and Environmental Management System

For the analysis of this subject, three factors have been differentiated by both companies, healthy workplace, healthy ecosystems and animal welfare. The policies of both groups share the same commitments which are: health and safety, discrimination, diversity and equality, recognized employment, fair living wage, benefits and working hours, freedom of association and collective bargaining, child labor and young workers, forced labor, impact on climate and air quality, impact on water resources, use of chemicals, waste, re-use and recycling, conservation of species and natural habitats, animal husbandry, animal testing.

The score for both firms in this topic is a 4. They commit with the Sustainability development goals from the United Nations are good examples of how sustainability and economic activity can be combined, although they are in the right path, the firms still have to work to meet their goals.

○ Operational Eco-Efficiency

Inditex's annual report contains deep information about the use and management of natural resources. These are the most relevant indicators that were found:

Environment Dimension	
Total Energy Consumption (MWh)	1,895,244
Energy Consumption Store (MWh)	1,655,454
Energy Consumption Logistics (MWh)	148,118
Scope 1 (t CO2 eq)	18,550
Scope 2 (t CO2 eq)	470,629
Municipal Solid Waste (Kg)	20,929,751
Water Consumption (m3)	1,302,539

Table 3 - Environmental Dimension Indicators Inditex 2017
Source: Own Elaboration with data from Inditex's annual report 2017

Along with these magnitudes, the company expresses the efforts and improvements that it is making in order to reduce the impact on the environment and the consumption of water or energy. It is developing new systems for sewage water, and it is participating on programs such as the CEO Water Mandate of the United Nations or the Zero Discharge Hazardous Chemicals (ZDHC). The goal for energy consumption is that they are obtained from renewable sources, this goal has been achieved already in some regions. The strategy for biodiversity is based on the principles of UN Convention of Biological Diversity. Finally, in order to achieve a circular economy, the project Closing the Loop was created, which collects and recycles or donates items of clothing that can still have a second life.

H&M group does not offer any absolute magnitudes from the consumption of resources, but it does offer information about the growth and improvement for a more sustainable supply chain. The company is also trying to move towards a circular economic model under the project 100% Circular and Renewable. The data offered by the company about the use of resources are:

H&M 100% Circular & Renewable Indicators	2016	2017
% of recycled or other sustainably-sourced material of total material use (commercial goods)	26%	35%
% of cotton from sustainable resources (certified organic, recycled or Better Cotton)	43%	59%
Tonnes of garments collected through garment collecting initiative	15,888 t	17,771 t
% of stores with recycling systems for main types of store waste	71%	64%
% of facilities in own operations with water-efficient equipment	51%	51%
% business partner factories in compliance with wastewater quality requirements as defined by BSR	82%	84%
% of renewable electricity in own operations	96%	96%
% change in CO2 emissions from own operations (scope 1 + 2) compared with previous year	-47%	-21%
% change in electricity intensity (kwh/m2 per opening hour compared with 2016)	n/a	-2.7%

Table 4 - H&M Environmental Dimension Indicators
Source: Own elaboration with data from H&M's annual report 2017

Based on the analysis of this subject, the score for H&M is a 4 and a 5 for Inditex.

- Packaging

Inditex is trying to establish a standardized model for all their suppliers with sustainable materials. It also encourages to reuse or recycle its cardboard boxes (which can be used at least 5 times), hangers, alarms, and other materials used when a garment is shipped. All the bags, labels and paper used in Inditex are certified under the PEFC / FSC standards. Regarding H&M packaging policy, I have not found or had access to any valuable information to evaluate its performance. Therefore, the score for H&M is a 3 and for Inditex it is a 4.

5.6 Social Dimension.

- Indicators of Labor Practices and Human rights

INDITEX		H&M	
Employees	171,839	Employees	171,000
Female employees of total (%)	75	Female employees of total (%)	74
Male employees of the total (%)	25	Male employees of the total (%)	26
Part time employees (%)	50	Part time employees (%)	28
Full time employees (%)	50	Full time employees (%)	72
Female executives (%)	22	Female executives (%)	50

Table 5 - Information about employees from both companies
 Source: Own Elaboration with data from Inditex and H&M Group corporate websites

The two companies have a similar number of workers, and they also share almost the same percentage of women and men in the workforce. But the percentage of women executives is very positively noted by H&M, in both cases it has been measured by the number of women on the board of directors.

Regarding human rights, Inditex has a Human Rights Policy which is based on the UN Universal declaration of the Human Rights and UN Principles on

Business and Human Rights. This policy applies to all its stakeholders. It is backed up by the general Code of Conduct, as well as the Code of Conduct for Manufacturers and Suppliers, ensuring that no human right is being violated at any stage of the production process. Inditex also has a due diligence principle, through which the company is able to identify irregularities and solve them. Through the whistle-blowing method anyone who perceives a bad behavior can report the situation to the company.

H&M Human Rights Policy is outlined by the rights of the Universal Declaration of Human Rights, The International Covenant on Civil and Political Rights, on Economic, Social and Cultural Rights, and in the United Nations Convention on the Rights of the Child and the Elimination of Discrimination against Women.

Its main priority are its own employees and its suppliers, but the firm also supervises the rest of the groups and organizations involved in the supply chain. Customer's human rights are also an important issue for the company, regarding discrimination or the management of private information. In order to properly implement this policy some training programs and knowledge sharing about human rights is needed throughout the workforce.

H&M's score for this criterion is a 3 and Inditex's is a 4.

- Relationship with Interested Parties

Both groups cover essentially the same aspects, showing altogether really similar initiatives. Both companies emphasize a continuous communication with stakeholders, on daily basis or very frequently This is a clear example, as indicated in the introduction point of this chapter, of the convenience to audit which of all the initiatives indicated by both parties are accomplished. Therefore, and as specified in the introduction based on the criteria of truthfulness and good faith, I will qualify both companies with a 4.5.

- Attraction and Retention of Talent

Training and development programs will be the first factor that will be compared. H&M offers programs that help employees to learn and to get trained in different areas, which help their promotion and development of skills in the area of their work, as well as communication and leadership skills.

In the case of Inditex, the company offered 12,6 hours of average training per employee, with programs to learn languages or computer skills necessary in each area. The firm believes that if their employees grow within the company at an individual level, the company will also grow.

When it comes to attracting and later recruiting of talent, firms have very different approaches. Inditex relies on its Inditex Careers Portal through which candidates can easily apply for a specific offer, or simply send their CV for possible vacancies. This program streamlines the process of analyzing the information of the applicants. On the other hand, the company has talent centers in different cities, which allows the company to be in touch with the most prestigious universities of design, and this improves the communication between talents and Inditex. The firm has created numerous initiatives and campaigns both to attract new talent and to encourage the internal promotion of its employees, which as mentioned previously not only helps in this subject, but it is also a method of branding. Some of these campaigns are Hackathan, Intalent, Inditex Go or Lead in. H&M program LDP is an 18-month development program where talents can meet, understand and get familiarized with the company, which will give them a gateway for leadership roles in the firm.

Caring about the health and wellbeing of employees is a great way to attract and retain employees. H&M offers a wide range of programs and options to its employees. These programs cover issues such as medical and dental coverage, insurances, wellness programs and parental leave for both fathers and mothers. Inditex follows its Safety and Health Policy, which was

launched in 2017, and offers programs to raise awareness about safety and health issues that affects the workers. For example, road safety training, INhealth Program, vaccination campaigns against the flu, the Heart Campaign, and programs that aim the reduction of physical load for the elder employees. Finally, H&M focuses of the communication of the benefits of working in H&M.

Besides from the ones mentioned above, the company offers shopping discounts, generous vacation periods, financial security programs and other extra advantages.

Regarding talent management and attraction, the score for Inditex in this aspect is a 4 for both companies.

6. CONCLUSIONS.

In this chapter of the paper are presented the main conclusions and recommendations of both, the comparative analysis and the overall analysis. They are divided in to two different sections.

6.1 Comparative analysis conclusions

DIMENSION Weight	DIMENSION	CRITERIA	CRITERIA Weight	COMPANY INDITEX GROUP		COMPANY H&M GROUP	
				Evaluation	Weighted Evaluation	Evaluation	Weighted Evaluation
49%	Economic Dimension	Brand Management	20.0%	3	0.6	4	0.8
		Customer Relationship Management	30.0%	5	1.5	4	1.2
		Supply Chain Management	50.0%	5	2.5	3	1.5
<i>Economic Dimension Subtotal</i>					4.60		3.50
22%	Environmental Dimension	Environmental Management Policy and System	40.0%	4	1.6	4	1.6
		Operational Eco-Efficiency	40.0%	5	2.0	4	1.6
		Packaging Policy	20.0%	4	0.8	3	0.6
<i>Environmental Dimension Subtotal</i>					4.40		3.80
29%	Social Dimension	Labor Practices and Human Rights	35.0%	4	1.4	3	1.1
		Stakeholders Relationships	35.0%	4.5	1.6	4.5	1.6
		Talent Attraction and Retention	30.0%	4	1.2	4	1.2
<i>Social Dimension Subtotal</i>					4.18		3.83
OVERALL COMPANIES SCORE					4.43		3.66

Table 6 - Dimensions and Total Scores for the firms
Source: Own Elaboration

The table number 6 shows the scores that have been adjudged to both groups according to the criteria of RobecoSAM. In the first column, the weights of each dimension are reflected, in the third column we find the subcriteria that has been analyzed within each dimension, and in the fourth column, the weights that I have decided to award to each section based on my own standards since, in my opinion,

not all the subcriteria should have the same weight when analyzing the performance of the firms. In the last 4 columns, the grades and its weights can be observed, along with the subtotals and the overall score for each company.

The overall score of the companies has a difference of 0.77 points, placing Inditex in a better position than H&M. Inditex also outperforms H&M in all dimensions but not in all criteria. Now we will analyze the strengths and some suggestions for improving of both groups. To clarify, it should be noted that the purpose of this paper is a purely comparative analysis of the performance of two companies in certain aspects, and that in some parts it does not coincide with other official indexes and evaluations, since for some matters the access to sufficient and relevant official information to determine the score has not been possible.

As it has been mentioned previously, Inditex has a great advantage over its competitors in this matter, and it is a role model in terms of logistics, distribution, suppliers ... etc. It is a great example of effectiveness and combination of economic performance and sustainability. Another function in which the brand stands out is in the customer relationship management, since its investment in new technologies and programs for a better understanding of the consumer are showing results. Its operational eco-efficiency also stands out from the rest of the participants in the market, the firm is very committed to the environment and tries to reduce its impact as much as possible. The annual report is very clear and complete, offering detailed information on many issues. In most of the remaining aspects, the brand has a good score, which reflects its current position in the market.

Regarding the suggestions for improvement for Inditex, it is worth mentioning the lack of information in any of its sources of official information on marketing, advertising campaigns or brand management in general. The brand could incorporate more information about it in its annual report, although many people claim that this lack of information is part of the group's marketing strategy.

In the case of H&M, although its score in all dimensions is below Inditex's score, the brand reflects some optimistic data in many aspects. Its environmental policy and commitment to sustainability is very remarkable, as is the relationship with its stakeholders, which is very fluent. The data provided in its annual report and in the sustainability report about the consumption and management of natural resources reflects the direction in which the firm is moving, getting closer to achieving its goals. Its several specific policies on specific topics among which the policy of responsible marketing is included, makes the brand receive a higher score than Inditex in terms of brand management.

The main suggestions for improvement for the H&M group focuses on its supply chain. The modernization and upgrade of the logistics system and the supply chain could make the brand, altogether with its recognized commitment to sustainability, be placed at the same level as Inditex in this matter. The incorporation of data and absolute magnitudes in its annual report of the measures applied for the consumption of water, gas emissions etc, would help to compare and see its improvement path in a clearer way.

The results obtained from this comparative analysis are not surprising, since both companies have a benchmarking and important position in the textile industry. However, when making a recommendation to the client from the fictitious case, The Government Pension Fund Global from Norway, based on the assumption that I would recommend investing in both companies due to the fact that the two firms are incorporating measures and positioning sustainability as one of the main priorities, I believe that Inditex has been able to better adapt and introduce corporate social responsibility and sustainability measures to its business model, and this has favored a very noticeable growth of the company.

6.2 Overall Conclusion

As a general conclusion of this project, all the information collected and the comparative analysis, we can conclude that there certainly exists an increasing tendency for companies to include CSR and sustainability on their planning. Unlike

in the past, nowadays companies have the subject of sustainability within their priorities, since it is not just a matter of the image of the company, but also about the obtention of raw materials, and other natural resources that are necessary to carry out the economic activity, and if they are not used in a responsible way, the company itself will be affected. This raises awareness among companies and as a result they are investing more in methods for reducing the effects that their activities may cause, also engaging with the Sustainability Development Goals, the Bangladesh, Paris or Kyoto accords and trying to perform better every day to improve or maintain the scores and positions in the sustainability and ethical indexes.

In my opinion, the compatibility of both social and economic interests is feasible, as demonstrated by cases such as Inditex, among many others. And although it is true that the direction and the path that is being followed is good and encouraging, there is still a long way to go in this matter.

Most likely, over time, new measures, methods and new problems will arise in relation to CSR, or maybe even an official process of evaluation for the companies will be established. Hopefully, the factors that influence the decision making and the laws regarding CSR and sustainability evolve at the same speed, in order to have a stricter and more favorable framework for the economic, social and environmental dimensions.

I would like to finish these conclusions by saying that it is easy to find very motivating and interesting phrases related to CSR and sustainability, such as: "Creating a strong business and building a better world are not contradictory goals: both are indispensable ingredients for long-term success" (Ford Jr., n.d.).

However, the one that has drawn my attention the most is the one mentioned in the title of this project, because it gives us a clear pattern of action, as employers, workers, people or politicians.

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8. INDEX OF TABLES

Table 1 - Basic Information of the firms	16
Table 2 - Information about the firms' social media platforms accounts.....	19
Table 3 - Environmental Dimension Indicators Inditex 2017.....	24
Table 4 - H&M Environmental Dimension Indictors.....	25
Table 5 - Information about employees from both companies.....	26
Table 6 - Dimensions and Total Scores for the firms.....	30