



Green Beauty: a path towards sustainable luxury

The cases of L'Oréal Luxe and Jurlique

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Dissertation written under the supervision of Professor Laure Leglise

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Abstract

There is growing societal urgency towards sustainable development, with firms increasingly acting on sustainability. However, sustainable luxury is considered paradoxical by some scholars and practitioners. Recent research has shown that committing to sustainability is beneficial for luxury firms, improving their reputation and innovation levels. Still, research is scarce on how luxury firms can become more sustainable, especially concerning one of the most pollutant sectors: cosmetics. Thus, this thesis aims at understanding how luxury beauty firms can become more environmentally-sustainable, which is determinant for corporate survival and socioeconomic development.

Adopting a qualitative approach, I conducted two case studies on luxury beauty firms that are becoming more environmentally-sustainable. My findings show that firms can attain this objective by following a three-step approach: defining, implementing and monitoring a sustainability strategy. When defining the strategy, its environmental goals are based on international scientific standards. Studied in light of Porter's value chain model, successful implementation depends on stakeholder engagement and co-creation throughout the product lifecycle. This can be achieved with several initiatives, namely changes in production processes, product innovation and sustainable packaging. Monitoring this sustainability strategy entails measuring and communicating its impact on environmental sustainability.

This research advances academic knowledge while providing practical recommendations for luxury beauty managers interested in embedding sustainability in their business models, redefining both industry practices and consumer expectations.

Dissertation Title: Green Beauty: a path towards sustainable luxury. The cases of L'Oréal Luxe and Jurlique

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Keywords: sustainable luxury, sustainability strategy, beauty, cosmetics, value chain

Sumário

Há uma crescente urgência face ao desenvolvimento sustentável, com as empresas a atuarem cada vez mais em prol da sustentabilidade. Contudo, luxo sustentável é paradoxal para alguns académicos e gestores. Investigações recentes mostram que um compromisso sustentável é benéfico para empresas de luxo, melhorando a sua reputação e inovação. Todavia, há escassez de investigação sobre a forma como estas empresas podem tornar-se mais sustentáveis, especialmente num dos setores mais poluentes: cosmética. Assim, esta tese pretende compreender como é que empresas de cosmética de luxo podem ser mais ambientalmente sustentáveis, fator determinante para a sua sobrevivência e desenvolvimento socioeconómico.

Adotando uma abordagem qualitativa, desenvolvi dois casos de estudo sobre empresas de cosmética de luxo que são cada vez mais ambientalmente sustentáveis. Os resultados demonstram que este objetivo pode ser atingido em três passos: definindo, implementando e monitorizando uma estratégia de sustentabilidade. Ao definir a estratégia, os seus objetivos ambientais são baseados em padrões científicos internacionais. Estudada à luz da cadeia de valor de Porter, uma implementação bem-sucedida depende do envolvimento de *stakeholders* e da cocriação ao longo do ciclo de vida do produto. Tal pode ser atingido com diversas iniciativas, nomeadamente mudanças no processo produtivo, inovação de produto e embalagem sustentável. Monitorizar esta estratégia de sustentabilidade implica medir e comunicar o seu impacto na sustentabilidade ambiental.

Esta investigação contribui para o conhecimento académico, enquanto oferece recomendações práticas para gestores de cosmética de luxo interessados em incorporar sustentabilidade nos seus modelos de negócio, redefinindo práticas do setor e expectativas dos consumidores.

Título da dissertação: Beleza Verde: um caminho para o luxo sustentável. Os casos da L'Oréal Luxe e da Jurlique

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Palavras-chave: luxo sustentável, estratégia de sustentabilidade, beleza, cosméticos, cadeia de valor

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Epicurus once said: “*remember that what you now have was once among the things you only hoped for*”. Looking back on almost 17 years of academic life and dedication, this thought materializes in my life today, as this thesis is the culmination of a much-cherished path. I have always set ambitious goals for myself, giving my best to make my dreams come true, step by step. Becoming a Master was a dream I entertained for many years, and towards which I worked hard. Therefore, I am ecstatic to reach this milestone in such a meaningful way: contributing to academic knowledge and managerial decision-making on sustainability, a topic that is so dear to my heart.

As life usually teaches us, the goal is ever more meaningful due to the journey that led to its attainment. My journey is enriched with the incredible people I met, the invaluable opportunities I pursued and the unforgettable adventures I lived. This academic path, especially at Católica, has allowed me to explore my passions and grow exponentially as a woman! None of this could have been achieved alone, so I would like to recognise the contributions of all those who shaped who I am today and helped make this dream come true.

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“Il n’y a rien de mieux qu’un rêve pour créer le futur” (Victor Hugo)

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List of acronyms and abbreviations

APCO – Australian Packaging Covenant Organization

CSR – Corporate Social Responsibility

ESG – Environmental, Social and Governance

KPI – Key Performance Indicator

M&A – Mergers and Acquisitions

N.A. – Not Applicable

NGO – Non-Governmental Organization

R&D – Research and Development

SBT – Science-Based Targets

SD – Sustainable Development

SDG – Sustainable Development Goal

UN – United Nations

Q&A – Question and Answer

1. Introduction

Are luxury and sustainability one and the same (Disko, n.d.) or is luxury the “*waste of resources for the pleasure of a happy few*” (Kapferer, 2010, p. 1)?

Growing societal interest in sustainability is undeniable (*The Evolution of the Sustainability Mindset*, 2018). Nowadays, consumers, companies, governments, investors and non-governmental organizations (NGOs) are increasingly working together to foster sustainable development (SD), including sustainability in their agendas. Thus, it is urgent to change behaviours, expectations and practices to promote sustainability in its three dimensions: economic, social and environmental (Bansal, 2005; Montiel, 2008). As environmental sustainability is a prerequisite for viable and enduring socioeconomic development (Goodland, 1995; Morelli, 2011), it seems obvious that, considering their impact and responsibility, firms of all industries should take action and embed environmental sustainability in their business models.

However, despite facing intense criticism for its negative impact on sustainability topics (e.g. waste and resource exploitation), this is not consensual in the luxury industry. There is an academic debate concerning the compatibility between luxury and sustainability, with some scholars viewing sustainable luxury as paradoxical (Kapferer & Michaut, 2015; Kunz et al., 2020). This vision is fuelled by several factors, namely lack of firm communication on sustainability-oriented actions (Kapferer & Michaut, 2015; Kunz et al., 2020) and reduced influence of sustainability as a criterion for luxury purchases (Jin et al., 2017; Kapferer & Michaut, 2015; Kapferer & Michaut-Denizeau, 2017).

Notwithstanding this apparent paradox, research on sustainable luxury is a recent and fast-growing field, increasingly focused on the similarities between these two concepts, and on the benefits luxury firms have when taking action on sustainability (Athwal et al., 2019; Kunz et al., 2020). As François-Henri Pinault, CEO of Kering - the most sustainable luxury company in 2019, according to the World Economic Forum (Farra, 2019) - points out, sustainability in luxury is more than an ethical necessity, it is a driver of innovation and value creation (Disko, n.d.), key for long-term competitive advantage (Kapferer & Michaut, 2015).

Thus, being progressively pressured by diverse stakeholders to become more environmentally-sustainable (Li & Leonas, 2019), luxury firms consider this a determinant factor for survival nowadays (Depeyre et al., 2018; Kale & Öztürk, 2016; Kunz et al., 2020). In

fact, one of the emerging trends in luxury during the COVID-19 pandemic is a more ethical approach to the industry: “*brands that have developed a clear sustainability strategy will be better placed to win with consumers when the crisis subsides*” (Kapferer & Revis, 2020). This is especially urgent for firms in the sparsely-studied beauty sector (Kunz et al., 2020), facing intense criticism for their negative impact on the environment (Bom et al., 2019; *Real Cost of Cosmetics*, n.d.) and experiencing a surging trend in organic and green cosmetics (March, 2020).

Although luxury consumers tend not to consider sustainability in their purchases, they have strong expectations towards the sustainability-oriented actions of luxury firms, which influence brand attitudes and credibility perceptions (Jin et al., 2017; Kunz et al., 2020). Since this is now an element of quality and an implicit need, firms must tighten the gap between expectation and reality. This is in accordance with stakeholder pressures and strategic alignment: if luxury stands for the highest quality and sustainability is its new element, luxury has the potential to redefine the standards for entire sectors, fostering societal behaviour change, for firms and consumers alike (Choi, 2014; Joy et al., 2012)!

That is why I decided to study how luxury beauty firms can benefit from this opportunity, being change agents. While the reasons for taking action on this topic are intensively discussed by existing literature (Kunz et al., 2020), there is a clear lack of studies on how firms can successfully incorporate environmental sustainability in their business models. Consequently, wanting to make a meaningful contribution to academic knowledge while providing actionable insights for managers of luxury beauty firms, I formulated the following research question: how can luxury beauty firms become more environmentally-sustainable?

To answer this research question, I used a qualitative approach. Considering the lack of literature on the topic, a qualitative approach allowed me to explore this phenomenon in-depth (Birkinshaw et al., 2011). Thus, I conducted a multiple case study, comparing the approaches of two firms: L’Oréal Luxe and Jurlique. Besides being global firms in the luxury beauty sector, with demonstrated success in becoming more environmentally-sustainable in recent years, they are particularly interesting to study due to their different contextual dimensions (e.g. size, geography, performance, financial resources, organizational culture). I focused on three stages of the process following the decision to become more environmentally-sustainable: defining,

implementing and measuring the impact of a sustainability strategy. For the implementation stage, I studied the findings in light of Porter's value chain model (Porter, 2001).

This thesis is organised in six chapters. First, I provide an overview of existing literature, highlighting the lack of academic consensus on the definitions of luxury, sustainable development and sustainability, the apparent paradox of sustainable luxury, the urgency for luxury beauty firms to become more environmentally-sustainable, and the ways in which they can achieve this goal. After identifying the gap, I present the methodology chosen to collect and analyse primary and secondary data, in a way that would allow me to effectively answer the research question. The empirical setting introduces the studied firms, presenting their different contexts and reasoning to become more environmentally-sustainable. Then, the findings chapter answers my research question. Subsequently, these findings are compared with existing literature in the discussion chapter, where main conclusions and managerial recommendations are formulated. Finally, I address the limitations of this study, concluding with suggestions for future research.

2. Literature Review

This literature review shows that environmental sustainability is increasingly urgent, not only for the conservation of our planet and its inhabitants, but also for the survival of the luxury industry, controversial as this may seem. As an innate trend-setter, luxury is in a privileged position to redefine expectations and shape consumer behaviour and industry-wide practices towards SD, with benefits to firms' competitiveness and innovation levels. Becoming more environmentally-sustainable is thus imperative for luxury firms, particularly in the beauty sector, and the increasing pressures from diverse stakeholders are a mere demonstration of this notion. Although research on how firms can become more sustainable has sparsely been applied to luxury, I propose to help fill this gap, detailed at the end of this chapter.

First, I will present the non-consensual definitions of luxury, sustainable development and sustainability. Then, I discuss the relationship between sustainability and the luxury industry, subsequently focusing on the luxury beauty sector. Finally, I consider how firms can become more environmentally-sustainable.

2.1 Luxury: the epitome of quality and desire

To Bernard Arnault, CEO of luxury world leader LVMH, luxury is “*the ordinary of extraordinary people and the extraordinary of ordinary people*” (Kapferer, 2010, p. 44). However, there lacks consensus among scholars on a unique definition of luxury (Berthon et al., 2009; Kapferer & Michaut, 2015; Kunz et al., 2020), due to societal and cultural interpretations of the concept, as well as assessors' moral-ethical positioning (Berry, 1994; Kunz et al., 2020).

Nevertheless, three aspects are consensually used to identify luxury products (Kunz et al., 2020): they relate to emotional and sensual experiences (Kapferer, 1997); their value goes beyond functionality and objective necessity (Berry, 1994), with emotional and symbolic value as prominent purchase triggers (Dubois et al., 2001); their high price has no proportional relationship with production costs (Nueno & Quelch, 1998).

Growing democratization of the luxury concept led many firms to misleadingly classify themselves as such (Kapferer, 2010). In fact, luxury is a unique business model, very distinct from fashion or premium (Kapferer & Bastien, 2012). Luxury aims to create value with unique, creative and rare offerings, signalling elevation through craftsmanship, *savoir-faire* and

qualitative excellence (Kapferer, 2010; Maslow, 2013). Therefore, unlike other industries, luxury refuses mass production and consumption, not focusing its business model on incremental cost reductions but on quality and desire (Kapferer, 2010).

2.2 Sustainable development and sustainability: a consensual urgency with diverse definitions

The definitions of SD and sustainability also lack consensus (Gatti & Seele, 2014; Perez-Batres et al., 2010). However, it is undeniable that academic and managerial interest in these topics is increasingly prominent, so we must understand how they are defined and related. First, I will discuss SD, then I will look into the three components of sustainability, finally focusing on environmental sustainability.

2.2.1 Sustainable development

One of the first and most commonly cited definitions of SD is in the Brundtland report (Keeble, 1988): “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*” (*Our Common Future*, 1987, p. 41). Thus, SD can only be achieved through a mindful use of scarce resources. In line with this perspective, the United Nations (UN) World Summit 2005 proclaimed SD to have three components: economic development, social development and environmental protection (Perez-Batres et al., 2010).

Several other definitions have arisen (Swanson & Zhang, 2012) but none is commonly accepted by scholars (Partridge & Burda, 2011). What we know consensually is that SD is increasingly on the agenda of governments, companies and consumers. This urgency calls for global integrated action, commonly materialized in country and firm commitment to the UN’s 2030 Agenda for SD, adopted by UN members in 2015, which defines 17 sustainable development goals (SDGs) and 169 targets (*THE 17 GOALS | Sustainable Development*, n.d.).

2.2.2 Sustainability

Sustainability was first penned by Hans Carl von Carlowitz in 1713, in *Sylvicultura Oeconomica*, which promoted prudent forest management and resource use (*Hans Carl von Carlowitz and “Sustainability”*, n.d.; Kunz et al., 2020). A comprehensive literature review on the topic was conducted in 2008 by Montiel, who identified two perspectives (Montiel, 2008). The first perspective considers exclusively an environmental dimension, defining sustainability

as the efficient use of natural resources (Montiel, 2008; Starik & Rands, 1995). A second and broader interpretation sees sustainability as including the same environmental, economic and social dimensions as SD (Perez-Batres et al., 2010), reflected by firms in the triple bottom line (Bansal, 2005; Norman & MacDonald, 2004). Although divergence still exists among scholars regarding the exact definition of sustainability, the latter approach is now virtually consensual (Seghezze, 2009).

In this thesis, I follow the reviewed literature, interpreting sustainability commitments as practices that foster SD in all its dimensions (Goodland, 1995). However, my research focuses exclusively on the environmental dimension: satisfying human needs without compromising the short-term balance and long-term survival of ecosystems (Callicott & Mumford, 1998; Morelli, 2011). Being mostly concerned with resource exploitation, waste management and pollution (Silvestre & Țîrcă, 2019), environmental sustainability is the basis of SD, as no socioeconomic paradigm can be sustainable if this prerequisite is lacking (Goodland, 1995; Morelli, 2011).

2.3 Sustainable luxury: a controversial match made in heaven

After analysing the concepts of SD and sustainability, it is important to relate them to the luxury industry. Although some scholars see sustainable luxury as paradoxical, research increasingly focuses on their similarities and on the benefits of engaging in sustainability.

This section starts by identifying the increasing interest in the topic. Then, I analyse the perceived contradictions and similarities between SD and luxury. Finally, I look into the pressures stakeholders exert on luxury firms to become more sustainable, concluding with how firms can benefit from this decision.

2.3.1 Research overview

Only recently has research focused on the relation between luxury and SD, with the term *sustainable luxury* debuting in 2007 (Athwal et al., 2019; J Bendell & Kleanthous, 2007; Kunz et al., 2020). A comprehensive literature review on the topic was published by Kuntz et al. in March 2020, analysing 113 articles published in scientific journals during the last 20 years (Kunz et al., 2020). This literature review shows the topic's increasing importance, stating that “*research on sustainable luxury is a fast-growing field (...) which, by spanning across many*

disciplines, provides rich evidence for theory and practice” (Kunz et al., 2020, p. 3). As shown in Figure 1, research on sustainable luxury has generally increased since 2010.

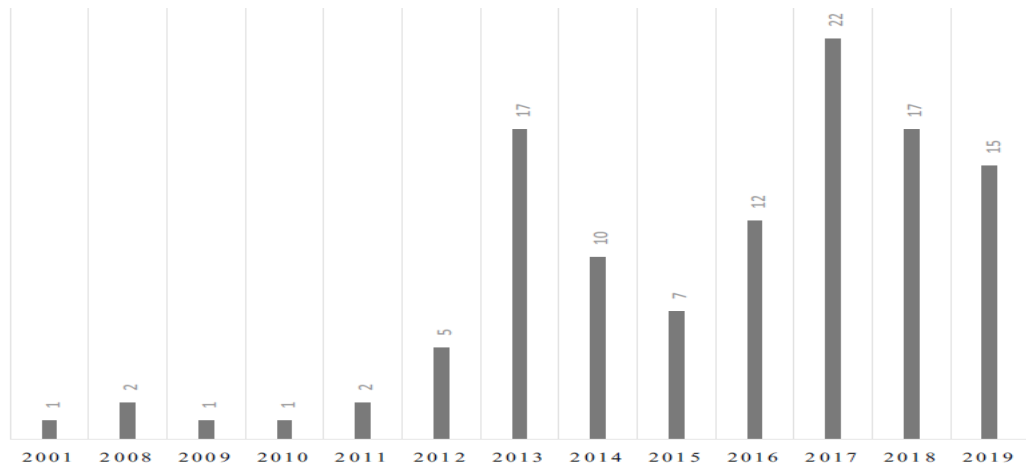


Figure 1: Number of published articles on sustainable luxury per year (source: Kunz et al., 2020, p. 8)

Literature on this topic focuses on three main streams of research, depicted in Figure 2: sustainable luxury brands and products, CSR- and sustainability-oriented activities, and stakeholder influence towards sustainable luxury.

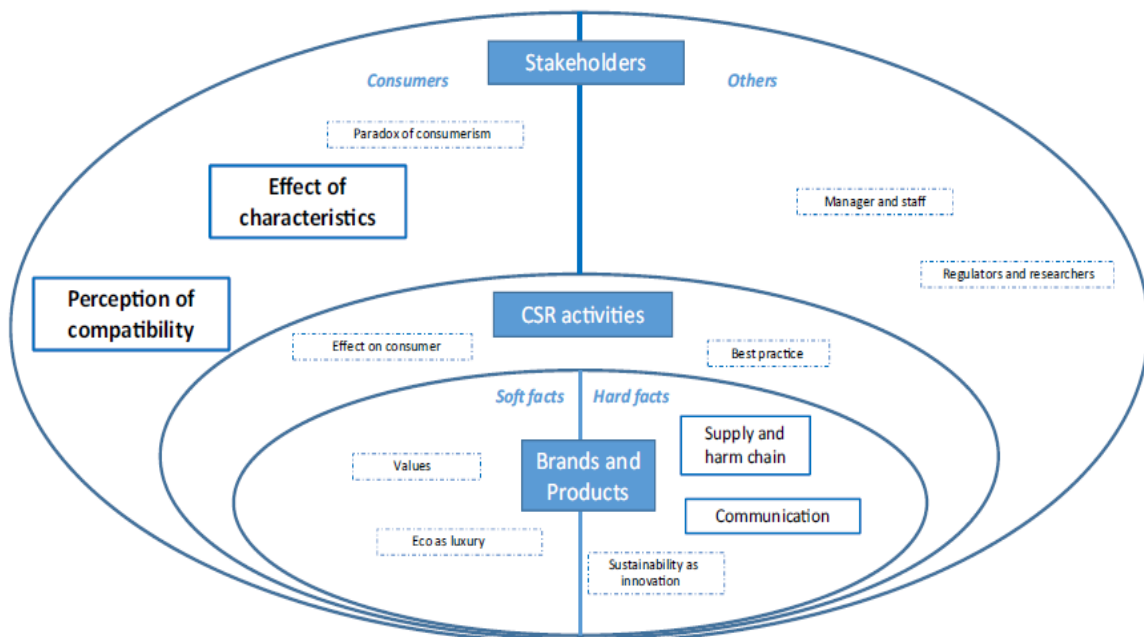


Figure 2: Research topics in sustainable luxury, with font size proportional to the number of articles published (source: Kunz et al., 2020, p. 9)

2.3.2 Why is luxury considered incompatible with sustainability?

Several authors perceive luxury and sustainability as conflicting ideas (Kapferer & Michaut, 2015; Kunz et al., 2020). This paradox is even harder to deconstruct considering the lack of consensual definitions for either concept. Kapferer preconizes that “*luxury is criticized by SD advocates not so much because of its objective impact on the planet but because of its high visibility, and its considerable symbolic power*” (Kapferer, 2010, p. 43). Is this the only reason for this apparent paradox? Research enumerates a few more.

Luxury misconceptions:

Luxury comes from the Latin *luxus*, meaning excess (Kapferer, 2010), which seems inconsistent with SD, focused on temperance and frugality. This apparent dichotomy has generated controversy for decades (Kunz et al., 2020; Stewart, 1918). As luxury is defined as the “*highest quality and creativity without constraint*” (Kapferer, 2010, p. 41), this leads to a (mis)interpretation that luxury disregards any constraints (namely economic, ecological and social) to conduct its activity. However, this depends on how consumers define luxury. If consumers define it as having the highest quality standards, the contradiction between luxury and sustainability seems less paradoxical. However, if consumers view luxury as mostly exclusive or expensive, they perceive a higher contradiction (Kapferer & Michaut, 2015). Consequently, firms must be mindful of how they position their luxury brand, to avoid this paradox.

Deviation from pure luxury:

The growth of the industry and its consumer basis led some luxury firms to appeal to the masses with cheaper mass-produced products (Kapferer & Michaut, 2015). Although they belong to luxury brands, these offerings are a deviation from pure luxury (Kapferer, 2010), leading to mass production, delocalization and material diversification to cut costs. This poses several threats to environmental sustainability, namely with resource overexploitation and increased pollution from transportation. Thus, if done carelessly, this can widen the actual and perceived gap between luxury and sustainability.

Lack of communication on sustainability:

There is scarce information on sustainable practices implemented by luxury firms. In fact, sustainability silence is common in this industry, even when firms work to become more

sustainable (Kapferer, 2010; Kapferer & Michaut, 2015; Kunz et al., 2020). Literature suggests sustainability is communicated mostly to improve brand value and not to disclose meaningful information regarding the impact of firm activities (Kunz et al., 2020). This lack of communication may be explained by the fact that, luxury being a beacon for excellence, disclosure risks criticism that may harm reputation (Kapferer, 2010). Additionally, luxury is non-comparable, keeping product characteristics and operations secret, to preserve an intangible dream that is free from mundane concerns (Kapferer & Michaut, 2015). Divulging too much of processes and their impact might be detrimental to brand value. However, new entrants in the industry (e.g. Tesla) are increasingly breaking this rule and building their dream around sustainability (Kapferer & Michaut, 2015).

Small influence of sustainability on luxury purchases:

Some scholars say that the small influence sustainability has on luxury consumers hinders firms from taking action (Jin et al., 2017). Though luxury buyers have positive reactions to sustainable luxury, they prefer not to buy sustainable products (Achabou & Dekhili, 2013; Beckham & Voyer, 2014). Indeed, consumers consider sustainability much less when buying luxury goods, in comparison with other purchases (Davies et al., 2012; Kapferer & Michaut, 2015; Kapferer & Michaut-Denizeau, 2017). The three main reasons identified by consumers for this phenomenon are: *“I think of my own pleasure at that moment”*, *“I am unable to tell what brands are doing a lot in terms of SD”* and *“luxury purchases are too rare to have an impact”* (Kapferer & Michaut, 2015, p. 7).

Furthermore, the paradox of consumerism - the gap between sustainability-related behavioural intentions and actual behaviour (Kunz et al., 2020) – shows that, though consumers claim to have ethical considerations when purchasing, they are not willing to spend more on these products (Arrington, 2019) and they rarely engage in environmental behaviour (De Klerk et al., 2019). These intentions are only reflected in behaviour when consumers believe their action has a real impact (Leary et al., 2014), which is perceived as weaker for sporadic luxury purchases, in comparison with frequent purchases of other categories (Davies et al., 2012; Kapferer & Michaut, 2015).

2.3.3 How are luxury and sustainability similar?

Going beyond the apparent paradox, scholars increasingly consider the similarities between luxury and sustainability. The findings of those studies are elegantly summarised by

Kapferer: “*luxury and SD converge: both focus on rarity and beauty*” (Kapferer, 2010, p. 41). In fact, the basis of luxury is objective rarity (e.g. limited craftsmen and diamonds). Therefore, luxury firms limit production for their own survival, to protect the scarce resources they depend on. Accordingly, research shows that notions of scarcity and rarity positively influence consumers’ perception that luxury and sustainability are compatible (Janssen et al., 2014).

Beyond their similarities, luxury and sustainability are converging. Sustainability is now on the agenda of the world. In response to the scarcity of natural resources and the growing awareness of the externalities of firm activities, sustainable growth is urgent, so luxury firms are increasingly pressured to become more environmentally-sustainable (Li & Leonas, 2019).

2.3.4 Pressures towards environmental sustainability

Pressures towards environmental sustainability come from diverse stakeholders, which influence luxury firms’ performance and survival.

Regulators and intergovernmental organizations:

Governments increasingly incorporate environmental concerns in their policies, namely through carbon emissions targets (Kapferer, 2010). Supranational organizations influence these national policies, such as the UN, which engages countries and companies in the aforementioned SDGs.

Non-governmental organizations:

NGOs promote corporate transparency on environmental impact and practices. Voicing their concerns on media, they influence public opinion and governmental decisions (Rietig, 2016), exposing negative corporate practices, appealing to boycotts and demanding change. Luxury is especially prone to public scrutiny, as it symbolises a consumption society that goes beyond functionality, sparking ecological and sociological debates (Kapferer & Michaut, 2015; Mason, 2000). Therefore, luxury firms should be transparent on their impact and clearly communicate their efforts (Kapferer, 2010).

Luxury consumers:

The luxury consumer pool is evolving. In 2019, 56% of luxury consumers considered luxury brands’ sustainability actions when purchasing (45% in 2013), with 62% saying they would choose a brand that supports sustainability over a brand that does not (50% in 2013)

(Danziger, 2019). Furthermore, by 2025, 40% of luxury consumers will be Millennials (D'Arpizio & Levato, 2016), a generation that demands firm compliance with sustainability (Achabou & Dekhili, 2013) and whose luxury perceptions are not tarnished by communication of sustainability efforts (Rolling & Sadachar, 2018).

Therefore, luxury consumers have increasingly high expectations regarding brand commitment towards SD, demanding transparency and sustainable offerings (Kapferer & Michaut, 2015), wanting to communicate wealth and environmental consciousness with their purchases (Kapferer, 2010). To satisfy these growing concerns, luxury firms must have environmental considerations, without compromising on quality (J Bendell & Kleanthous, 2007). Such commitments will be rewarded by improved product judgement (Cheah et al., 2016; Kunz et al., 2020) and willingness to pay (Amatulli et al., 2018).

Brand ambassadors:

The luxury industry has significant public exposure, impacting the reputation of its ambassadors. These are often opinion leaders, increasingly concerned with sustainability, for the benefit of their personal brand (Kapferer, 2010). This means ambassadors might even stop supporting brands if these do not adhere to their publicly-endorsed values.

Employees:

SD initiatives seem to improve employee satisfaction (Kunz et al., 2020) and organizational commitment (Sourvinou & Filimonau, 2018). However, this research was conducted solely on luxury hospitality, so future literature should investigate whether this relationship is generalizable to other sectors.

Investors:

Investors increasingly consider environmental, social and governance (ESG) performance in their portfolios, with targets and indicators that aid decision-making (Stevens, 2020). This trend has been evolving in recent years and is expected to surge, as we can see in Figure 3.

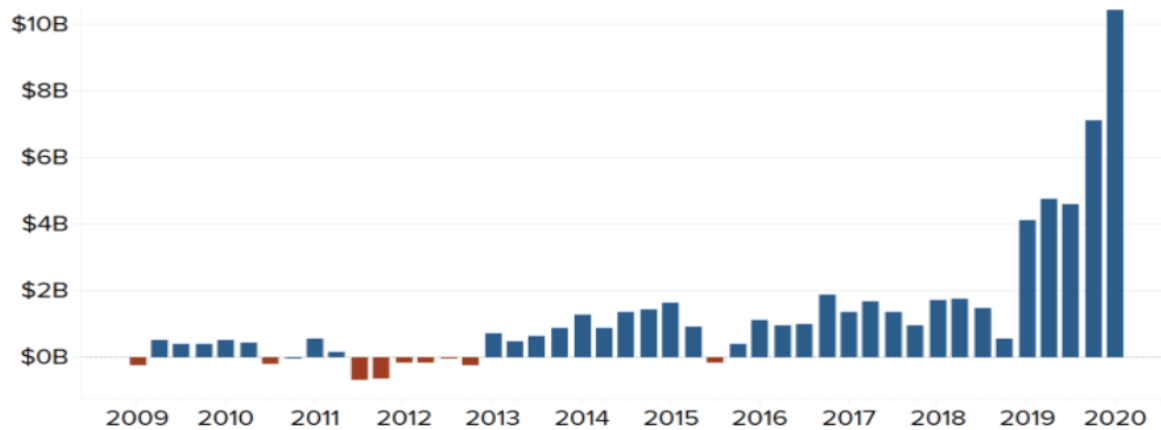


Figure 3: *Evolution of sustainable funds' estimated net flow per quarter* (source: Stevens, 2020, para. 4)

2.3.5 Benefits of taking action on sustainability

Research shows that firms should act on sustainability not only to succumb to stakeholder pressures, but as a strategic step towards survival and enhanced performance. Luxury is a fast-growing industry (Donzé & Wubs, 2019), facing resource scarcity with demand increase, so it is a survival imperative to preserve the resources the industry depends on to satisfy clients' needs (Depeyre et al., 2018; Kale & Öztürk, 2016; Kunz et al., 2020).

Furthermore, the high margins of luxury firms depend on a flawless reputation (Kapferer, 2010; Kapferer & Michaut, 2015; Kapferer & Tabatoni, 2011). Actually, wealthier customers expect that, the more luxurious a brand is, the more sustainable it must be (Cervellon, 2013). This reinforces the need for luxury firms to embed sustainability in their strategy, to remain competitive (Jem Bendell & Thomas, 2013; Kapferer, 2014; Kunz et al., 2020).

Introducing sustainable practices in the luxury business model is also a successful path towards innovation (Kunz et al., 2020). Indeed, innovative sustainable luxury products have the potential to disrupt entire sectors (Jem Bendell & Thomas, 2013; Gardetti & Torres, 2013). This means that luxury, a trend-setter by definition (Choi, 2014), can also act as a leader in sustainability (Kunz et al., 2020), creating new and demanding standards (Kapferer, 2010). Firms now have the opportunity to redefine the luxury dream, from a conspicuous demonstration of taste and wealth to a sign of altruism and awareness, influencing other industries to do the same.

2.4 Luxury beauty and sustainability: an opportunity to rebuild the sector's identity

After analysing the relationship between sustainability and luxury in general, we are aware of the pressures and benefits for firms to become more sustainable. Now, looking into luxury beauty, we can realise how pressing environmental sustainability is for this growing sector. Starting with a current overview of the sector, I then address the environmental specificities it faces.

2.4.1 Luxury beauty overview

Classified in the personal luxury goods category (Sabanoglu, 2020), luxury beauty encompasses four categories: skincare, haircare, makeup and fragrances (Thorat et al., 2019). In 2018, this market was valued at \$52.748M, with an estimated compound annual growth rate of 5.6% between 2019 and 2026. Growing interest in the sector is motivated by increasing disposable income and health concerns, with surging demand for organic and high-quality products, which luxury beauty firms increasingly focus on. Although organic cosmetics only accounted for 25% of the market in 2018 (Thorat et al., 2019), this trend is the main driver of today's luxury beauty market, especially concerning skincare, the category with highest share and expected growth, according to Figure 4.

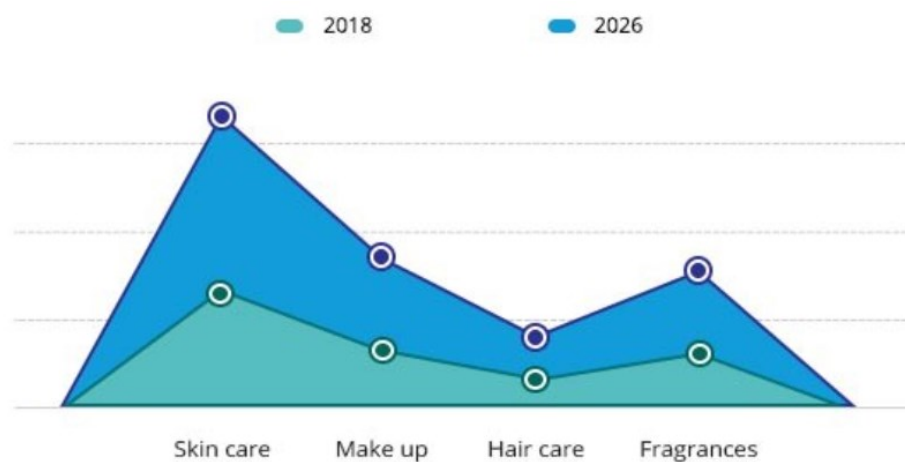


Figure 4: *Luxury cosmetics market by product type, in 2018 and 2026* (source: Thorat et al., 2019, para. 6)

This industry is fairly concentrated, with these groups dominating the market: L'Oréal, Shiseido, Limited, Christian Dior, Puig, Coty, Kao, Revlon., Estée Lauder, Oriflame and KOSÉ (Thorat et al., 2019). We must note that the entire corporation needn't be classified in this

industry¹. Furthermore, some scholars and practitioners consider this sector to be erroneously classified as luxury, as some firms engage in mass production, with quantitative goals harming qualitative excellence (Kapferer, 2010). This reinforces the urgency for luxury beauty brands to reinvent themselves, focusing on sustainable business models, rooted in quality and rarity, to save their brand identity and positioning as luxury brands.

2.4.2 Luxury beauty and environmental sustainability

The beauty sector, especially luxury beauty, faces increasing criticism concerning its negative impact on the environment. Pollution and resource overexploitation are evident, namely with plastic packaging ending up in landfills, products with synthetic ingredients and microplastics damaging water ecosystems, and air pollution being generated by the likes of deodorants and hairsprays (Borunda, 2019; *Real Cost of Cosmetics*, n.d.).

Facing pressures from diverse stakeholders, the sector has a unique opportunity to rebuild its identity and solve these challenges throughout its value chain. Luxury beauty firms are increasingly focused on a circular economy, considering products' environmental impact throughout their lifecycle (Bom et al., 2019). This means firms increasingly invest in organic ingredients, sustainable sourcing, reduced energy and water use in production, refillable products and package recycling (Borunda, 2019). This mindset is increasingly prominent, with sustainable beauty growing 15% annually, three times more than the overall beauty sector (*Green Cosmetics*, 2018).

2.5 How can firms become more environmentally-sustainable?

Understanding the urgency for luxury beauty firms to become more sustainable, and having identified some areas in which action is being taken, it is important to take a bird's-eye view on how firms can make this a reality. The urgency towards sustainable business models and the relationship between sustainability and performance is amply researched. However, limited literature focuses on how firms can actually become more sustainable (Parisi, 2013). Existing literature states that, to be more sustainable, firms must incorporate environmental sustainability in their business model, defining a dedicated strategy (Figge et al., 2002) and changing operational practices (Labuschagne et al., 2005). To achieve this, the four steps of the Deming Cycle are necessary to guarantee continuous improvement: plan, do, check and act

¹ E.g. for L'Oréal, only the Luxe division is considered; for Christian Dior, beauty is merely one of its categories.

(Daddi et al., 2011; Iraldo et al., 2009; Morioka & de Carvalho, 2016). In this case, it means planning a sustainability strategy, implementing it, monitoring its progress, and acting on perceived deviations from defined goals.

Regarding planning a sustainability strategy, research focuses on the importance of defining quantifiable targets (Perego & Hartmann, 2009; Searcy, 2012), with international standards providing increasingly prominent standards (Hahn & Kühnen, 2013; Lee & Farzipoor Saen, 2012).

To implement the sustainability strategy, action is needed throughout the value chain. A recent literature review developed a comprehensive framework of how firms can embed sustainability in their business models (Morioka & de Carvalho, 2016). This framework, presented in Figure 5, considers three levels: principles for corporate sustainability, core sustainable business elements and context factors. First, we must note that the main principles driving decision-making on corporate sustainability concern stakeholder engagement, co-creation throughout the product lifecycle (Bom et al., 2019; Morelli, 2011) and the adoption of a triple bottom line (Bansal, 2005). Regarding the sustainable business elements, we see that processes and offerings are key to embed sustainability in the business model, contributing to both SD and competitive advantage. This can be achieved through initiatives like collaborations with suppliers (Grosvold et al., 2014), changes in production processes (Trumpp et al., 2015), sustainable packaging (Morioka & de Carvalho, 2016) and product innovation (Gadenne et al., 2012). Finally, the operationalization of these initiatives depends on contextual factors, namely legislation and organizational culture.

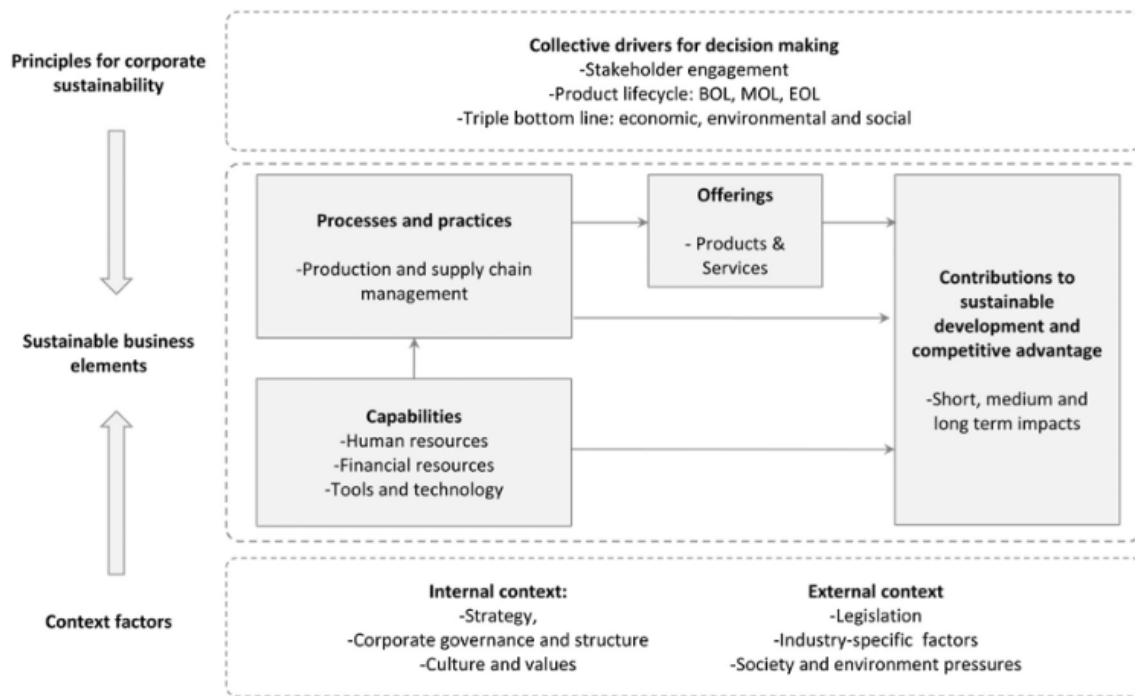


Figure 5: Framework for integrating sustainability in business models (source: Morioka & de Carvalho, 2016, p. 7)

Finally, tracking progress and measuring the impact of a sustainability strategy is consensual among scholars, who defend it is impossible to manage what we do not measure (Cooper & Edgett, 2008), so firms must monitor performance to adjust their strategy and actions to achieve their goal (i.e. be more sustainable). Having this information, firms should communicate it for external recognition (Morioka & de Carvalho, 2016), namely producing sustainability reports (Hahn & Kühnen, 2013; Lee & Farzipoor Saen, 2012).

2.6 Conclusions: the gap

Although environmental sustainability is the most researched sustainability dimension (Morioka & de Carvalho, 2016), its relationship with luxury is not consensual. Furthermore, most articles on sustainable luxury concern the whole industry, instead of focusing on specific sectors. Considering those who do, the sectors that receive the most attention are fashion and hospitality (Kunz et al., 2020). Regarding luxury beauty, only two articles on the topic were published in top journals, discussing specific brand initiatives (Gardetti & Torres, 2013; Mititelu et al., 2014).

Despite growing public interest in environmental sustainability, pushed by media and science (Haunschild et al., 2019; Kunz et al., 2020), little research is dedicated to mechanisms

that foster a successful combination of SD and luxury, promoting firm success and contributing to societal shift towards sustainability (Kapferer & Michaut, 2015; Kunz et al., 2020). This showcases a clear research gap, due not only to lack of research on sustainability in luxury beauty, but also considering the reduced knowledge on how luxury firms can become sustainable.

Besides its evident managerial importance, this issue is also extremely relevant from an academic viewpoint. Therefore, I propose to fulfil several research gaps identified in this literature review: focusing on luxury beauty (a sector that has been virtually neglected by previous research) and studying the mechanisms that foster a successful combination of environmental sustainability and luxury. To do this, I will answer the following research question: how can luxury beauty firms become more environmentally-sustainable?

3. Methodology

In this chapter, I address the design of my research, as well as the processes for data collection and analysis.

3.1 Research Design

As shown previously, this topic has been sparsely studied. Although sustainable luxury is increasingly common, the beauty sector is consistently neglected by scholars. When we narrow the scope and focus on how these firms can become more environmentally-sustainable, research is virtually non-existent (Kunz et al., 2020; Morioka & de Carvalho, 2016). This paradigm denotes the urgency for exploratory research, so I decided to employ a qualitative approach, to explore, discover and understand a key phenomenon (Creswell & Poth, 2016). Thus, this is the best way to study this issue in depth and appropriately answer my research question (Edmondson & McManus, 2007; Rynes & Gephart Jr, 2004).

To understand how luxury beauty firms can become more environmentally-sustainable, I conducted a multiple case study, thus tackling a research gap identified by literature reviews on how firms can integrate sustainability in their business models (Morioka & de Carvalho, 2016). This choice allowed me to go beyond justifying the “why” of this phenomenon to understand the “how”, comparing the experience of firms that have undertaken several steps of this process. This approach fosters the development of new empirical knowledge with high managerial relevance and actionability, while being a fertile ground for future studies’ hypotheses (Birkinshaw et al., 2011; Starman, 2013).

My comparative case study focuses on two luxury beauty firms: the Luxe division of the L’Oréal Group and Jurlique. Selecting the firms to study was not a linear process. From the beginning, I wanted to compare firms with different contexts, sizes and geographies, to understand whether some results were potentially generalizable. While developing the list of firms to contact, I researched luxury publications and market analyses by consultancies to find the largest and most influential brands in the sector. To identify smaller and lesser-known firms, I consulted luxury and beauty media publications, and used combinations of keywords such as “sustainable”, “beauty”, “luxury” and “environment” on search engines. The outcome of this process, filtered by the availability of plentiful secondary data, led me to select 14 firms (in Appendix 1). After contacting each through institutional e-mails and reaching out to employees on LinkedIn, two factors forced me to adapt during the research process: lack of firm

cooperation and time constraints. Out of 14 firms contacted, 7 did not respond, 3 stated unwillingness to participate, and 4 responded favourably: L'Oréal Luxe, Jurlique, Estée Lauder and Kjaer Weis. Time constraints forced me to disregard Estée Lauder and Kjaer Weis, since meetings were consistently postponed and the secondary data available did not provide the depth necessary to compare these firms with L'Oréal Luxe and Jurlique.

These firms are suitable to answer my research question because both are successfully becoming more environmentally-sustainable. Their performance is recognised by independent organizations, namely considering reduced carbon emissions and water usage, as discussed in the next chapter. Comparing the luxury division of the beauty world leader (*Cosmetics Market*, 2019) with a small Australian firm, we can identify contextual differences and analyse common points, advancing theory while helping other luxury beauty firms achieve the same goal.

3.2 Data Collection

This research relies on primary and secondary data for both firms studied (full list in Appendix 2). Considering existing literature on how firms can become more sustainable, there is a clear predominance of secondary data as the main source (Morioka & de Carvalho, 2016). Therefore, my combination of primary and secondary data shows a rich contribution to knowledge in this field.

To collect primary data, I conducted video interviews and asynchronous e-mail exchanges with decision-makers. Interviewees were selected based on recommendations made by employees contacted at each firm, considering their expertise and involvement in this subject. For L'Oréal Luxe, I interviewed Luís Ferreira, Fragrances Brand Manager, and Rute Valente, Kiehl's Marketing&Retail Manager and representative of the Luxe division at L'Oréal Portugal's sustainability committee. These complementary perspectives were invaluable for my research, as Rute provided exclusive insights on the development and monitoring of the sustainability strategy, while Luís shared his experience with its operationalization. I conducted one interview with each of these professionals, complemented by e-mail exchanges that lasted about two weeks with each. A similar approach was followed for Jurlique, since I interviewed Global Sustainability and Corporate Social Responsibility (CSR) Manager Yoshie Obara twice, exchanging e-mails for about a month. Yoshie is the main decision-maker for the development, implementation and monitoring of the sustainability strategy at Jurlique. Therefore, her insights were extremely important to build a case study on this lesser-known firm.

Though rich, these sources of primary data have limitations. The main one concerns interviewees' centralized geographies. For L'Oréal Luxe, it would have been interesting to gather perspectives of local divisions besides L'Oréal Portugal, as well as of global headquarters. However, though I contacted professionals from L'Oréal France, USA and Spain, no availability was demonstrated. For Jurlique, it would have been useful to gather perspectives from employees at other levels of the firm. In this case, all contacted employees referred me to firm documents and Yoshie as better sources for information on the topic.

Considering the interviews, these were semi-structured conversations, following a guide of open-ended questions that ensured all topics were covered, while allowing interviewees to propose other streams of thought and freely share their opinions and experiences (Boyce & Neale, 2006). These interviews were key to understand the context each organization is in, and to collect data that is not publicly disclosed. More than understanding the rationale behind being more environmentally-sustainable, and enumerating mere results and initiatives of a sustainability strategy, we went beyond the "what" and the "why" (Zollo et al., 2013), documenting actionable practices on how firms work towards this goal, talking about the development, implementation and monitoring of the sustainability strategy. To forgo interviewer bias and not be misled by my preconceptions, subjective comments were clarified, guaranteeing correct interpretations of the messages and exploring ideas further.

To complement the primary data, I collected secondary data from diverse sources. These sustainability and financial reports, presentations, videos, blog posts and media articles allowed me to understand the context of the studied firms and to better answer my research question. Beyond the firms' websites and social media pages, I selected documents based on the inclusion of keywords like "sustainability", "environment" and the firm name. For L'Oréal Luxe, I only considered articles since 2013, the date of the group's first sustainability program. For Jurlique, no time interval was defined, since this is a "born-sustainable" firm.

The information obtained from secondary sources was complementary and in accordance with the primary data. Comparing different sources to obtain information on the same topic, effective data triangulation was achieved, generating stronger corroboration of the findings (Kelle & Erzberger, 2004). Two main limitations can be identified concerning secondary sources. For L'Oréal, most data is available at the group-level, with reduced public disclosure of stand-alone division performance. For Jurlique, the availability of sources external to the firm is limited.

3.3 Data Analysis

To analyse the data, I organized it in a three-step procedure, assigning data to 45 first-order codes, which were clustered in 13 categories and finally aggregated in 4 themes (Corbin & Strauss, 2014; Ramus & Vaccaro, 2017), as shown in Appendix 3. First, I conducted open coding (Blair, 2015; Gioia et al., 2013), with first-order codes extracted from the literature. As data collection proceeded, new codes evolved from “in vivo” quotes and relabelling was necessary. Therefore, this process was iterative as new data was collected and analysed, to avoid overlaps and provide clarity. Then, I used axial coding (Strauss & Corbin, 1998; Williams & Moser, 2019) to cluster first-order codes into intuitive categories. Finally, categories were combined in aggregate themes that compose four stages of a sustainability strategy: decision, definition, implementation and impact. Below is an example of the coding process conducted.

Examples of Quotes	First-Order Code	Category	Theme
<p><i>“Lancôme has acquired a four-acre organic rose estate in the French perfume region of Grasse (...) part of wider sustainability goals”</i> (Culliney, 2020)</p> <p><i>“Jurlique has been growing Roses, (...) for over 35 years”</i> (Jurlique Sustainability and CSR Report 2019-2020, 2020)</p>	Integrating ingredient production on the scope of the business	Inbound logistics and procurement	Implementing a sustainability strategy
<p><i>“Kiehl's have relaunched their Recycle & Be Rewarded scheme in association with Terracycle”</i> (Driver, 2020)</p> <p><i>“TerraCycle is on a roll, having also partnered with earth-friendly Jurlique. All empty Jurlique packaging (...) can be returned to any Jurlique store”</i> (Cole, 2019)</p>	Working with partners to offer recycling programs for empty packaging	Service	

Table 1: Coding examples

It is important to mention that, for the theme “implementing a sustainability strategy”, I adjusted the categories’ nomenclature according to Porter’s value chain model depicted below, focusing on the 5 primary activities and on 3 support activities: human resource management, technology development (incorporated in operations due to data interdependency on these two topics) and procurement (incorporated in inbound logistics for the same reason).

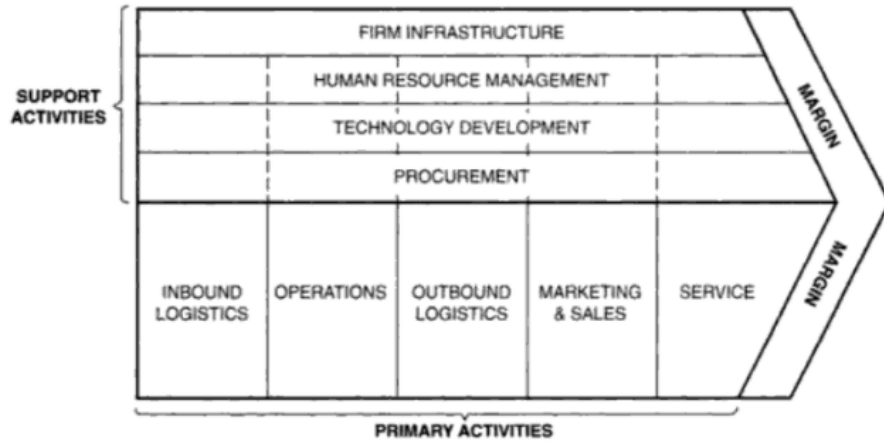


Figure 6: *Value chain model* (source: Porter, 2001, p. 52)

4. Empirical Setting

I selected two cases to answer my research question. To better understand the findings in the next chapter, it is important to grasp some contextual elements of these firms. I start by discussing L'Oréal Luxe as a division of the largest cosmetics group in the world. Then, I address Jurlique as a smaller “born-sustainable” firm. Finally, I examine the reasoning behind the decision of these firms to become more environmentally-sustainable.

4.1 L'Oréal Luxe

First, I will give a brief overview of the L'Oréal Group, subsequently focusing on the Luxe division and finally addressing the firm's recent path towards sustainability.

4.1.1 The L'Oréal Group

L'Oréal is a French company, founded in 1909 by Eugène Schueller. It started international expansion in 1957 and is now present in 150 countries (*L'Oréal Group*, n.d.-a). Under the management of Owen-Jones (1988-2005), the group adopted an intensive strategy of R&D and M&A, which led it to become the world leader in cosmetics (Ridder, 2020), with global presence for its 36 brands and 497 patents (*L'Oréal's History*, n.d.). Nowadays, “*L'Oréal is the archetype of the Beauty Pure Player*” (Agon, 2017). In 2019, employing 88.000 people worldwide, L'Oréal achieved its best growth in 12 years (8% like-for-like), with over 29 billion€ in sales (Agon, 2020), as shown in Figure 7.

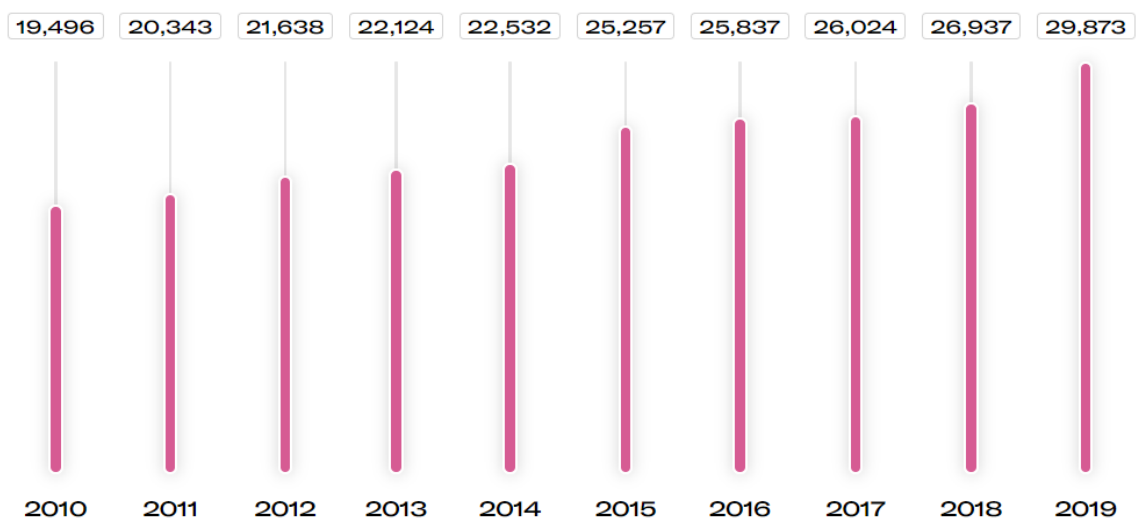


Figure 7: Annual sales of the L'Oréal Group, in million€ (source: *L'Oréal in Figures*, 2019)

The L'Oréal Group is organized in 4 divisions: Consumer Products (with brands like Garnier), Professional Products (e.g. Kérastase), Active Cosmetics (e.g. Vichy) and L'Oréal Luxe.

4.1.2 L'Oréal Luxe

This is the division I am focusing on. Considered the 7th global power in the luxury goods industry (Arienti, 2019), L'Oréal Luxe is the most profitable division of the L'Oréal Group, as depicted in Figure 8.

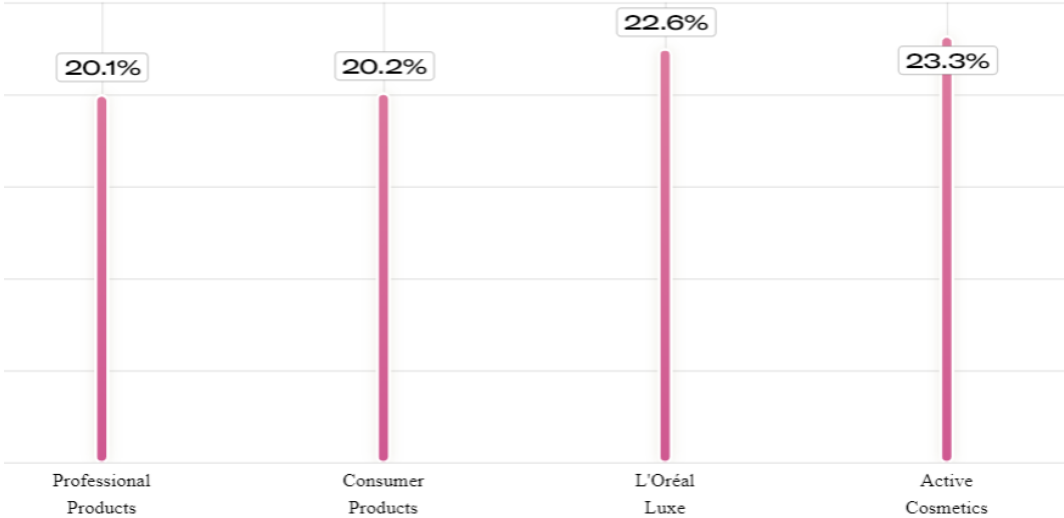


Figure 8: L'Oréal's profitability per division, as a percentage of division sales (source: L'Oréal in Figures, 2019)

Sales amounted to 11 billion€ in 2019, growing 13.8% like-for-like and outperforming the growth of the luxury beauty market for the ninth consecutive year (Agon, 2020). These represented 36.9% of the total sales of the L'Oréal Group, as shown in Figure 9.

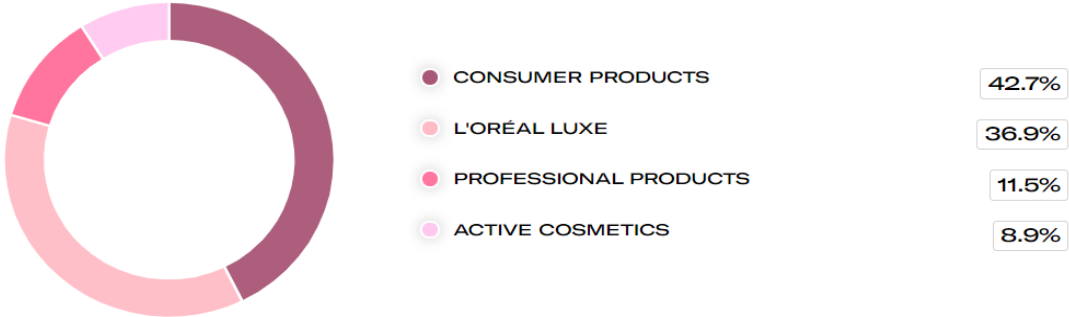


Figure 9: L'Oréal 2019 sales by division (source: L'Oréal in Figures, 2019)

L'Oréal Luxe has 19 global brands (enumerated in Appendix 4). These are own brands, as well as beauty licenses of luxury fashion brands (like the recently-acquired Prada). Four are billionaire brands: Lancôme, YSL, Armani and Kiehl's, all with double digit growth in annual sales in 2019. Specifically, Lancôme is now the number 1 luxury beauty brand in the world (Hieronimus, 2020). These brands comprise 3 categories: skincare, fragrances and make-up. In 2019, all demonstrated annual sales growth: 22% for skincare, 9% for fragrances and 8% for make-up (Chaupy, 2020).

4.1.3 Path towards sustainability

Since Jean-Paul Agon became CEO in 2006, L'Oréal embraced new ethical, social and environmental concerns, including responsibility in the six company values, defining it as *“the duty to protect the beauty of the planet and to contribute to the well-being of our employees and of the communities with which we engage”* (L'Oréal Group, n.d.-b).

This corporate culture is materialized in holistic strategies and on tangible supranational commitments, like UN Global Compact LEAD (the world's largest corporate sustainability initiative, which promotes cooperation among business leaders to support SDGs). Under the supervision of Chief Corporate Responsibility Officer Alexandra Palt, this vision was operationalized in 2013, through *Sharing Beauty With All*, the group's first SD program. Focused on the direct impact of all divisions, it set ambitious targets for 2020.

Now that this program's time scope comes to an end, more ambitious objectives and concrete initiatives were defined in a new program, *L'Oréal for the Future*, which aims at building an increasingly sustainable business model, setting ambitious targets to be achieved until 2030. More than direct impact, L'Oréal is now concerned with indirect and extended impact (e.g. suppliers' activities and product use by consumers).

Embedding sustainability throughout the organization has been an extremely successful process. Some interesting key performance indicators (KPIs) show a reduction of 78% in CO2 emissions, 51% in water consumption and 35% in waste of plants and distribution centres, between 2005 and 2019 (*L'Oréal in Figures*, 2019). Specifically for L'Oréal Luxe, we can see for example that no production waste goes to landfills and that new or renovated products are assessed on their environmental impact. External entities also recognise this success. For instance, CDP (an independent organization that assesses companies' environmental

performance) recognised L’Oréal in 2019 as the only company in the A List for three CDP scores (climate change, forests and water security) in four consecutive years.

4.2 Jurlique

Jurlique is a “born-sustainable” firm, specialized in organic body-care and skincare products, sold in 15 countries, mainly Australia, China and Hong Kong (*Corporate Report 2019*, n.d.). It was founded in 1985 by a botanist and a biochemist, Ulrike and Jurgen Klein, in South Australia. They built Jurlique on their farm in the Adelaide Hills, which is embedded in the brand identity as the “purest place on Earth” (Yamamoto, 2018, p. 4). This farm is where they grow 58 varieties of plants, herbs and flowers, almost all the ingredients needed to develop their products. Due to this unique sourcing strategy, Jurlique became the only Australian skincare firm to own a biodynamic farm certified by the National Association of Sustainable Agriculture in Australia (NASAA).

For Jurlique, sustainability is the core of its business model. In fact, even though it only formalized a sustainability strategy in 2017, there is a “Green Team” since 2009. Therefore, all activities are focused on SD, a mindset that is integrated throughout the value chain, impacting firm activities in each step of the product lifecycle, as can be seen on Figure 10.

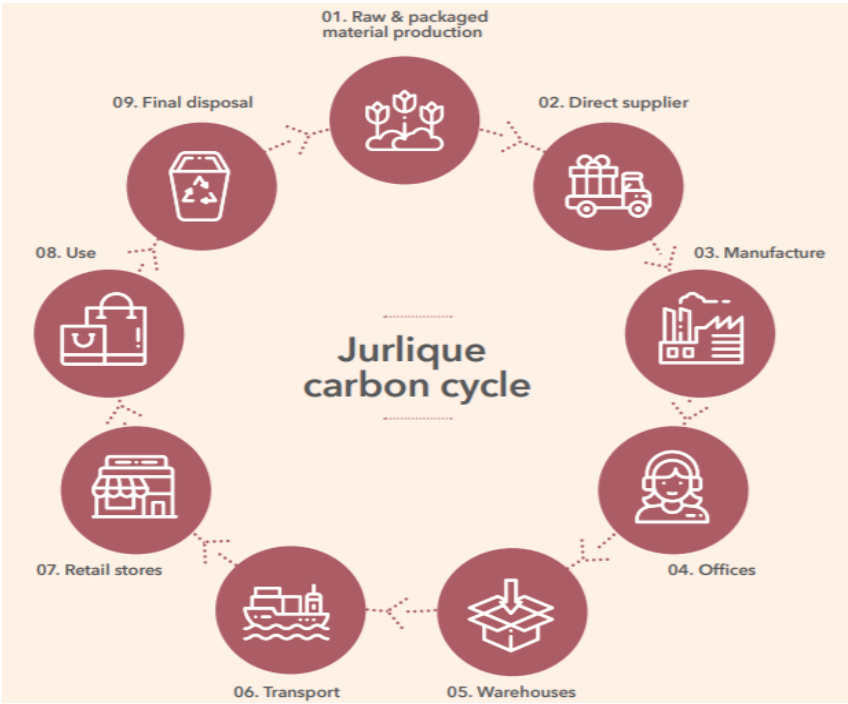


Figure 10: Jurlique’s carbon cycle steps (source: Strategic Direction Report 2019-2020, 2018, p. 11)

In 2012, Jurlique was acquired by POLA ORBIS Holdings, a Japanese group that owns 9 skincare companies. However, this change in ownership has not changed Jurlique’s sustainability-oriented identity. In fact, “our commitment to sustainability is as strong as it was on day one, and this commitment only continues to grow” (Yamamoto, 2018, p. 6).

With almost 800 employees across 5 countries, Jurlique achieved net annual sales of 7.765 million yen (approximately 62.6 million€) in 2019, a decline of 25% in comparison with 2018, as shown on Figure 11.

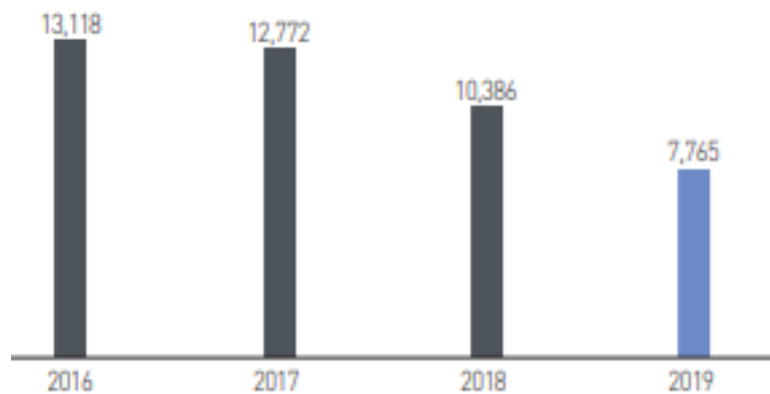


Figure 11: *Jurlique’s net sales per year, in million yen* (source: Corporate Report 2019, n.d., p. 20)

Despite the declining financial performance, Jurlique has led the natural skincare market for 35 years (Yamamoto, 2018) and its sustainability initiatives are a success. Some KPIs are important to consider, namely the fact that no waste from its farm or plants is sent to landfills since 2016, that water usage decreased 18% between 2015 and 2018, and that carbon emissions from transportation decreased 20% during the same period. External recognition reinforces the reliability of these achievements, namely with the Australian Packaging Covenant Organization (APCO) Highest Performer Award.

4.3 Why do these firms want to be more environmentally-sustainable?

It is undeniable that L’Oréal Luxe and Jurlique are successfully becoming more environmentally-sustainable. The reasoning identified by both firms to support this decision is twofold: sustainability is linked to their identity and it is not a differentiating factor anymore, but a requisite for firm survival.

First, sustainability is increasingly ingrained in the identity of luxury beauty firms. For L’Oréal, sustainability is one of its main pillars, as mentioned by its Chief Corporate

Responsibility Officer: *“we must not do better, we must do what is needed (...), transforming our company towards an increasingly sustainable business model, and contributing to solving the challenges facing the world”* (Palt, 2020, p. 3).

The same mindset is reinforced by Jurlique’s sustainability and CSR manager, who states that sustainability is no longer dissociated from the business, being embedded in the firm’s philosophy and strategies.

“Our business philosophy is to minimise the negative impacts to the earth. Our purpose is to inspire people to wellbeing through a connection to nature, self and others.” (interview of Global Sustainability&CSR Manager, Jurlique)

Another reason for these firms to become more sustainable is survival. As L’Oréal executives mention, *“it is not a choice anymore not be sustainable, because a firm that is not sustainable is going to die”* (interview of Kiehl’s Marketing&Retail Manager, L’Oréal Luxe).

“Until recently, sustainability was a differentiating factor for luxury brands. Today, it must be embedded in the brand’s identity. More than differentiation, it is our responsibility and obligation.” (interview of Fragrances Brand Manager, L’Oréal Luxe)

Jurlique shares the same mindset, showing that firm survival increasingly depends on its commitment to sustainability. Therefore, as survival is a firm’s primary goal, sustainability must be embedded in corporate strategy to make sure this is achieved.

“Only organizations with missions will survive in the future. Being a sustainable company could be an advantage at the moment, but it will soon be the only critical position to survive as a company.” (interview of Global Sustainability&CSR Manager, Jurlique)

5. Findings

In this chapter, I answer my research question comparing the approach followed by L'Oréal Luxe and Jurlique. I found that both firms followed a three-step process to become more environmentally-sustainable, starting by defining a sustainability strategy, then implementing it through concrete actions, and finally measuring its impact on environmental sustainability.

This chapter is divided into three sections, corresponding to the three steps followed by both firms, which I identified during the research process. First, I show how the sustainability strategy is designed by each firm, considering the organizational levels involved and the criteria used to define sustainability goals. Then, I focus on the strategy's implementation, mentioning how employees are engaged in the process, the main initiatives implemented in key areas of the value chain, and how some of these initiatives are operationalized through stakeholder engagement. Finally, I explain how both firms measure progress and communicate the strategy's impact on environmental sustainability.

5.1 Designing a sustainability strategy

To be more environmentally-sustainable, both firms started by designing a sustainability strategy. This involves choosing the environmental goals they aim to achieve, setting deadlines to meet these goals, and creating roadmaps to implement the necessary initiatives.

Concerning the choice of realistic environmental goals, these firms use similar criteria, defining targets that go beyond their direct impact, considering the entire lifecycle of their activities, namely suppliers' actions and product use by consumers. Hence, they base their sustainability goals on international standards published by dedicated organizations, endorsed by the global scientific community. Science-based targets (SBT) and SDGs are considered by a multitude of firms, and these are no exception, with L'Oréal working towards 15 SDGs (in Appendix 5) and Jurlique towards 8 (in Appendix 6). Furthermore, L'Oréal also endorses Planetary Boundaries (in Appendix 7), and UN Global Compact's Business Ambition for 1.5°C (Palt, 2020). Specific goals concerning packaging are set with dedicated organizations, with L'Oréal partnering with the Ellen MacArthur Foundation and Jurlique with APCO, to achieve *"100% reusable, recyclable or compostable packaging"* (interview of Global Sustainability&CSR Manager, Jurlique). This finding shows how aware firms are becoming

towards the importance of aligning their goals with standards established by the international scientific community and endorsed by independent organizations dedicated to sustainability.

After choosing the strategy's goals and establishing the corresponding deadlines, both firms plan the roadmaps necessary to achieve them. The cases reveal two different approaches, concerning organizational levels involved and the formalization of sustainability programs. Considering its complex organizational structure and global reach, L'Oréal shows a mix of centralized and decentralized planning, materialised in sustainability programs. On the other hand, Jurlique shows a fully-centralized approach, embedded in its strategic orientation.

L'Oréal's sustainability strategy is separate from its general corporate strategy, despite impacting several aspects of the latter. In fact, L'Oréal defines its sustainability strategy around programs with a clear time scope. Two have been defined so far: *Sharing Beauty with All* (from 2013 to 2020) and the current *L'Oréal for the Future* (between 2020 and 2030). These programs are designed by global headquarters, overseen by the Chief Corporate Responsibility Officer (Palt, 2020). This centralized team defines goals, deadlines and global roadmaps for the implementation of key initiatives (e.g. carbon-neutrality for all production plants). This global strategy is incorporated in local strategies and operations by dedicated country-level teams.

“At L'Oréal Portugal, we have a committee to implement L'Oréal for the Future. This committee is overseen by our Director of Operations, with representatives from each division (e.g. Luxe) and corporate function (e.g. sourcing). The committee decides the projects that each local division and brand will work on to meet the sustainability goals defined by global headquarters. Each project has a dedicated roadmap, with allocated budget, targets and deadlines.” (interview of Kiehl's Marketing&Retail Manager, L'Oréal Luxe)

Therefore, at the brand-level, the standard is delocalizing the design of sustainability roadmaps to achieve global corporate goals. However, freedom to work on projects that are 100% local depends on the brand, being harder for licensed brands.

“At L'Oréal Luxe, we generally have freedom to work on local initiatives at the brand-level, as long as the projects reflect the brand's identity. For instance, our strategy to make Kiehl's carbon neutral is 100% Portuguese. However, brands of pure luxury, like YSL, have stricter guidelines to guarantee global consistency, so we must work with headquarters to validate the strategy we want to implement locally.” (interview of Kiehl's Marketing&Retail Manager, L'Oréal Luxe)

“Guidelines are stricter for couture brands like Valentino, since these are brands that are not owned by L'Oréal. Therefore, we must align every major strategic decision with the brand as a whole.” (interview of Fragrances Brand Manager, L'Oréal Luxe)

On the other hand, Jurlique's mono-brand structure reflects full centralization of strategic planning. As a born-sustainable firm, sustainability is embedded in its general strategic orientation, rather than in a program dedicated exclusively to the topic. As such, sustainability is *"integrated in all aspects of our business strategies, including formulation, procurement, packaging development and supplier management"*, as explained by CEO Toru Yamamoto (Yamamoto, 2018, p. 4). When it comes to overseeing the integration of sustainability in the strategic direction, and planning the corresponding initiatives to implement it, *"this is the collective responsibility of the CSR manager and the top management team"* (interview of Global Sustainability&CSR Manager, Jurlique). This team defines environmental targets, deadlines and specific initiatives that will help them meet their goals. The main constraint for Jurlique is the budget specifically allocated to sustainability initiatives: *"as this budget depends on sales, this is our biggest challenge at the moment"* (interview of Global Sustainability&CSR Manager, Jurlique).

Comparing these two cases, we can see that having roadmaps with clear environmental goals, deadlines and initiatives is the necessary common ground to define a sustainability strategy. However, the way through which these are formulated depends on organizational structure, culture and resources.

5.2 Implementing the strategy throughout the value chain

After designing a sustainability strategy, firms implement it, engaging employees and performing concrete initiatives in key areas of the value chain. This section focuses on these two topics.

5.2.1 Engaging employees to drive positive change

For a sustainability strategy to achieve meaningful and lasting impact, it must be embedded in the mindset of each employee. This is accomplished through internal communication, training and incentives. Awareness is raised by communicating the strategy roadmap regularly to employees, through events and digital media. Education is achieved with formal training on sustainability topics and direct involvement in the implementation of related projects.

"More than mere awareness, L'Oréal has formal training on issues such as climate change and resource scarcity, first for managers, then for the entire workforce. Furthermore, virtually every employee is involved in some project linked to L'Oréal for

the Future, so this is bound to change their mindset.” (interview of Kiehl’s Marketing&Retail Manager, L’Oréal Luxe)

The same applies to Jurlique, through programs like Global Switch-Off, which educate employees towards resource exploitation. L’Oréal takes employee engagement to another level, through financial incentives, incorporating progress on sustainability targets as a criterion for managers’ bonus (2018 Progress Report, 2019): *“each employee will now be evaluated according to their sustainability-orientation in his/her daily tasks”* (interview of Kiehl’s Marketing&Retail Manager, L’Oréal Luxe). Hence, we see that firms can use awareness, education and incentives to engage employees to drive positive change, integrating sustainability in their mindset, as a decision-making criterion in daily tasks.

5.2.2 Initiatives implemented in key areas of action

These firms implement their sustainability strategies throughout the value chain, in key areas of their business, detailed below.

Formulation:

L’Oréal evaluates the environmental profile of every new and renovated formula using an eco-design tool, aiming to reduce their environmental footprint, especially concerning water use in consumption. In 2019, 46% of the group’s evaluated formulas showed improvements (2019 Progress Report, 2020). This shows firms’ increasing concern on assessing and reducing environmental impact at the product-level.

Ingredient biodegradability is another increasing concern for luxury beauty firms, with L’Oréal Luxe launching new products with biodegradability levels surpassing 98% (e.g. Biotherm’s Life Plankton™ Essence). The same mindset applies to Jurlique, which, according to co-founder Ulrike Klein, aims at formulating *“the purest skincare products based on the healing properties of nature”* (Jurlique Sustainability and CSR Report 2019-2020, 2020, p. 6). Thus, formulation with inherently organic ingredients is a beacon for the compatibility between signalling quality in luxury beauty and being more sustainable.

Sourcing:

Firms want to guarantee their ingredients have a sustainable origin. Therefore, they can integrate ingredient production into their business scope or apply sustainability criteria on external sourcing. Jurlique has always been almost exclusively dependent on ingredients grown

and handpicked in its biodynamic farm. L'Oréal is taking increasing ownership of its ingredients, namely buying estates to sustainably grow roses used in Lancôme products (Culliney, 2020).

When it comes to external sourcing, both firms work with suppliers to ensure sustainability criteria are in place. L'Oréal provides suppliers with training on sustainable practices, which are then audited by independent organizations like Ecocert Expert Consulting (2019 Progress Report, 2020). The same applies to Jurlique, who works with Sedex to improve responsible sourcing: *“more than cost and quality, sustainability criteria are assessed along the supply chain, and it is the responsibility of the Sustainability and CSR manager to oversee the process and ensure our Supplier Code of Conduct is followed”* (interview of Global Sustainability&CSR Manager, Jurlique). This shows that firms are increasingly working with suppliers and independent auditing organizations to have more sustainable sourcing.

Production:

Environmental sustainability and efficiency are increasingly combined in production, where new processes improve three core issues: carbon emissions, water usage and waste.

To increase energy efficiency, L'Oréal invested in the production and acquisition of energy from renewable sources. Furthermore, they revolutionized process and plant design in the last 20 years, with 14 factories reaching carbon neutrality in 2019, including some exclusively dedicated to producing L'Oréal Luxe products (2019 Progress Report, 2020). Jurlique followed the same approach, opening a new plant in 2017, with solar power production systems, efficient temperature control and low-voltage lighting.

Both firms also invested in reducing water usage. L'Oréal installed water treatment stations in 14 factories and updated industrial processes to solely use recycled and reused water, so that, by 2019, 4 plants were already “dry factories” (2019 Progress Report, 2020). Jurlique also changed its processes, using rainwater and more efficient manufacturing technologies that reduced water usage by 25% (Jurlique Sustainability and CSR Report 2019-2020, 2020).

Regarding waste, none of these firms sends production waste to landfills. L'Oréal achieved this goal in 2018 and Jurlique in 2016, implementing alternative waste streams at the plants, namely recycling, reusing or converting the waste into energy. An example of these waste streams is a L'Oréal Luxe partnership with Cèdre, a firm that transforms the packaging

of unsold or damaged perfumes into raw materials that are then incorporated in new production processes (2019 Progress Report, 2020).

As we can verify, firms have common concerns when it comes to carbon emissions, water usage and waste, and adapt their production processes and plant design to be more sustainable throughout their operations.

Packaging:

These companies foster co-creation to design more sustainable packaging. L'Oréal works with PureCycle, LOOP™ Industries and Carbios to achieve this goal, namely substituting plastic with carton and using recycled materials instead of virgin raw materials. As a result, 67% of new or renovated products in 2019 had their packaging reinvented with reduced environmental footprint (2019 Progress Report, 2020). Besides working towards minimalistic packaging with partners APCO and Piqet, Jurlique educates consumers on this issue, changing their expectations towards the packaging of a luxury beauty product.

“When we conducted a consumer research a few years back, many customers were after a prestige look on the packaging. Therefore, we did not make any drastic changes towards a plain or minimal look then. However, we have realised it is our opportunity to educate consumers by launching minimal and simple-design products, so we are now making our packaging simpler and more sustainable (e.g. removing laminations from cartons and discontinuing unnecessary decorations).” (interview of Global Sustainability&CSR Manager, Jurlique)

For L'Oréal, a result of this commitment to environmentally-friendly packaging resulted in the development of refillable products for its luxury brands. For a lower price, consumers can buy cartridges to insert in the main bottle (e.g. Lancôme Absolue creams), use product fountains in-store (e.g. Mugler's Angel perfume) or buy larger formats to refill at home (e.g. Armani's My Way perfume). All these initiatives show that *“sustainable innovation without compromise on luxury is possible”* (2019 Progress Report, 2020, p. 11).

“Applying refill to some of our most luxurious and expensive products like Lancôme Absolue is the proof that it is possible to be sustainable while maintaining and reinforcing the luxury dream.” (interview of Kiehl's Marketing&Retail Manager, L'Oréal Luxe)

Distribution:

Carbon footprint reductions are also considered in distribution, namely on transportation and at the point-of-sale. Concerning transportation, both firms found more sustainable

alternatives to airfreight on rail, sea and road freight, the latter with hybrid and electric vehicles. This reduced L'Oréal's transportation CO₂ emissions by 12% between 2011 and 2019, (2019 Progress Report, 2020) and Jurlique's by 20% between 2015 and 2018 (Yamamoto, 2018).

Regarding the point-of-sale, L'Oréal created the "Retailing Sustainably" initiative, as they "have also chosen to extend our initiatives to the design of our stores and point-of-sale advertising" (2018 Progress Report, 2019, p. 7) since 2015.

"When it comes to point-of-sale brand activation, we are committed to sustainability. We turn temporary visuals and decorations into more permanent solutions with a lower environmental footprint. In some of our stands (e.g. at El Corte Inglés), we invested in digital screens, where we switch campaigns and visuals at zero cost for us and the planet. (...) For physical installations, we substitute plastic with cardboard wherever possible, and we have strict guidelines regarding the materials we can use, guidelines that are mandatory for our retailers." (interview of Fragrances Brand Manager, L'Oréal Luxe)

Jurlique is adopting the same mindset, introducing the concept of the "sustainable modern farm experience" throughout its stores, with key elements made from recyclable materials (Tan-Gillies, 2019). This shows that luxury beauty firms engage with intermediaries along the distribution channel to be more sustainable, not only reducing the more obvious emissions from transportation, but also considering point-of-sale impact on the environment.

Post-Purchase Circular Economy:

Both firms educate and engage consumers to collectively take action on sustainability in the post-purchase stage of products' lifecycle. For L'Oréal, "communicating more robustly on sustainability with consumers is also our responsibility" (2018 Progress Report, 2019, p. 7). This is materialized with initiatives such as Trions en Beauté (Let's Recycle in Beauty), which shows consumers how to recycle products of diverse brands, like Lancôme and YSL.

More than education, firms work with partners and clients to reduce post-consumer waste through recycling programs. For example, L'Oréal Luxe partners with local recycling firms to implement Kiehl's "Recycle & Be Rewarded" program, which rewards consumers who return empty products with discounts and free products. Jurlique works with TerraCycle to promote a similar initiative, where clients send empty containers via post or drop them off in stores, receiving a discount for their next purchase. In this way, firms increasingly educate and incentivize consumers to take action on sustainability, partnering with recycling firms to reduce their indirect impact on the environment.

5.3 Measuring and communicating the impact of the strategy on environmental sustainability

To assess the effectiveness of the strategy and its implemented initiatives, both firms measure progress to foster continuous improvement and make necessary adjustments. This is achieved both with internal control and external recognition. This progress is then increasingly communicated, with public disclosure on environmental impact.

5.3.1 Internal control

Internal control is key to assess whether the initiatives implemented were successful in achieving the strategy's goals. L'Oréal Luxe evaluates progress on all defined targets.

“We have KPIs for each sustainability project at the country, division and brand level. We meet regularly to measure progress and check if these metrics are aligned with our targets.” (interview of Kiehl's Marketing&Retail Manager, L'Oréal Luxe)

Jurlique also monitors and controls the impact of their actions on environmental sustainability, matching achievements to the goals defined, in an internal Top Management Review. This finding is in line with expectations, as firms should monitor the impact of their various strategies, to make the necessary adjustments.

5.3.2 External recognition

Appraisal of progress on environmental sustainability by independent organizations provides credibility in two ways: audits and recognitions by ESG institutions. Each firm studied has a different approach towards this topic. L'Oréal is audited by Deloitte and PwC on environmental progress before publicly disclosing initiatives, progress and impact. This effort is recognised by independent organizations that promote ESG performance, such as CDP rankings, Euronext Vigeo Eiris indices or MSCI ESG indexes (*2019 Progress Report*, 2020). Jurlique does not have independent audits but discloses information that allows its efforts to be recognised by ESG organizations, namely with the Sustainability Beauty Awards or APCO's Highest Performers (*Jurlique Sustainability and CSR Report 2019-2020*, 2020).

Thus, internal control is the main step to monitor results, but firm credibility on this issue is also signalled with independent audits and direct comparisons with other firms. These external recognitions are an incentive for luxury beauty firms to proudly disclose their sustainability strategies, initiatives and progress, as discussed below.

5.3.3 Communicating impact

Both firms communicate their sustainability goals, initiatives and progress to relevant stakeholders using similar means. L’Oréal discloses group-level achievements and some brand-level initiatives on corporate and brand websites, social media, and on their annual Financial Report, Progress Report, Universal Registration Document, and UN Global Compact Report (2019 Progress Report, 2020). Besides disclosing sustainability initiatives and achievements on global and local websites, social media and on annual Sustainability and CSR reports, Jurlique also offers company tours to stakeholders who are interested in understanding how Jurlique employs sustainability in its daily operations (*Jurlique Farm Tour*, n.d.). This shows that luxury beauty firms increasingly promote public disclosure of their sustainability strategy, initiatives and corresponding impact, to communicate this aspect of their brand identity, while appeasing investors, educating and changing consumers’ expectations, and setting ambitious standards for the industry.

5.4 Conclusions

The following table summarizes the main conclusions drawn from the findings presented above, which answer my research question and convey some best practices for luxury beauty firms seeking to become more environmentally-sustainable.

	L’Oréal Luxe	Jurlique
Designing a sustainability strategy	Environmental goals are mostly based on SDGs and SBT	
	Other standards considered for setting goals: Planetary Boundaries, Business Ambition for 1.5°C, Ellen MacArthur Foundation	Other standards considered for setting goals: APCO’s National Packaging Goals
	Dedicated sustainability program designed by global headquarters sets goals, deadlines and roadmaps for implementation of key global initiatives	Sustainability is integrated holistically in all aspects of the business strategies by the Sustainability&CSR manager and the top management team, who define sustainability goals, deadlines and initiatives
	Country-level committees incorporate global strategy locally, deciding on specific targets, deadlines and initiatives per division	
At the brand-level, local strategies for licensed and couture brands require global alignment		

Implementing the strategy throughout the value chain	Engaging employees to drive positive change	Regular communication of strategic roadmap, through events and digital media		
		Formal training on sustainability topics		
		Extrinsic incentives: employee evaluations depend on sustainability-orientation in daily tasks and managers' bonus depend on progress towards sustainability targets	-	
	Initiatives implemented in key areas of action	Formulation: evaluates the environmental profile of new or renovated formulas, to reduce its footprint throughout the product's lifecycle		-
		Formulation: increases biodegradability levels		
		Sourcing: integrates ingredient production into the scope of the firm		
		Sourcing: works with external suppliers and independent auditing organizations to measure and improve suppliers' sustainability practices		
		Sourcing: incorporates sustainability criteria in sourcing decisions		
		Production: changes plant and process design to incorporate energy-efficiency		
		Production: produces energy from sustainable sources		
		Production: installs water treatment stations in factories	Production: incorporates rainwater in production processes	
		Production: updates processes to use recycled and reused water		
		Production: implements alternative waste streams (e.g. reuses, recycles and converts into energy)		
		Packaging: co-creates sustainable packaging with NGOs and firms dedicated to finding alternative packaging solutions		
		Packaging: offers refillable products	-	
		Distribution: substitutes airfreight with rail, sea and road freight with hybrid and electric vehicles		
		Distribution: works with retailers to reduce the impact of point-of-sale advertising, investing in digital screens, converting temporary visuals into more permanent solutions and having strict guidelines on the materials retailers can use for physical installations	Distribution: introduces a new store concept, framed on a "sustainable modern farm experience", incorporating recycled materials	
		Post-Purchase Circular Economy: educates consumers on post-purchase waste		
		Post-Purchase Circular Economy: works with specialized partners to create recycling programs, while rewarding consumers for their sustainable behaviours		

Measuring and communicating the impact of the strategy on environmental sustainability	Internal control	Measures progress and compares achievements with the targets defined, to make the necessary adjustments	
	External recognition	Audits environmental progress with independent firms	-
		Publicly discloses sustainability initiatives, progress and impact, to be recognised by organizations that promote ESG performance	
	Communicating impact	Communicates targets, initiatives and progress on corporate and brand websites, social media and dedicated reports	
		-	Offers company tours for different stakeholders, showing the firm's sustainable practices

Table 2: *Main conclusions of the findings*

6. Discussion

The presented findings are in accordance with existing literature, considering the urgency for luxury beauty firms to become more environmentally-sustainable and the ways to achieve it. I found it surprising that, contrary to the vast literature on stakeholder pressures the sector faces towards sustainability, both firms studied render these inexistent in practice, stating their efforts stem from their own identity and commitment towards the planet, thus identifying themselves as leaders that push competitors to adhere to similar standards. This represents an outstanding opportunity for luxury beauty managers to proudly embed sustainability in their business models and act as the trend-setters they are (Choi, 2014). This is the time to take advantage of their unique position, redefining the industry's practices, while shaping consumer behaviour and expectations towards environmental sustainability.

To make this a reality and become more environmentally-sustainable, the case studies provide a clear answer to my research question: defining a sustainability strategy, implementing it through initiatives along the value chain and measuring their impact on environmental sustainability is a successful way to achieve this goal, as literature proposes (Figge et al., 2002; Labuschagne et al., 2005; Morioka & de Carvalho, 2016).

When it comes to designing this strategy, my findings confirm previous research, showing that firms should define quantifiable targets, based on standards promoted by dedicated organizations (Hahn & Kühnen, 2013; Lee & Farzipoor Saen, 2012; Perego & Hartmann, 2009).

Regarding implementation, luxury beauty firms can follow the example of the studied cases, acting in all 5 areas of the value chain (inbound logistics, operations, outbound logistics, marketing&sales and service) and on support activities like human resource management, procurement and technology development (Porter, 2001), as Kapferer proposes (Kapferer, 2010).

Concerning inbound logistics and procurement, firms can produce some of the ingredients they use, expanding their business scope. This decision may present challenges with cost efficiencies and know-how, but it allows firms to have more control over sustainability practices throughout the supply chain. A less risky alternative entails involving external suppliers in the firm's path towards sustainability (Grosvold et al., 2014). This can be achieved

by including sustainability criteria in procurement decisions, training and correspondingly auditing suppliers on their practices.

In operations and technology development, the first step to become more environmentally-sustainable is to create formulas with reduced environmental footprint, which is in line with Gadenne et al. (2012). Then, as defended by Trumpp et al. (2015), innovating production processes is key. Here, the studied firms have different approaches to achieve the same goal, due to their different sizes and financial resources (i.e. Jurlique is a small firm with one production plant, while L'Oréal Luxe is part of the beauty world leader with dozens of plants around the globe). Nevertheless, their priorities are aligned: improve production processes to increase energy-efficiency, reduce water consumption and generate less waste. When it comes to packaging, co-creation is key, as scholars defend (Bom et al., 2019; Morelli, 2011; Morioka & de Carvalho, 2016). Specifically, firms can work with external partners on two emerging trends in luxury beauty: minimalistic packaging and refillable products.

For outbound logistics, firms should evaluate their distribution channels, choosing means of transportation that are less pollutant, namely investing in electric vehicles and reducing air freight. Regarding marketing and sales, retailer engagement is key to achieve environmental sustainability. Therefore, firms can define clear sustainability guidelines for retailers to follow, namely concerning materials used in point-of-sale advertising and conversion of temporary visuals into more permanent solutions (e.g. digital screens).

Concerning service, the final primary activity of the value chain (Porter, 2001), the focus is on post-purchase. Educating and engaging consumers at this stage addresses the paradox of consumerism (Kunz et al., 2020) and creates new habits of environmental behaviour (De Klerk et al., 2019). This can be operationalised with recycling programs for empty packaging, which are particularly successful when firms foster consumers' awareness towards the impact of their actions (Leary et al., 2014).

For firms to successfully implement these initiatives and become more environmentally-sustainable along the value chain, human resource management is essential. Therefore, managers must guarantee that employees are aware of and motivated towards this mindset, communicating sustainability roadmaps, providing training and devising appropriate incentives for compliance and innovation.

Finally, when measuring the impact of their sustainability strategy, firms following these findings and scholars' views will combine internal control with external audits and recognitions, to foster continuous improvement of environmental performance (Perego & Hartmann, 2009). To communicate progress, firms can produce dedicated documents for public disclosure (e.g. sustainability reports), detailing their environmental impact, the activities undertaken to minimize it and the generated improvements (Hahn & Kühnen, 2013; Lee & Farzipoor Saen, 2012; Morioka & de Carvalho, 2016). This communication breaks the sustainability silence (Kapferer, 2010; Kunz et al., 2020), which is in line with increasing consumer expectations towards transparency (Kapferer & Michaut, 2015).

The studied firms state that these sustainability strategies and practices bring increased innovation and cost efficiencies, as literature preconizes (Jem Bendell & Thomas, 2013; Gardetti & Torres, 2013; Kunz et al., 2020). However, three pressing challenges are identified by both: the required financial investment, the harmonization of strategies and practices among local branches of international firms, and the necessary management of conflicting consumer perceptions towards sustainable luxury. The latter challenge is fading, as consumers increasingly consider brands' sustainable actions when purchasing (Danziger, 2019; D'Arpizio & Levato, 2016). Nevertheless, different geographies have different timings when it comes to luxury perceptions, namely with Asian consumers being more sceptical towards sustainable luxury, as shared by Jurlique's Sustainability and CSR Manager. To tackle this, research suggests communicating offerings as being rare and having the highest quality, as this generates a less paradoxical image of sustainable luxury (Janssen et al., 2014; Kapferer & Michaut, 2015) and of the legitimacy of luxury cosmetics (Kapferer, 2010).

7. Conclusion

This exploratory research allowed me to answer the research question proposed, understanding how luxury beauty firms can become more environmentally-sustainable, comparing the successful approaches of two firms with different contexts, and analysing how their approaches are consistent with existing literature.

It is undeniable that environmental sustainability is more than an ethical claim towards the conservation of our planet. Recent years have shown that sustainability is a source of differentiation and competitive advantage for luxury beauty firms. Nowadays, the apparent paradox between luxury and sustainability (Kapferer & Michaut, 2015; Kunz et al., 2020) is outdated, as firm survival depends on becoming more environmentally-sustainable (Depeyre et al., 2018; Kale & Öztürk, 2016; Kunz et al., 2020). This notion is defended by both firms studied and is consistent with the literature, as socioeconomic sustainability can only be achieved if environmental sustainability is guaranteed (Goodland, 1995; Morelli, 2011).

My findings provide an original contribution to scientific knowledge on this topic, focusing on a sector that is neglected by scholars. Furthermore, this research goes beyond the rationale to become more environmentally-sustainable, focusing on a sparsely researched topic: how luxury beauty firms can make this a reality. Besides its academic importance, this study highlights the topic's managerial implications, providing meaningful and actionable insights for luxury beauty managers who are interested in incorporating sustainability in their business models, to reduce their negative environmental impact and play a pivotal role in shaping societal expectations and behaviours towards sustainable luxury.

Nevertheless, my research has some limitations. As explained in the methodology chapter, studying only two firms reduces the potential generalizability of the presented conclusions. Concerning L'Oréal Luxe, most of the public data on sustainability relates to the entire L'Oréal Group, which limits the secondary data available on the Luxe division to further corroborate the primary data collected. Additionally, it would have been helpful to understand the perspectives of other local divisions (besides L'Oréal Portugal), in order to analyse different approaches towards decentralized sustainability planning and implementation.

These limitations can be overcome by future research, namely by studying other firms with different contexts (e.g. size, geography, organizational culture), to identify which relevant differences are motivated by contextual factors and which conclusions are generalizable.

Moreover, it would be interesting to understand whether some conclusions could be applied to the cosmetics industry as a whole, especially concerning the strategy's implementation across the value chain. As operations may be similar throughout the industry, this corroboration could be a key trigger for industry-wide change. Finally, other qualitative methods besides case studies should be used to better understand this phenomenon. The resulting knowledge should then be complemented with quantitative research, testing generated hypothesis, namely concerning the impact that specific sustainability-oriented actions have on company performance and reputation with key stakeholders.

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9. Appendices

Appendix 1: Contacted firms

Company	Contact Status
Augustinus Bader	No response
Chanel	No response
Davines	Unwilling to participate
Estée Lauder	Willing to participate, though tardy
Jurlique	Willing to participate
Kering	Unwilling to participate
Kjaer Weis	Willing to participate, though tardy
La Bouche Rouge	No response
La Mer (now part of Estée Lauder)	No response
Le Labo	No response
L'Oréal Luxe	Willing to participate
LVMH	Unwilling to participate
Tata Harper	No response
Vintner's Daughter	No response

Table 3: *Contacted firms*

Appendix 2: Primary and secondary data collected

L'Oréal Luxe – Primary Data				
Type of data	Interviewee	Position	Date	Length
Interview	Luís Oliveira Ferreira	Fragrances Brand Manager	28/10	1h
Q&A over e-mail	Luís Oliveira Ferreira	Fragrances Brand Manager	19/10 – 30/10	N.A.
Interview	Ana Rute Valente	L'Oréal Luxe representative at Portugal's <i>L'Oréal For the Future</i> committee; Kiehl's Marketing & Retail Manager	18/11	1h15
Q&A over e-mail	Ana Rute Valente	L'Oréal Luxe representative at Portugal's <i>L'Oréal For the Future</i> committee; Kiehl's Marketing & Retail Manager	30/10 – 19/11	N.A.

Table 4: *Primary data collected on L'Oréal Luxe*

L'Oréal Luxe – Secondary Data				
Type of data	Title	Author	Organization	Date
Code of Ethics	The Way We Buy – A Practical Guide to Ethics when Dealing with Suppliers	L'Oréal Ethics	L'Oréal	2011
Sustainability Report	Sustainable Development Report 2013	L'Oréal	L'Oréal	2014
Sustainability Report	Progress Report 2014	L'Oréal	L'Oréal	2015
Sustainability Report	Progress Report 2015	L'Oréal	L'Oréal	2016
Sustainability Report	Progress Report 2016	L'Oréal	L'Oréal	2017
Sustainability Report	Progress Report 2017	L'Oréal	L'Oréal	2018
Sustainability Report	Progress Report 2018	L'Oréal	L'Oréal	2019
Sustainability Report	Progress Report 2019	L'Oréal	L'Oréal	2020
Progress Report	United Nations Global Compact Communication on Progress 2013	L'Oréal	L'Oréal	2014
Progress Report	United Nations Global Compact Communication on Progress 2014	L'Oréal	L'Oréal	2015
Progress Report	United Nations Global Compact Communication on Progress 2015	L'Oréal	L'Oréal	2016
Progress Report	United Nations Global Compact Communication on Progress 2016	L'Oréal	L'Oréal	2017
Progress Report	United Nations Global Compact Communication on Progress 2017	L'Oréal	L'Oréal	2018
Progress Report	United Nations Global Compact Communication on Progress 2018	L'Oréal	L'Oréal	2019
Annual Report	Annual Results 2018	L'Oréal Luxe	L'Oréal	2019
Annual Report	Annual Results 2019	L'Oréal Luxe	L'Oréal	2020
Sustainability Program	L'Oréal for the Future: our sustainability commitments for 2030	L'Oréal	L'Oréal	2020
Presentation	L'Oréal for the Future	L'Oréal	L'Oréal	2020
Presentation	Reigniting Growth	Jean-Paul Agon	L'Oréal	2020
Audio Presentation	Annual Results 2019 – L'Oréal Luxe	Cyryl Chapuy	L'Oréal	2020
Audio Presentation	Annual Results 2019 - Divisions	Nicolas Hieronimus	L'Oréal	2020
Audio Presentation	In Pole Position for the Decade Ahead	Jean-Paul Agon	L'Oréal	2020
Video Presentation	“L'Oréal for the Future” Live Q&A	Alexandra Palt	L'Oréal	2020
Video	Sustainable innovation at L'Oréal – Interview with Laurent Gilbert	Laurent Gilbert	L'Oréal	2018
Video	The mission is personal: L'Oréal's sustainable transformation	L'Oréal	L'Oréal	2018

Video	The Mugler Fountain	Mugler	L'Oréal	2018
Video	L'Oréal sustainable sourcing	L'Oréal	L'Oréal	2019
Video	How to refill your Angel bottle?	Mugler	L'Oréal	2019
Video	How to – My Way, the new refillable fragrance by Giorgio Armani	Armani Beauty	L'Oréal	2020
Industry Report	Global Powers of Luxury Goods 2020	Deloitte	Deloitte	2020
Newspaper Article	Sustainability the key as L'Oréal affirms “sharing beauty with all” mantra	Clare Austin	The Moodie Davitt Report	2015
Newspaper Article	L'Oréal and the road to carbon-neutral cosmetics	Madeleine Cuff	Green Biz	2016
Newspaper Article	L'Oréal recognized as Global Compact LEAD by the United Nations	Georgina Caldwell	Global Cosmetics News	2018
Newspaper Article	L'Oréal announces emission reduction targets in line with Paris Accord	Georgina Caldwell	Global Cosmetics News	2018
Newspaper Article	Como a L'Oréal transformou a sustentabilidade em sinónimo de inovação	Catarina Lamelas Moura	Público	2018
Newspaper Article	Mugler revamps refillable station for signature scents	Becky Bargh	Cosmetics Business	2019
Newspaper Article	L'Oréal unveils 2030 sustainability strategy with environmental labelling	Cecilia Keating	Green Biz	2020
Newspaper Article	L'Oréal targets carbon neutrality by 2025	edie	edie	2020
Newspaper Article	My Way: Giorgio Armani reveals new sustainable fragrance pillar	Hanna Tan-Gillies	The Moodie Davitt Report	2020
Newspaper Article	Giorgio Armani's new scent marks turning point in commitment to sustainability	Becky Bargh	Cosmetics Business	2020
Newspaper Article	Making beauty greener: the refillable packaging solutions driving change	Becky Bargh	Cosmetics Business	2020
Newspaper Article	É urgente (re)centrar os modelos de negócio na sustentabilidade	Cátia Martins	Público	2020
Newspaper Article	O futuro da L'Oréal passa pela sustentabilidade	Reinhard Oehner	Líder	2020
Newspaper Article	Acabou o creme, o champô e o perfume? Já os pode voltar a encher?	Ana Dias Ferreira	Observador	2020
Magazine Article	How L'Oréal is turning itself into a sustainability leader	Eillie Anzilotti	Fast Company	2017
Magazine Article	Innovation and sustainability drive L'Oréal's packaging	Jamie Matusow	Beauty Packaging	2017
Magazine Article	L'Oréal recognized as Global Compact LEAD by United Nations	Beauty Packaging	Beauty Packaging	2018
Magazine Article	L'Oréal Portugal quer reduzir as emissões de carbono das deslocações dos colaboradores	ambiente magazine	ambiente magazine	2018

Magazine Article	Lancôme’s refillable Idôle fragrance is groundbreaking, and here’s why	Lisa Niven-Phillips	Glamour	2019
Magazine Article	Mugler fragrance is leading the way in responsible packaging	Sally Hunwick	marie claire	2019
Magazine Article	L’Oréal reforça o seu desenvolvimento sustentável	ambiente magazine	ambiente magazine	2019
Magazine Article	L’Oréal receives triple “A” CDP score	Beauty Packaging	Beauty Packaging	2020
Magazine Article	L’Oréal recognized as a world environmental leader	happi	happi	2020
Magazine Article	L’Oréal – The world’s biggest beauty company – says it will be fully sustainable by 2030	Hanna Banks-Walker	Grazia	2020
Magazine Article	Make-up recycling: every high street beauty brand working hard to help you recycle your empties	George Driver	Elle	2020
Magazine Article	L’Oréal Group reveals aim to be fully sustainable by 2030	Becki Murray	Harper’s Bazaar	2020
Magazine Article	L’Oréal Group announces 10-year sustainability plan	Emma Sandler	Glossy	2020
Magazine Article	“L’Oréal for the Future” lays out group’s ambitious sustainability goals	Alissa Demorest	Luxe Packaging Insight	2020
Magazine Article	L’Oréal anuncia novos objetivos de sustentabilidade	Grande Consumo	Grande Consumo	2020
Magazine Article	Lanzatech, Total e L’Oréal lançam primeira embalagem de plástico sustentável do mundo	Cristiano Costa	Sustentável	2020
Magazine Article	L’Oréal define metas para ser mais sustentável até 2030	Vogue Brasil	Vogue Brasil	2020
Blog Post	L’Oréal outlines 2020 sustainability goals	Lara O’Reilly	xeim	2013
Blog Post	L’Oréal recognized as Global Compact Lead by the United Nations	Olivia Pearce	World Branding Forum	2018
Blog Post	L’Oréal named the most sustainable company in 2017	Climate Action	Climate Action	2018
Blog Post	Sodexo, Electrolux, L’Oréal and many more ramp up climate commitments to 1.5C pathway	Madeleine Cuff	Business Green	2019
Blog Post	L’Oréal announces aim to reinforce its efforts with luxury in France	Lucy Whitehouse	Cosmetics design-europe.com	2019
Blog Post	Beautiful world? Climate action as a “mission” not a job, says L’Oréal ethics chief	Kacey Culliney	Cosmetics design-europe.com	2019
Blog Post	Flower Power: Lancôme advances zero-waste rose ambition	Kacey Culliney	Cosmetics design-europe.com	2020
Blog Post	The sustainable beauty rush: L’Oréal’s 10-year plan a real “step up”	Kacey Culliney	Cosmetics design-europe.com	2020

Blog Post	Giorgio Armani's new My Way fragrance elevates the idea of sustainable perfume	Madge Maril	The Zoe Report	2020
Website	United Nations Global Compact – Participants – L'Oréal	UN Global Compact	UN Global Compact	N.A.
Website	The nine planetary boundaries	Resilience Centre	Stockholm University	N.A.
Website	Commit to action – Science-Based Targets	CDP	CDP	N.A.
Website	Commitments & Responsibilities	L'Oréal	L'Oréal	N.A.
Website	Trions en Beauté	L'Oréal Belgilux	L'Oréal	N.A.
Website	Recycle & Be Rewarded	Kiehl's	L'Oréal	N.A.
Website	Kiehl's Future Made Better	Kiehl's	L'Oréal	N.A.
Website	#ReFillYourBottle	Mugler	L'Oréal	N.A.
Website	Biotherm Water Lovers	Biotherm	L'Oréal	N.A.

Table 5: Secondary data collected on L'Oréal Luxe

Jurlique – Primary Data				
Type of data	Interviewee	Position	Date	Length
Interview	Yoshie Obara	Global Sustainability & CSR Manager	3/11	1h10
Interview	Yoshie Obara	Global Sustainability & CSR Manager	24/11	1h
Q&A over e-mail	Yoshie Obara	Global Sustainability & CSR Manager	27/10 – 29/11	N.A.

Table 6: Primary data collected on Jurlique

Jurlique – Secondary Data				
Type of data	Title	Author	Organization	Date
Sustainability Report	CSR Report 2013	Pola Orbis	Pola Orbis	2013
Strategic Report	Strategic Direction Report 2019-2020	Jurlique	Jurlique	2018
Sustainability Report	Sustainability and CSR Report 2018	Jurlique	Jurlique	2019
Sustainability Report	Sustainability & CSR Report 2019-2020	Jurlique	Jurlique	2020
Annual Report	Corporate Report 2017	Pola Orbis	Pola Orbis	2017
Annual Report	Corporate Report 2018	Pola Orbis	Pola Orbis	2018
Annual Report	Corporate Report 2019	Pola Orbis	Pola Orbis	2019
Newspaper Article	More than just a pretty face: Jurlique scores on three counts	Packaging News	Packaging News	2015
Newspaper Article	Brands respond to demand for sustainable skincare	Hyeyeun Jeon	The University Network	2019

Newspaper Article	Jurlique brings a “sustainable modern farm” experience to Beijing Daxing International Airport	Hannah Tan-Gillies	The Moodie Davitt Report	2019
Newspaper Article	Breaking it down: how to make your beauty routine more sustainable	Cassandra Tassios	The New Daily	2020
Newspaper Article	Refillable beauty: “skincare is such a high consumption industry... but it doesn’t need to be”	Georgina Safe	The Guardian	2020
Newspaper Article	Jurlique looks to rejuvenation as it celebrates 35 years	Natalie Reilly	Financial Review	2020
Magazine Article	Naturally pampered at the Jurlique Spa	Signature Luxury Travel&Style	Signature Luxury Travel&Style	2014
Magazine Article	3 questions for Jurlique’s Environmental Officer	Jamie Matusow	Beauty Packaging	2017
Magazine Article	Australia wants to save the world. Will we let it?	Rachel Krause	Refinery29	2018
Magazine Article	The rise of circular beauty: brands that offer in-store recycling programs	Alexandra McCarthy	The Latch	2020
Magazine Article	15 of the best sustainable beauty brands you can shop all year round	Arianna Chatzidakis	Hello!	2020
Blog Post	A leading eco-friendly practice in cosmetic market	Zim Lin	Aim2Flourish	2017
Blog Post	Jurlique International – Sustainability has been part of our DNA since 1985	Jon Westover	Association for Sustainability in Business	2018
Blog Post	Recycling Partnership	Retail Pharmacy	Retail Pharmacy	2018
Blog Post	Beauty recycling programs that are worth getting behind	Hannah Cole	Fashion Journal	2019
Blog Post	Jurlique farm tour	Juggle House Experiences	Juggle House Experiences	2020
Website	Our Farm	Jurlique UK	Jurlique	N.A.
Website	Our Story	Jurlique UK	Jurlique	N.A.
Website	Our Unique Process	Jurlique UK	Jurlique	N.A.
Website	9 ways to use less plastic	Jurlique UK	Jurlique	N.A.
Website	Jurlique Recycling Program	Jurlique AU	Jurlique	N.A.
Website	Sustainability and CSR Goals	Jurlique AU	Jurlique	N.A.
Website	Product Life Cycles	Pola Orbis Holdings	Pola Orbis Holdings	N.A.
Website	Environmental Policy	Pola Orbis Holdings	Pola Orbis Holdings	N.A.
Website	Meet our clients: Jurlique	Piqet	Piqet	N.A.
Website	Jurlique International Testimonial	Pangolin Associates	Pangolin Associates	N.A.
Website	Jurlique farm tour and hills gourmet picnic	The Lane Vineyard	The Lane Vineyard	N.A.
Website	Jurlique Recycling Program	TerraCycle	TerraCycle	N.A.

Table 7: Secondary data collected on Jurlique

Appendix 3: Themes, categories and first-order codes

Themes	Categories	First-order codes
Rationale behind the decision to become more environmentally-sustainable	Reasons to become more environmentally-sustainable	It is an ethical responsibility for all societal agents
		Firm survival depends on scarce resources
		It is a source for competitive advantage and differentiation in this market
		Sustainability is embedded in the brand identity
		Consumers increasingly expect luxury beauty firms to comply with sustainability standards
	Firm-level benefits of becoming more environmentally-sustainable	Increasing operational efficiency
		Reducing costs
		Increasing innovation levels
		Improving reputation
	Challenges of becoming more environmentally-sustainable	Shortage of financial resources to implement envisioned endeavours towards sustainability
		Aligning sustainability targets and deadlines among local divisions
		Aligning identity changes and initiatives at the brand-level, while maintaining global consistency
		Motivating employees to integrate sustainability in their daily mindset
		Dealing with different consumer expectations towards the relationship between luxury and sustainability across geographical segments
Defining a sustainability strategy	Designing the strategy	Devising a sustainability program through a centralized approach
		Defining sustainability targets and deadlines to achieve them
	Planning the strategy's implementation	Designing a centralized implementation roadmap
		Designing decentralized/local implementation roadmaps
Implementing a sustainability strategy	Human resource management	Regular communication of sustainability roadmaps
		Training on sustainability topics
		Employee evaluations based on sustainability-orientation
		Managers' bonus dependent on sustainability progress
	Inbound logistics and procurement	Integrating ingredient production in the scope of the business
		Incorporating sustainability criteria in external procurement decisions
		Training suppliers on sustainability topics
		Auditing suppliers on their sustainability practices
	Operations and technology development	Designing product formulas with reduced environment footprint
		Increasing energy-efficiency in production
		Producing energy from sustainable sources

		Updating production processes to reduce water consumption
		Defining processes that incorporate waste as an input in production
		Co-creating minimalistic packaging with external partners
		Introducing refillable products
	Outbound logistics	Substituting means of transportation used in distribution with less pollutant alternatives
		Substituting car fleets with hybrid and electric vehicles
	Marketing & Sales	Defining sustainability standards for retailers
		Using more environmentally-friendly materials in point-of-sale advertising
		Converting temporary visuals into more permanent solutions
	Service	Educating consumers on post-purchase waste
		Working with partners to offer recycling programs for empty packaging
	Impact of the strategy on environmental sustainability	Measuring progress
Audits on environmental sustainability performed by independent organizations		
Communicating initiatives and progress		Public disclosure of initiatives and progress on environmental sustainability through dedicated documents
		Public disclosure of initiatives and progress on environmental sustainability through corporate websites and social media pages
		Events dedicated to showing stakeholders how the firm employs sustainability in daily operations

Table 8: *Coding table*

Appendix 4: L'Oréal Luxe brands

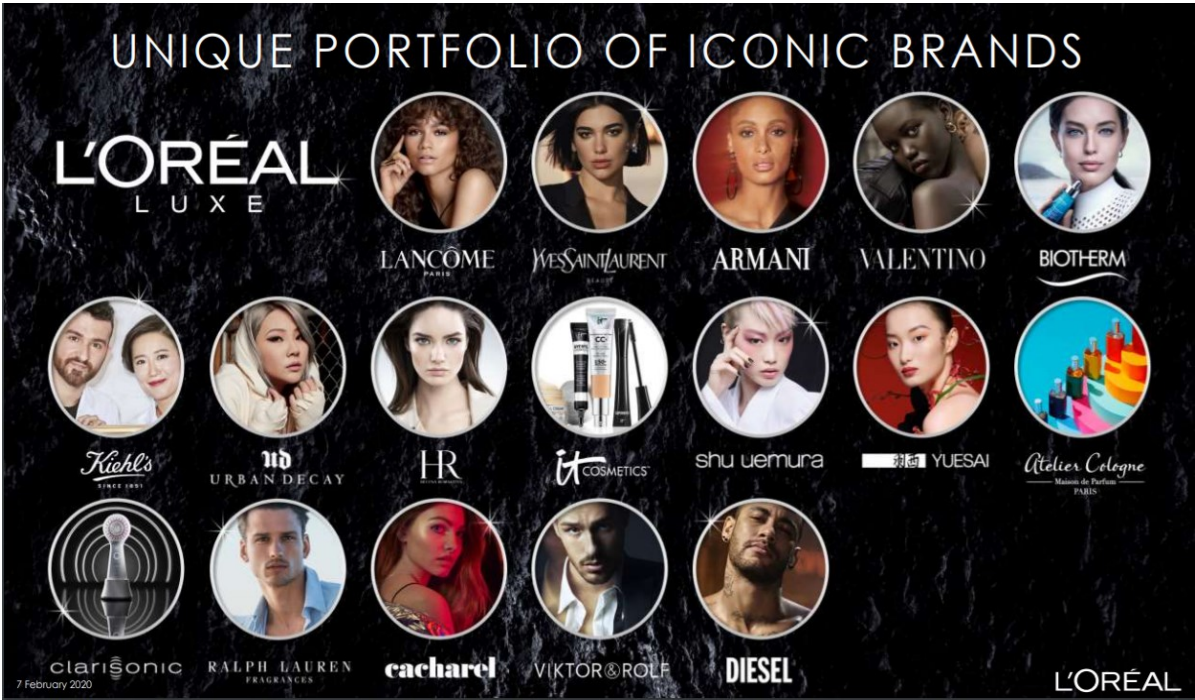


Figure 12: *L'Oréal Luxe brands, on 7 February 2020* (source: Agon, 2020, p. 17)

Note: Mugler and Azzaro were since added to the portfolio

Appendix 5: L'Oréal SDGs

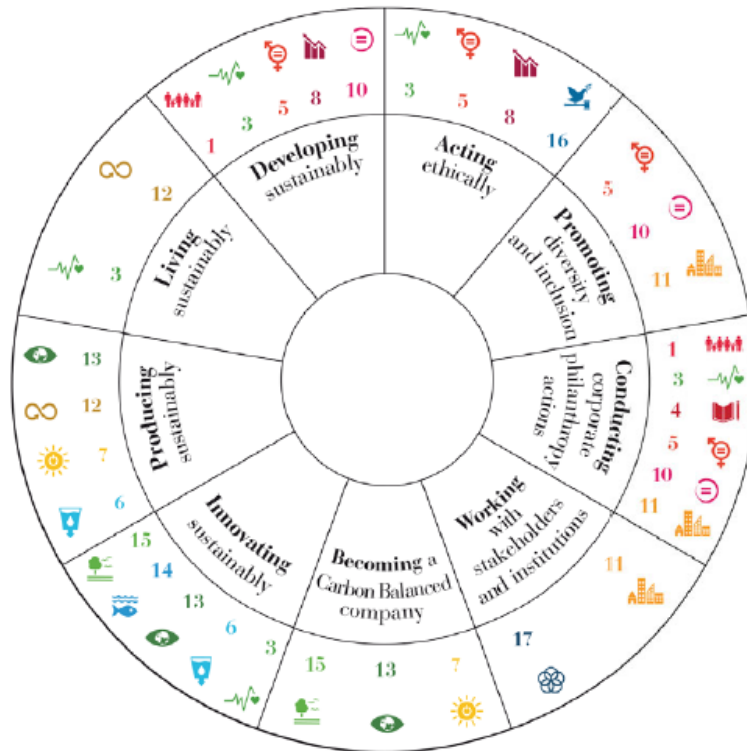


Figure 13: SDGs towards which L'Oréal is working (source: 2019 Progress Report, 2020, p. 3)

Appendix 6: Jurlique SDGs



Figure 14: SDGs towards which Jurlique is working (source: Yamamoto, 2018, p. 7)

Appendix 7: Planetary Boundaries

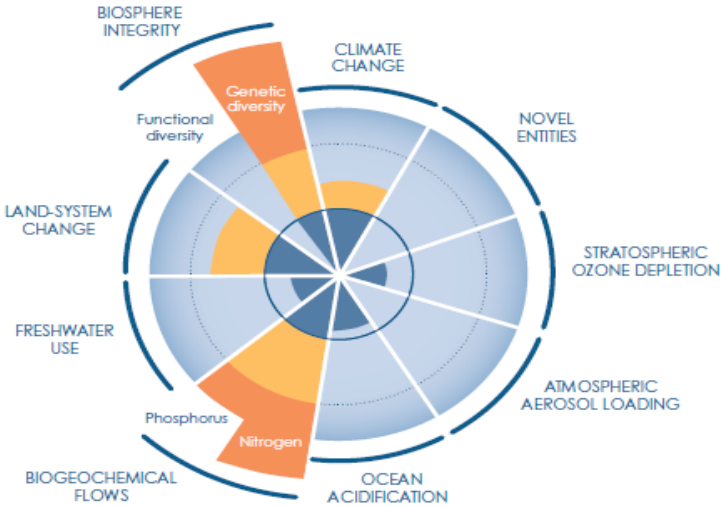


Figure 15: Planetary Boundaries defined by the Stockholm Resilience Centre (source: Palt, 2020, p. 3)