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**Comparative Study on Greenwashing  
in the Cosmetics Industry:  
A Content Analysis**

**Bachelor Thesis**

by

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By

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## Abstract

As climate change and the pollution of the planet become an increasing problem, consumers are becoming more environmentally aware and demand sustainable business practices from companies and sustainable ingredients to be used in cosmetic products. But not all companies operating in the cosmetics industry are able to hold true to the promise of sustainable actions and deceive consumers by misleading and false statements and behaviour, thus utilise “Greenwashing”. Nowadays, greenwashing is a well-know practice reducing trust in a brand and diminish its reputation. Therefore, the question arises what advantages companies generate by using greenwashing schemes. This study is based on the content analysis according to Kuckartz and detects misleading claims in sustainability reports and other non-financial reports. Therein, companies focus on presenting themselves as environmentally friendly and aim at improving their actions by highlight partnerships with NGOs to appear more sustainable. Thus, the reports are used as a marketing tool to attract stakeholders. But there are several lawsuits and articles against companies in the cosmetics industry implying otherwise and proving false and misleading statements regarding cosmetics, the ingredients, and the packaging. Meaning, companies attract more customers by seemingly meeting their demand for natural cosmetics and sustainable packaging, and therefore generate a larger consumer base implying higher profit.

### Keywords:

Corporate Social Responsibility, Greenwashing, Sustainability, Cosmetics Industry, Content Analysis

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## List of Abbreviations

art	article	5
CPNP	cosmetic products notification portal	18
CSR	Corporate Social Responsibility	2
ESCG	environment, society, culture, and governance	43
EU	European Union	5
EWG	Environmental Working Group	53
FTC	Federal Trade Commission	18
GRI	Global Reporting Initiative	6
HSE	health, safety, and environment	41
ISAE	International Standard on Assurance Engagement	34
ISO	International Organization of Standardization	7
LVMH	Moët Hennessy – Louis Vuitton	13
MDGs	Millennium Development Goals	6
NGOs	non-governmental organisations	15
para	paragraph	5
PETA	People for the Ethical Treatment of Animals	15
SASB	Sustainability Accounting Standards Board	36
SDGs	Sustainable Development Goals	6
SMEs	Small and Medium Enterprises	6
SPOT	Sustainable Product Optimisation Tool	38
SRI	Socially Responsible Investment	43
UN	United Nations	6
US	United States	14
UV	ultraviolet	42
WWF	World Wide Fund For Nature	29

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# 1 Introduction

This first chapter provides the necessary background information on the topic of this bachelor thesis as well as problems arising from it. Furthermore, the introduction chapter focuses on the purpose of the thesis and the resulting research question. In addition, the contribution to existing research as well as limitations due to the nature of the research question are proposed.

## 1.1. Background

Companies are taking more environmentally friendly actions to appeal to consumers. As consumers are becoming increasingly environmentally aware, the demand for sustainable products is increasing as well. Therefore, consumers expect a reduction of environmental impacts as pollution and the attention to environmental issues are increasing. Further, a rise in environmental problems lead to a rise in public attention and environmental considerations as well as pressure on companies to not only disclose information on their environmental impact (de Freitas Netto, Sobral, Ribeiro & da Luz Soares, 2020, p.1) but also the pressure to be environmentally friendly and engage in sustainable actions (Berrone, Fosfuri & Gelabert, 2017, p.363).

Additionally, consumption habits change and the demand for environmentally friendly products increases as does the demand for organic, vegan, and cruelty-free products. Therefore, the market for products with natural ingredients and without animal-harm is on the rise, specifically focusing on the cosmetics industry as these products come in direct contact with the human body. In addition, the market for eco-friendly and “green” products is increasing as well.

Simultaneously, companies market products as being more sustainable not only in terms of ingredients used but also regarding the products’ impact on the environment. This means that cosmetic products impact water, air, and land pollution by generating wastewater containing hazardous chemicals, polluting the air due to production sites and transportation efforts, and generating waste by producing too much packaging material.

To minimise the negative impact of companies’ international rules and regulations are set in place not only for overall impact of the company on the planet and the people but also in terms of reporting the achievements. Therefore, the Sustainable Development Goals are established to provide a guideline for every company regarding its impact on the environment and the society. Moreover, international reporting guidelines and international standards mandate what and how a company is presenting itself. Still, misleading green claims that might not hold true occur while companies persuade consumers

into purchasing seemingly more sustainable products by feeding into the demand for more environmentally conscious options.

## 1.2. Problem Discussion

As the demand for eco-friendly and “green” products increases, the claims of being eco-friendly and “green” increases accordingly. Additionally, eco-friendlier alternatives are on the rise to meet the demand of consumers as more brands are launching products with refillable components, recycled packaging, and ingredients of natural origin. This presents two different problems. On the one hand, the cosmetics industry is led by only a few conglomerates owning hundreds of cosmetics brands. Moreover, brands claim to have natural ingredients, a cruelty-free status, or a sustainable reputation to set them apart for its competitors. But when consumers make the conscious decision to purchase a certain product from a specific brand, chances are that the competitor brand is owned by the same parent company. Meaning, the consumer is also indirectly supporting a brand they did not intent to support.

On the other hand, companies might not be able to meet the demand of a more sustainable cosmetic product and consequently pretend to be more sustainable, thus greenwashing practices are increasing, become more common, and increasingly difficult for the consumer to uncover. Therefore, sustainability reports try to bring more transparency into the matter. Reporting on Corporate Social Responsibility (CSR) issues, i.e. disclosing the company’s sustainability efforts, is mostly done on a voluntary basis by companies but some institutions, such as the European Union, require companies exceeding a certain number of employees to report their impact on the environment and their impact on the society. These CSR reports not only help the consumer to be informed about a certain company but also any other interested stakeholder, such as investors, suppliers, and manufacturers, can profit from such reports.

The problem with reports published by companies is that they are biased, and companies will only provide the necessary information that will present them in the best light possible, thus CSR reports can be used as a marketing tool by companies. This means that greenwashing techniques also apply to sustainability reports as companies use them to mislead consumers and other stakeholders. This study tries to identify false representation by companies by analysing sustainability reports and pinpointing to gaps compared to the real world.

### 1.3. Purpose

The purpose of this research is to identify if companies have adopted greenwashing techniques within the published substantiality reports to better sell cosmetic products within the European Union. In addition, this study tries to determine the generated competitive advantage of greenwashing for companies and their reasons for using misleading claims on the consumer. Therefore, this research utilises the methodology of a content analysis described by Kuckartz (2016); a method usually applied to qualitative interviews. This method is applied to the sustainability reports of companies operating within the European cosmetics industry. These companies do not necessarily have to be based in the European Union, but they must distribute their cosmetic products within the European market. By applying this methodology, the alleged sustainability claims provided by companies are extracted from the sustainability reports and are compared to the reality of the industry. By doing so, the author aims to point out a gap between the claims of companies and the reality of the industry. This gap is then addressed as greenwashing.

This research also aims to fill the gaps of previous studies by focusing on the cosmetics industry within the European Union. Moreover, previous studies primarily addressed the consumer perspective on greenwashing and accordingly the change in purchase behaviour and brand image. This study, however, intends to focus on the company perspective of greenwashing and identify what advantages companies perceive from greenwashing. Contrary to previous research this paper is focused on the European Union and its rules and regulations as existing research primarily deals with the American beauty industry or the Asian consumer base and their point of view on greenwashing.

### 1.4. Research Question

This study focuses on greenwashing practices within the cosmetics industry. It aims at analysing the content of sustainability reports issued by companies and obtaining additional external sources to verify or contradict the presented content. Therefore, this thesis approaches the problem from the company perspective. In addition, the time span is limited to the year 2019 as this paper intends to exclude the implications of the Corona Pandemic. Thus, this study addresses the following research question:

What competitive advantages do cosmetic companies selling in the European Union generate from Greenwashing in the year 2019?

## 1.5. Contribution to the Research

This research adds to the discussion of greenwashing within different industries, particularly focusing on the cosmetics industry. Moreover, it also contributes to the consideration of various perspectives on greenwashing as this study presents greenwashing from the company's viewpoint, contrary to previous research which mostly studies greenwashing from the consumer perspective and their negative response to greenwashing techniques utilised by companies. As mentioned previously, this study also focuses on the European market and aims at filling the gap of existing research that deals with the American cosmetic market.

## 1.6. Delimitation

It is important to note that this thesis is limited to the company perspective on greenwashing, thus it is also limited by the industry focus as it will only analyse companies operating within the cosmetics industry as well as companies and brands whose cosmetic products are available to purchase within the European Union. Moreover, this study analyses the sustainability reports of companies operating in the cosmetics industry, therefore this study concentrates on the European reporting standards as well as the European cosmetic laws and regulations which apply to all cosmetics products distributed on the European market. This also means that the results of this thesis might not be applicable to other industries nor to other regions as varying regulations apply, still greenwashing might be a reoccurring factor.

## 1.7. Structure of the Thesis

This thesis consists of five main parts starting with the introduction of relevant topics within the theoretical framework. In that chapter, key terms such as "Corporate Social Responsibility" and CSR Reporting, "Greenwashing" and its different forms of Greenwashing, and the "Cosmetics Industry", its environmental impact, and laws and regulations within the industry are discussed in detail, followed by the determined scientific gap and the resulting hypotheses. The next chapter focuses on the methodology used for this thesis and sheds light on the content analysis according to Kuckartz (2016). The third main part thus deals with the findings and the content of the sustainability and non-financial reports of companies operating in the cosmetics industry. This part also takes external information into consideration to validate or reject the claims made within the reports. The findings are then presented and analysed. The following chapter discusses the limitations and potential future areas of research, whereas the last main chapter tries to answer the research question by rejection or supporting the presented hypotheses.

## 2 Theoretical Framework

This chapter focuses on the theoretical framework concerning Corporate Social Responsibility (CSR), and the lack of CSR resulting in “Greenwashing”. In addition, elements of the cosmetics industry are discussed. This chapter results in a scientific gap which leads to the hypotheses for the conducted research and will be the focus of this Bachelor Thesis.

### 2.1. Corporate Social Responsibility

This Bachelor Thesis deals with European sustainability reports, thus the terms of Corporate Social Responsibility and related reporting standards in the European Union (EU) need be elaborated. Further, global reporting standards are of interest as well and will be also touched on in the following chapter.

#### 2.1.1. Corporate Social Responsibility and CSR Reporting

##### **Corporate Social Responsibility**

Corporate Social Responsibility (CSR) as defined by the European Commission is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission of the European Communities, 2001, p.6).

According to this definition, CSR is a concept, meaning a strategic and systematic approach (European Commission, 2011, p.3) which covers more than just the economic aspects of a business. The definition includes the people and the planet in the “social and environmental concerns” but also the profit in “their business operations”. Moreover, internal, and external stakeholders are seen as actors (European Commission, 2011, p.3), thus a variety of people ranging from customers to suppliers, to investors and anyone affected by the company’s actions are included in this definition. Further, in the year 2001, CSR activities vary on a voluntary basis. As the European Commission updated the framework for Corporate Social Responsibility during the last decades, actions remain on a voluntary basis but reporting and disclosing non-financial information became mandatory for companies with more than 500 employees (Council Directive (EC) 2014/95/EU, 2014, art 1 para 1(1)/para 3(1)).

Academic researchers defined CSR as “an umbrella term for a variety of concepts and practices [that] varies among different national and industry contexts and it also changes over time” (Ruiz-Blanco, Romero & Fernandez-Feijoo, 2021). Moreover, CSR activities become more relevant for companies as they start to integrate social and environmental issues into their business strategies (de Freitas Netto et al., 2020, p.2).

## **CSR Reporting**

Having a well perceived sustainability report is creates a positive impact for a company, as CSR reports are seen an “the most effective communication tool” (Balluchi, Lazzini & Torelli, 2020, p.157) for companies. It does not only affect consumer trust in a brand but also influences the company image, reputation, and the financial performance of a company (Balluchi et al., 2020, p.160). Therefore, high performing companies utilise simply structured sentences and easy to read texts to disclose their CSR performance, whereas low performance companies take advantage of complex language to confuse their stakeholders and hide an ill-performance (Ruiz-Blanco et al., 2021).

### **2.1.2. Sustainability Reporting in the EU**

The European Commission updated their definition of CSR which is described as “the responsibility of enterprises for their impacts on society” (European Commission, 2011, p.6). This definition exceeds the mentioned triple bottom line by Elkington to only include the society, the environment, and the economy. Therefore, the renewed description also includes an “ethical [perspective], human rights and consumer concerns into their business operations” (European Commission, 2011, p.6).

As mentioned in the previous chapter, companies with more than 500 employees shall include a non-financial report and a consolidated non-financial report in their reporting (Council Directive (EC) 2014/95/EU, 2014, art 1 para 1(1)/para 3(1)). Further, the European CSR Reporting directives have been revisited and a new proposal has been submitted in April 2021 which could be in force by the year 2023 (Federal Ministry of Labour and Social Affairs, n.d.). Therein, the scope of sustainability reports was broadened to include public small and medium enterprises (SMEs) with more than 250 employees as well as companies from a third country stock-listed in the EU (Federal Ministry of Labour and Social Affairs, n.d.).

### **2.1.3. International Reporting**

There are also global standards aimed at social responsibility and standardising sustainability reports. The three most notable ones are: the Sustainability Development Goals (SDGs), the Global Reporting Initiative (GRI) and the ISO 26000.

#### **Sustainability Development Goals**

The Sustainability Development Goals (SDGs) were founded by the United Nations (UN), on the idea of the Millennium Development Goals (MDGs) and as a continuation of working towards an environmental and economic society (National Graduate Institute for Policy Studies, 2019). Whereas the MDGs, formulated eight goals to end poverty, it did not

include the welfare of people, thus the SDGs aim at addressing the areas which the MDGs were not able to (Gaffney, 2014, p.20; National Graduate Institute for Policy Studies, 2019).

Starting in the year 2012, the SDGs were developed based on recommendations by UN member states and their citizens (National Graduate Institute for Policy Studies, 2019). Further, representatives of 30 nations worked together to negotiate and finalise the focus areas of the SDGs, until the final decisions were made at the General Assembly of the UN in 2015 (Gaffney, 2014, p.20). In the end, 17 Sustainability Development Goals were presented, ranging from ending poverty and hunger to having quality education and equality to clean water and energy (United Nations, n.d.).

The SDGs are broad goals defined by targets and measured by around 100 indicators, which in turn need to be robust and mutually reinforced (Gaffney, 2014, pp.20-22; National Graduate Institute for Policy Studies, 2019). But these goals are not legally binding as they have the nature of “political arrangements that should be implemented for the betterment of humanity” (National Graduate Institute for Policy Studies, 2019).

### **Global Reporting Initiative**

The Global Reporting Initiative (GRI) was founded in Boston, MA, after a public outcry over the environmental damage of an oil spill. The organisation aims at creating accountability mechanisms that deal with environmental conduct principles. Later social, environmental and governance issues were added. In the year 2000, the first GRI guidelines were published, providing the first global framework for sustainability reporting. Three additional guidelines were published in the years 2002, 2006, and 2013. In the year 2016, the GRI evolved from “providing guidelines to setting the first global standards for sustainability reporting” (Global Reporting Initiative, n.d.-a), thus launching the GRI standards. (Global Reporting Initiative, n.d.-a)

These standards aim at increasing the transparency of organisations and their reporting as well as inform about organisation’s contribution to sustainable development, positive or negative. Moreover, the GRI standards consist of Universal Standards, Sector Standards, and Topic Standards. (Global Reporting Initiative, n.d.-b)

### **ISO 26000**

The ISO 26000 is a standard published by the International Organization of Standardization (ISO) dealing with the topic of social responsibility. The focus on social responsibility became necessary due to the growing awareness and the need for socially responsible actions of organisations (ISO, 2020, p.4). The standard provides guidance on social responsibility for any organisation regardless of its size, location, or sector (ISO, 2021).

The standard was first published in the year 2010 after five years of negotiations with several stakeholders and has been developed by about 500 experts (ISO, 2021). It aims at organisations to commit to social and environmental actions that go beyond legal compliance and the promotion of a common understanding of social responsibility (ISO, 2020). Therefore, the ISO 26000 does not only want organisations to oblige to the law but encourages them to take additional measures, thus being responsible for their actions regarding the environment and the society. Unlike any management system standards provided by the ISO, the ISO 26000 cannot be certified as it does not contain any requirements and any certification or claim of certification would be a misinterpretation of the standard and its purpose (ISO, 2020, p.8).

## 2.2. Greenwashing

Greenwashing has been around for more than half a decade, still there is no single definition and many aspects of greenwashing have not yet been analysed. Further, even if it has been proven that greenwashing is harmful for companies, the concept is still used. This sub-chapter sheds light on some greenwashing definitions, its origin, its development over time, and different forms of greenwashing as well as laws and regulations that try to prevent greenwashing practices.

### 2.2.1. Definitions

The term “Greenwashing” has no single definition, due to its complex and interdisciplinary nature a single definition is limiting (Balluchi et al., 2020, p.156).

From a marketing perspective, greenwashing is seen as the side-effect of green marketing offers (Akturan, 2018, p.809) and the accusation of false advertisement and misleading marketing claims (Lane, 2014, pp.142-143). Moreover, greenwashing is seen as misleading environmental communication that “tries to communicate something that does not actually exist, or exists in part, or that exists but not as it is communicated” (Balluchi et al., 2021, p.159). Further, unsubstantiated claims about environmental impact (Berrone et al., 2017, p.363) is also seen as greenwashing. Akturan (2018) is going further by describing greenwashing as lying, whether it is by selective disclosure of information or by an unclear depiction. In addition, selective disclosure can be defined as greenwashing (de Freitas Netto et al., 2020, p.6; Ruiz-Blanco et al., 2021) as it is used to impress and mislead stakeholders (Ruiz-Blanco et al., 2021).

A greenwashing company does not care about the environment but rather cares for the gained profit (Akturan, 2018, p.810) or market share (Dahl, 2010, p.247). Moreover, Orzeł and Wolniak (2019) state that “Greenwashing companies count on easy, cheap and fast ways of creating an empty pro-ecological image, hence, gain greater profit”



(Orzeł and Wolniak, 2019, p.214), therefore, only companies which already have a low reputation engage in greenwashing because there is nothing to lose (Dahl, 2010, p.250). Contrary, Ruiz-Blanco et al. (2021) argue that large, less profitable and less risk-averse companies utilise greenwashing techniques or companies that are expanding.

Scholars also suggest that greenwashing is a symbolic act of promising sustainable actions to satisfy stakeholders without acting (Balluchi et al., 2020, p.152; de Freitas Netto et al., 2020, p.6), thus greenwashing can be defined as the gap between a symbolic promise and an existing action (de Freitas Netto et al., 2020, p.6).

Executorial greenwashing is a term used to describe greenwashing techniques using nature evoking elements such as blue and green colour, the sound of the sea or birds, natural landscape, the use of endangered animals or the depiction of renewable energy sources to evoke an environmentally friendly image in favour of the company and their products (Akturan, 2018, p.811; de Freitas Netto et al., 2020, p.10). Whether or not the use of natural elements is intentional is irrelevant, as it gives a misleading perception of a company (de Freitas Netto et al., 2020, p.10).

But not only companies engage in greenwashing as for-profit organisations, governments and politicians, research organisations, international organisations such as the UN or the World Bank, and non-governmental organisations as well as social environmental movements cannot absolve themselves from such actions (Ruiz-Blanco et al., 2021). But Ruiz-Blanco et al. (2021) add that an action can only be classified as greenwashing when a clear intention to mislead exist, the organisation is accused of greenwashing from an external third party, or a stakeholder perceives an action as greenwashing. As real greenwashing is difficult to detect (Ruiz-Blanco et al., 2021), it should be avoided at all costs (Whittaker, Engimann, & Sambrook, 2009, p.32) regardless of the actor.

There is also a debate among scholars whether the term greenwashing includes social issues or if it is purely limited to environmental concerns, thus the term “bluewashing” for social concerns was introduced (de Freitas Netto et al., 2020, p.10; Ruiz-Blanco et al., 2021). Ruiz-Blanco et al. (2020) went even further and suggested a differentiation for economic concerns as well, proposing the term “blackwashing” for that purpose.

### 2.2.2. Origins of Greenwashing and Development over Time

“Greenwashing”, according to Akturan (2018, p.810), is derived from the term “whitewashing”, meaning to cover up or mask certain aspects. Whereas Balluchi et al. (2020, p.153) state that greenwashing came into play due the growth of environmentalism in the 1960s. Nevertheless, the term itself did not appear until the mid-1980s when it first

gained broad recognition (Dahl, 2010, p.247) and academic research only started in the mid-1990s with academic papers focusing on the impact of financial performance of a company, the impact of environmental actions, environmental responsibility, and performance from a firm-level as well as a product-level, just to name a few (Balluchi et al., 2020). The term “greenwashing” itself was first used by the biologist and environmental activist Jay Westerveld in the year 1986 (Balluchi, 2020, p.153; de Freitas Netto et al., 2020, p.2) when hotels started to ask their guest to reuse the provided towels, with the proviso of environmental protection, when hotels wanted to save money (Balluchi, 2020, p.153).

### 2.2.3. Different forms of Greenwashing

Greenwashing techniques are not the same for all companies, thus different forms of greenwashing have been identified over the years. This chapter sheds light on the “Sins of Greenwashing” and the use of eco-labels.

#### **Sins of Greenwashing**

The “Sins of Greenwashing” were first identified in a TerraChoice study in the year 2010 and have since been cited by various authors (de Freitas Netto et al., 2020, pp.8-9; Bernard & Parker, 2021, p., Riccolo, 2021, p.136). According to Orzeł and Wolniak, (2019, p.215) “Six Sins of Greenwashing” have been classified as follows:

1. The Sin of Hidden trade-off, implying a company only communicates its environmentally friendly action but stays silent about less friendly ones,
2. The Sin of No proof, meaning the claims lack evidence by a certification body,
3. The Sin of Vagueness, indicating a company uses claims that can easily misinterpreted,
4. The Sin of Irrelevance, meaning the green feature of a product is not relevant for its manufacture or use,
5. The Sin of Lesser of two evil, presenting eco-friendly claims of a product that is harmful for the environment and to the human health, and
6. The Sin of Fibbing, meaning to purposefully display false information.

Moreover, the study also found that 98% out of 2,219 products making green claims are guilty of greenwashing (Dahl, 2010, p. A 247). In addition, a seventh sin, the Sin of False Eco-Labels, is mentioned by different scholars (Orzeł & Wolniak, 2019, p.215; de Freitas Netto et al., 2020, pp.8-9). Further, research within the oil industry identified six additional sins building upon the sins presented by TerraChoice (de Freitas Netto et al., 2020, p.9):

- The Sin of False hopes,
- The Sin of Fearmongering,

- The Sin of Broken promises,
- The Sin of Injustice,
- The Sin of Hazardous consequences, and
- The Sin of Profit over people and the environment.

### **Eco-labels**

As mentioned previously, the Sin of False Eco-Labels, is a form of Greenwashing. Eco-labels are used to identify products, raw material, or companies and must meet certain organisational or governmental standards (Whittaker et al., 2009, p.30). With more than 300 eco-labels, the number is too high for consumers to recognise which label is greenwashing and which is not, leading to confusion and mistrust amongst customers and a decline in the impact of eco-labels in general (Whittaker et al., 2009, pp.30-33). Moreover, most eco-labels are clearly visible on the packaging of the product, attracting the customer with keywords such as “clean”, “alternative energy”, “green”, “natural” or “organic” (Berrone et al., 2017, p.369).

On the other hand, not all green claims and eco-labels are greenwashing, some offer guidance, as a few labels are recognised as highly reliable (Dahl, 2010, p.251). An eco-label can focus on only one part (single-attribute) leaving out the health impact or on several criteria of environmental impact (multi-attribute), other labels can be promoting the use of organic ingredients (organic-focused attribute), ingredients are sourced from renewable energies (natural-focused), or focus on allergies, the carbon footprint, or the cruelty-free status of a product (attribute specific focus) (Whittaker et al., 2009, p.30).

Both Whittaker et al. (2009) and Dahl (2010) recognise the theoretical room for a harmonised eco-label, meaning to combine several existing labels into one, leading to an easier identification of eco-labels (Dahl, 2010, p.251) and an increase in transparency (Whittaker et al., 2009, p.30).

### **2.2.4. Company Perspective on Greenwashing**

Not every company makes the same environmental efforts and not every company is able to properly communicate them, therefore different types of greenwashing companies have been identified as well as various reasons behind greenwashing. However, with the rise of social media, companies are less likely to use greenwashing practices all together as consumers can verify or falsify green claims (Bernard & Parker, 2021, p.18).

The reasons behind a company using greenwashing techniques could vary. For instance, the company character is an indicator, especially if the company is expected to communicate their environmental performance (Bernard & Parker, 2021, p.18) or the company is a large enterprise with low performance being less risk-averse (Ruiz-Blanco

et al., 2021). Another reason behind greenwashing might be the incentive structure within a company where managers receive rewards according to the performance (Bernard & Parker, 2021, p.18). Organisational inertia which presents the company as environmentally friendly before certain criteria are met, and the lack of an effective internal communication are added as reasons for greenwashing (Bernard & Parker, 2021, p.19).

According to Orzeł and Wolniak (2019) there are four types of companies which use greenwashing: the misguided one, the unsubstantiated greenwash company, the greenwash noise company and the company with an effective environmental communication. Therein, the misguided company is unintentionally lacking proper communication whereas the unsubstantiated greenwash company is intentionally spending more time on communicating environmental efforts than taking environmental actions. Further, the company creating greenwashing noises is communicating its environmental efforts where non exist, contrary to the effective environmental communication of companies who take environmental actions and can properly communicate them. (Orzeł & Wolniak, 2019, p.213).

The study by Bernard and Parker (2021, p.19) also mentions four types of companies: the silent brown organisations, the silent green organisations, the greenwashing organisations, and the vocal green organisations. Like Orzeł and Wolniak (2019), the silent organisations do not communicate their environmental efforts as the silent brown company does not communicate its poor environmental performance and the silent green company lacks to report its good environmental performance, whereas the greenwashing company communicates good environmental performance that does not exist and the vocal green company communicates its good environmental performance (Bernard & Parker, 2021, p.19).

When greenwashing practices are uncovered by customers or government agencies, the reputation, and the sales of a company decline, thus the company has a problem (Orzeł & Wolniak, 2019, p.214). But on other occasions the brand can uphold their reputation and remain relevant due to their customer loyalty with consumers being attached to the products, the advertised “green” feature of the products was not the selling point, or the consumer takes personal accountability and rethinks their consumption habits to then buy “green” products (Orzeł & Wolniak, 2019, p.214).

### 2.3. The Cosmetics Industry

This chapter deals with the cosmetics industry which is the focus of the analysis of this Bachelor Thesis. Further, this chapter highlights the cosmetics industry in general, the shift in the market towards organic, vegan and cruelty-free products as well as laws and regulations which apply to the industry.

### 2.3.1. The Cosmetics Industry in General

The European Union defines cosmetic products as “any substance or mixture intended to be placed in contact with the external parts of the human body [...] or with the teeth and the mucous membranes of the oral cavity with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance, protecting them, keeping them in good condition or correcting body odours” (Regulation (EC), art 2 para 1(a)). Therefore, the term cosmetics does not only refer to make-up products but also includes basic hygiene products such as shampoo, toothpaste, and deodorant (Sahota, 2014).

The global cosmetics industry consists of only a few conglomerates which own hundreds of smaller companies and brands, whereas Willett-Wei and Gould (2017) mention seven conglomerates, namely: Coty, Estée Lauder Companies, Johnson & Johnson, L’Oréal, Procter & Gamble, Shiseido, and Unilever, CB Insights’ article notes Moët Hennessy – Louis Vuitton (LVMH) mostly owning luxury brands as an additional one (CB Insights, 2018). Moreover, the global cosmetics industry is a billion-dollar market (Bernard & Parker, 2021, p.14) and was valued at over \$532.43 billion in the year 2017 (Le, 2019, p.7). In addition, the German market alone generates €6 billion in sales per year (Bernard & Parker, 2021, p.14). Moreover, the global cosmetics industry is expected to grow to least \$805.61 billion by the year 2023 (Le, 2019, p.7).

By using personal care items and cosmetics, consumers not only expect personal benefits but also environmental benefits (Bernard & Parker, 2021, p.13). As ingredients of cosmetics have been proven harmful for the body as well as polluting for the environment (Bernard & Parker, 2021, p.13) more consumers switch to organic alternatives which can be seen by the consumption of organic products ranging from 20% to 50% for Vietnamese and French women (Nguyen, Nguyen & Vo, 2019, p.205). Furthermore, the industry is criticised for animal testing, unethical labour practices such as child labour as well as exclusive advertisement such as not including models that have different body types, different ethnicity, or uneven skin (Kulkarni, n.d.). Due to testing products on animals, the cosmetics industry has been targeted by the media and several non-governmental organisations (Sahota, 2014) leading to an increase in the demand for and the consumption of ethically produced cosmetics with natural ingredients.

### 2.3.2. Organic, Vegan, Cruelty-Free

The cosmetics industry experiences a shift in the recent years as consumers became more environmentally conscious the demand for natural ingredients within a product as well as a sense for animal protection increased, thus the demand for organic, vegan and cruelty-free products increased accordingly.

## **Organic**

There is no clear definition for the term “clean beauty” (Riccolo, 2021, p.140), neither is there a defined regulation for “organic” products as companies can use the term without any certification (Riccolo, 2021, p.142). This in turn is misleading for the consumer as they assume the term organic confirms higher quality of products (Riccolo, 2021, p.140). Moreover, consumers assume that organic products are more environmentally friendly as they perceive these products as being made from natural ingredients such as plants and herbs (Nguyen et al., 2019, pp.206-207). This also means that the term organic is perceived as not including toxic or synthetic chemicals within cosmetics as well as excluding animal testing (Nguyen et al., 2019, p.206). In addition, the demand for organic products increases which can be seen as the sales of organic cosmetics was valued at \$700 million in the United States (US) in the year 2015 and the figures are expected to rise to \$1,650 million within the next decade (Nguyen et al., 2019, p.205).

## **Vegan**

Not only does the demand for organic products increase but also the demand for vegan cosmetics increased, thus the market grows accordingly. In terms of make-up brands, they grew by 175% from 2013 to 2018 (Kulkarni, n.d., p.2).

The term vegan as well as the term vegetarian lack an official definition by the European Union or any global organisation in the food sector (Le, 2019, p.9), thus the lack of definition affects the cosmetics industry as well. The term vegan refers to the waive of consumption of animal products such as meat, fish, eggs, cheese, and leather, where as the term vegetarian refers to the waive of meat-consumption (Le, 2019, p.10). Therefore, vegetarian cosmetics contains animal by-products such as honey and bee wax, whereas vegan cosmetics do not contain any animal not any animal by-products which does not necessarily mean the products is cruelty-free (Le, 2019, p.11).

## **Cruelty-free**

The demand for cruelty-free cosmetic products is increasing, as according to Sahota (2014) 75% of women prefer to purchase cruelty-free cosmetics. In addition, the cruelty-free market is expected to grow by 6,1% by 2023 (Kulkarni, n.d., p.2).

The term cruelty-free refers to any product that has been produced without harming animals anywhere in the supply chain (Kulkarni, n.d., p.3). However, as Kulkarni (n.d.) continues, the definition of cruelty-free products remains unclear, as there are no official laws or guidelines as well as a different perception of the term across different industries.

Due to the growing demand in cruelty-free products and the demand for animal protection, animal-testing has been banned in Israel since January 2013, followed by the EU

banning the practice in March 2013 (Sahota, 2014). Still, according to Sahota (2014) a global ban will not be in place for decades. One reason for this is that it is a mandatory requirement to test on animal when selling products in mainland China (Kulkarni, n.d., p.2), thus if companies want to enter the Chinese market or continue selling their products in China they need to test on animals. Therefore, companies must choose between being ethical and gaining profit (Kulkarni, n.d., p.2). Furthermore, even if a brand is perceived as cruelty-free, they are still able to source ingredients tested on animals, rely on old testing results or even test on animals oversea (Kulkarni, n.d., p.3).

However, if brands want to gain certification for their cruelty-free status they need to comply to certain rules set by the certification bodies. The two most prominent cruelty-free certificates are the “Leaping Bunny Program” and the “PETA Approved” certificate. Both non-governmental organisations (NGOs) were founded in the mid 1990s and are committed put an end to animal-testing. The Leaping Bunny Program certifies US and Canadian based brands by applying its “Corporate Standard of Compassion For Animals”, a standard that prohibits companies as well as their third party manufacturer and supplier to conduct, commission or pay for animal testing (Leaping Bunny Program, n.d.). On the other hand, PETA, standing for “People for the Ethical Treatment of Animals”, has the “PETA Approved” certification which applies the same restrictions for companies and their suppliers and in addition requires them to fill out a comprehensive questionnaire as well as signing a declaration of assurance to not test ingredients, formulation nor the final product on animals now and in the future (PETA, 2021, p.1).

### 2.3.3. Environmental Impact

This sub-chapter does not only focus on the environmental impact of cosmetic products and its contribution to water pollution and waste production through packaging but also sheds light on cosmetics that claim to minimise the environmental impact on the human body.

#### **Wastewater**

Nowadays, cosmetics, among every other products, need more attention when it comes to its impact on the environment (Araújo, Souza, de Lima-Faria, Paz, Scalize, de Sabóia-Morais, Ruggeri Junior & da Conceição, 2022, p.1199). Not only do personal care items consist of many untested chemicals (Riccolo, 2021, p.139) but also many unknown toxic ingredients as well as non-biodegradable particles harming the environment (Araújo et al., 2022, p.1199).

As industrial wastewater is a result from cleaning production reactors or factory floors as well as laboratories it contains not only dirt particles from cleaning but also surfactants

which can be harmful to microorganisms and might not be biodegradable, loads of pollution, and oil and greases whereas all substances are in higher concentration are toxic when in contact with water. One of the best known toxic coagulants is aluminium sulphate which can cause not only skin rashes but also cause serious human health problems. (Araújo et al., 2022, p.1200).

### **Anti-pollution cosmetics**

In addition to water pollution, the air is also continuously polluted. The cosmetics industry is not only contributing to the environmental pollution but is also developing products to protect against the consequences (Robles, 2017, p.17). An emerging trend from Asia is the launch of cosmetic products which promise to protect the consumer against the environment and skin issues such as cellular damage, dryness, inflammation, and pigmentation (Robles, 2017, p.17). Initially facial skin products were advertised as anti-pollution products, but the scale has been broadened to skin cleaners, sun protection, hair care products and colour cosmetics as it has been proven that contaminants in the air can damage deeper layers of the human body (Robles, 2017, pp.17-20). Moreover, the demand for anti-pollution ingredients in cosmetics products plays into the demand for natural and organic ingredients as plant extracts, vitamins and antioxidants are the most popular ingredients within these products (Robles, 2017, p.20).

### **Sustainable Packaging**

In order to not further impact the environment with wasteful practices, sustainable packaging as well as reusable and recyclable packaging is a growing trend which according to an article in Global Cosmetics Industry reached a peak in the year 2021 (Collier, 2021, p.3; The State of Beauty & Personal Care Packaging: Emerging Sustainable Technologies and Collaborations Are Eliminating Waste, Boosting Recyclability and Providing New Levels of Functionality, 2021, p.35; Beauty's Sustainable Packaging Imperative: Market and Consumer Trends Point to a Rising Demand for Sustainable Claims, 2022, p.45).

Regarding the "refill and recycling revolution" (Beauty's Sustainable Packaging Imperative: Market and consumer trends point to a rising demand for sustainable claims, 2022, p.45) many brands cooperate with Loop, a company focused on circular packaging. In addition, fragrance sprays and glass from household waste collection are reused and recycled as well as products with refillable features are launched by companies (Beauty's Sustainable Packaging Imperative: Market and Consumer Trends Point to a Rising Demand for Sustainable Claims, 2022, pp.45-47).



Apart from recycling and reusing old packaging, alternative packaging solutions are used. Many companies nowadays select alternative packaging materials such as biodegradable plastic, glass, aluminium, or paper that are seemingly more environmentally friendly, but each material comes with its advantages and disadvantages (Chiu & Chuang, 2017, p.292; Collier, 2021). As a first alternative biodegradable plastic, mostly made from corn or seaweed, can hold liquid products and is durable enough to be used for shipping goods but the material is less common than regular plastic, thus more expensive and less accessible for smaller companies (Collier, 2021, p.3). The second alternative is glass as it is a durable which is endlessly reusable but an ongoing debate about the environmental friendliness decreases the usability of the material as the recycling, sanitising, and reusing process might be tricky (Collier, 2021, pp.3-4). The next alternative is aluminium which similarly to glass is sturdy but more lightweight, thus is good for shipping purposes (Collier, 2021, p.4). On the other hand, aluminium is easily datable, and acquisition of the material is linked to mining causing pollutants contaminating the groundwater (Collier, 2021, p.4). The last alternative presented by Collier (2021, p.4) is paper or cardboard, a material which is versatile in its shape and size, inexpensive to produce and biodegradable but breaks down easily when in contact with liquid and semi-liquid products. Paper is also highlighted as an alternative packaging material in the article by Chiu and Chuang (2017, p.292) as the authors add that the material is also efficiently used at inner packaging and cushion as it is lightweight, inexpensive, and easy to recover. Additionally, to these four materials, there are more alternative packaging solutions. There is packaging made from farm waste, agricultural by-products such as sugarcane or wheat, mushroom material to replace Styrofoam, or moulded fibre made from bamboo or bagasse pulp (The State of Beauty & Personal Care Packaging: Emerging Sustainable Technologies and Collaborations Are Eliminating Waste, Boosting Recyclability and Providing New Levels of Functionality, 2021, pp.35-38).

### 2.3.4. Laws and Regulations

#### **US America**

As mentioned before there are no official laws nor governmental sanctioned guidelines regarding cruelty-free cosmetics, therefore the definition for cruelty-free products within the US remains unclear and brands are still able to use ingredients tested on animals as well as old testing results (Kulkarni, n.d., p.3). The cosmetics industry in the US also lacks safety regulations regarding chemicals. According to Riccolo (2021, p.139) more than 80,000 chemicals are manufactured within the US but only a few hundred are tested regarding their safety, therefore most chemicals remain untested. However, these chemicals are still used in cosmetic products such as sunscreens, thus the lack of regulation

leads to a lack of consumer protection and especially affects women and people of colour (Riccolo, 2021, p.140). Moreover, the connection between certain ingredients and health conditions has been established, for instance the link between parabens and breast cancer as well as the connection between aluminium salt, petrochemical oils, triclosan, formaldehyde, mercury and other heavy metals and various health conditions has been made (Sahota, 2014). The Federal Trade Commission (FTC) published the “Green Guides”, a set of environmental marketing guidelines in the year 1992 which have been updated in 1998 and a review was planned for the years 2009 (Dahl, 2010, p.248). The “Green Guides” focuses on three main areas: the carbon-offset and renewable energy claims, green packaging, and buildings and textiles (Dahl, 2010, p.248).

### **European Union**

The European Commission defines cosmetics as products which “range from everyday hygiene products such as soap, shampoo, deodorant, and toothpaste to luxury beauty items including perfumes and makeup” (European Commission, n.d.-c). The EU also ensures consumer safety and a secure internal cosmetics market through regulations. Further, the European market is described as “a world leader” and “dominant cosmetics exporter” (European Commission, n.d.-c) as the cosmetics sector within the EU is highly innovative, secures significant employment, and its regulations focus on the market access as well as international trade which both aim at a high safety level for consumers.

The main regulatory framework for cosmetics within the EU is the “Regulation (EC) No 1223/2009 of the European Parliament and of the Council of 30 November 2009 on cosmetic products” (European Commission, n.d.-d). It replaced the Directive 76/768/EC published in 1976, an international recognised framework that reinforced product safety for cosmetics. The five most significant changes are: (1) the strengthened safety requirements for cosmetics products which need to be fulfilled by manufacturers before a product is placed into the market, (2) the introduction of the notion of “responsible person”, a legal or natural person for whom a product is designated to, (3) a centralised notification of all cosmetic products placed on the EU market comprised of the “cosmetic products notification portal” (CPNP), (4) the introduction of reporting of serious undesirable effects such as health issues, and (5) the new rules for the use of nanomaterials in the cosmetic products which need to be authorised and indicated by the word “nano” in brackets following the name of the substance within the list of ingredients. (European Commission, n.d.-d)

Being more specific regarding the regulations of cosmetics within the European Union, the European Commission states on their website that any cosmetic product within the EU, regardless of the manufacturing process or distribution channel, needs to be safe (European Commission, n.d.-c). This means that all products distributed in the EU need

to be registered in the cosmetic products notification portal (CPNP), a data base accessible to competent authorities for the purpose of market surveillance and market analysis as well as poison centres and similar institutions for medical emergencies (European Commission, n.d.-b). The European regulations also requires its member states to monitor the cosmetics market at national level. In addition, animal testing has been prohibited in the EU since September 2004 (European Commission, n.d.-a). More specific, testing finished products on animals is banned since 2004 followed by a testing ban of ingredients established in March 2009. Moreover, the European Commission (n.d.-a) also states on their website that since March 2009 a marketing ban has also been enacted which precludes the commerce of finished products and ingredients tested on animals for human health effects excluding test for cancer or allergens. Since March 2013, testing for these health effects has also been prohibited by the EU forcing manufacturers to look for non-animal alternatives (European Commission, n.d.-a).

According to scholars, the regulations enacted by the European Union are perceived as one of the strictest regulations in place. As Riccolo (2021, p.151) states that only products which have been proven safe are allowed to be sold in the EU, including any cosmetics manufactured, produced, or distributed within the European Union. That is why the EU has banned the use of phthalates (plastic softeners) in the year 2003 (Sahota, 2014) as well as testing on animals in the year 2013 (Sahota, 2014; Kulkarni, n.d., p.3) which refers to the latest ban regarding animal testing prohibiting not only the testing itself but also the marketing of such products (European Commission, n.d.-a). According to Kulkarni (n.d., p.2), the ban on animal testing meets the demand of consumers for cruelty-free cosmetics. However, there is a gap between the definition used by consumers, with no animal being harmed within the supply chain, and the lack of laws for cruelty-free cosmetics within the US, leading companies to still source ingredients tested on animals, using old testing results or results from oversea (Kulkarni, n.d., p.3). In addition, if companies want to sell their products in China, animal testing is mandatory (Kulkarni, n.d., p.2).

## 2.4. Scientific Gap

Companies are using greenwashing techniques independent from the industry as the VW Diesel scandal shows (Orzel & Wolniak, 2019, p.213) but other industries use misleading statements as well. The cosmetics industry uses misleading labels for products such as "naturel" or "organic". This type of misleading communication negatively affects the trust, reputation, image, and financial performance of a company (Balluchin et al., 2020, p.169) as well as brand credibility and brand association, leading to an indirect effect on brand equity and purchase intention of consumers (Akturan, 2018, p.818). Moreover, greenwashing also negatively affects consumer purchase behaviour

(Hameed, Hyder, Imran & Shafiq, 2021, p.13129). But according to the study by Bernard and Parker (2021) the purchase behaviour of consumers is also influenced by financial means, convenience of the location and time, the lack of knowledge as well as consumer scepticism. The authors also identified “a gap between the intention to purchase and the actual purchase of green alternatives” (Bernard & Parker, 2021, p.55).

Different authors have used different approaches to identify the relationship between greenwashing and green branding equity and purchase intention (Akturan, 2018), or the effect on conscious consumerism and purchase behaviour (Bernard & Parker, 2021), or the effect of greenwashing on green brand love, green brand image, and green brand loyalty as well as the effect on green purchase behaviour (Hameed et al., 2021). Previous research utilises mostly a qualitative approach (Aktruran, 2018; Hameed et al., 2021), either as a face-to-face survey in Istanbul, Turkey, mostly interviewing married males between the ages of 26 to 35 with a college degree (Aktruran, 2018, p.815), or distribute questionnaires and conduct in store surveys within Pakistan (Hameed et al., 2021, p.13123). On the other hand, a qualitative approach was utilised by Bernard and Parker (2021) as interviews were conducted wherein nineteen individuals from fourteen different countries participated. Nevertheless, those studies are limited to the analysis of only one developing country, where the concept of green products is new, i.e. Turkey (Akturan, 2018) and Pakistan (Hameed et al., 2021) or not representing each continent (Bernard & Parker, 2021), most participants were in their twenties or thirties, had a higher education and an international vision, meaning not every generation is represented within these studies. They also only focused on the consumer perspective. But a study focusing on one developed country is of interest as well, as similarities and differences within on nationality could be identified (Bernard & Parker, 2021, p.57) and the findings of a developed country could be compared to those of a developing country (Hameed et al., 2021, p.13131). But also, many studies focus on the US American market, thus more research in the European Union is of interest. Therefore, the scientific gap which has been identified and will be the focus of this Bachelor Thesis is the company perspective and the identification of “Greenwashing” within the cosmetics industry in the EU.

## 2.5. Hypotheses

Resulting from the scientific gap, the research question deals with the question what competitive advantages companies generate from greenwashing, thus, resulting in the null hypothesis is that companies are not greenwashing, and they take environmental actions without making false claims, or the lack of complete communication.

H<sub>0</sub>: There is no “greenwashing” in the cosmetics industry.

Contrary to  $H_0$ , it can be hypothesised that companies are in fact greenwashing. But not all companies are the same and greenwashing actions occur, even if these actions are not intentional, as companies are still economic entities whose priority it is to earn money and to be profitable. If a company is not able to generate profit by operating ordinarily, companies use greenwashing techniques to mislead their consumers and influence the purchase decision of customers to earn money.

$H_1$ : Companies use “greenwashing” techniques to be more profitable.

Another reason for greenwashing could be that the cost of being sustainable is too high. For companies, producing green packaging, printing eco-friendly slogans on their packaging, and making “green” claims about a product is cheaper than taking environmental actions.

$H_2$ : Companies use “greenwashing” because it is cheaper.

In addition, the attraction of environmental conscious consumers who are willing to pay higher prices for “greener” products to protect the environment and not contribute to pollution of the planet with their purchasing decision. This decision could be influenced by the price, the packaging, claims on the packaging or other marketing factors.

$H_3$ : Companies use “greenwashing” to attract customers.

$H_4$ : Companies use “greenwashing” as a marketing strategy.

Companies as economic entities focus on earning money. As the main goal of companies is to be more profitable than their competitors, sell more products, and have higher returns. This applies to companies worldwide and as globalisation is also affecting the competition, greenwashing practices are done independent of a company’s location.

$H_5$ : Companies use “greenwashing” techniques independent of its location.

In addition, the demand for natural and cruelty-free cosmetics is increasing which in turn implies that companies also focus on its ingredients and compassion for animals. As a result, companies comply more with the applicable regulations and thus also take care not to engage in greenwashing.

$H_6$ : Cruelty-free companies are less likely to greenwash.

Moreover, within the European Union one of the strictest regulations regarding CSR reporting are in place making it increasingly difficult for companies to greenwash as they must comply to the law.

$H_7$ : Companies following the European Reporting Standards are less likely to greenwash.

### 3 Methodology

This chapter elaborates on the methodology used to analyse companies in the cosmetics industry to find out if they utilise greenwashing techniques.

#### 3.1. Research Method

The thesis aims at identifying greenwashing within the cosmetics industry through a qualitative research method.

For the analysis, data from sustainability reports of companies within the cosmetics industry will be selected and evaluated. The brands are selected due to the company's involvement in the cosmetics industry and the availability of brands and products in the European market in the year 2019. In total nine companies are selected, thus nine sustainability reports will be analysed and compared in terms of "greenwashing". The focus of the analysis will be the sustainability reports of the brands in the year 2019. This year is chosen due to it being the most recent reporting year which has not been influenced by the pandemic in terms of economic profitability or social issues such as home-office, sick-days, or quarantine measures. In addition, data from the previous years will be considered as well. This is done to have a point of comparison and see how the brand developed over the year. It should be noted that the sustainability reports of companies are not without bias as companies want to present themselves in the best way possible and in doing so hire lawyers who check the correctness of the reports, thus a bias must be taken into consideration when looking at reports.

The data will be evaluated through an evaluative qualitative content analysis according to Kuckartz (2016). This method aims at "*the assessment, classification and evaluation of content*" wherein "*the qualitative material is assessed - usually on a case-by-case basis - and categories are formed*" (Kuckartz, 2016, p.123), thus language and interpretation skills are required for the analysis.

Kuckartz (2016, pp.126-142) divides the analysis process into seven steps:

In the first step the categories for the analysis process are chosen. Namely, these categories are the company, its stakeholders, auditing and evaluation tools and standards and reporting guidelines as well as environmental, social, and economic aspects concerning the company.

In the second step, the sustainability reports of the selected cosmetics brands are read and coded according to the categories set in the first step. Therein, the focus is on thoroughly reading and coding every part of the report which is related to said categories. The coding is done using the MAXQDA-software (version used: Analytics Pro 2020, Release 20.4.1).

The third step aims at a category-based assessment wherein all coded parts of each category are gathered in a table which later is used as the starting point for the analysis.

The next step is to formulate the characteristics of the assessment categories and assign text passages to each category. Moreover, the characteristics of the categories could be a high level, a low level, or not to be classified as the material does not give sufficient information.

Further, the whole material is coded and assessed. In this step, each case is evaluated in relation to the categories, and it is argued why the case is classified in a certain manner by using memos. Therefore, the definitions of the characteristics are presented within this step and illustrated using significant test passages.

This step is followed by a simple category-based evaluation usually done in a descriptive manner. For this thesis a statistical evaluation is chosen to show how often each category is mentioned within the reports and to show how important a certain topic is. The alternative would be an interpretative assessment which better fits the method of an interview as each argument is evaluated based on how the participant delivered said argument.

Afterwards, a more complex correlation-analysis is conducted which goes beyond the coded categories. The evaluation can either be of qualitative nature with overview-tables and in-depth case interpretations or of quantitative nature including statistical correlations between the categories themselves or between the categories and socio-demographic data of participants on case of interviews chosen as the preferred method. For this thesis, the overview-tables are chosen as preferred evaluation method. Therefore, the visualisation of the analysis will in form of a table giving an overview of the cases.

### 3.2. Sample

As mentioned in the chapter above, the companies are selected based on their involvement in the cosmetics industry whereas the year 2019 is chosen because it is the most recent year that is not economically affected by the pandemic. This also means that the sustainability reports of the companies of the year 2019 will be analysed in terms of “greenwashing”.

The companies chosen for the analysis are Beiersdorf AG, owning skin care brands such as NIVEA, dm-drogerie markt, owning its in-house cosmetic brands, Henkel, selling shampoo brands such as Schwarzkopf and Syoss, Johnson & Johnson, a company which is focused on human health and owns brand such as Neutrogena, L’Oréal, one of the biggest cosmetic companies, LVMH, one of the biggest luxury cosmetic companies, Procter & Gamble, owning body care brands such as Herbal Essences, Shiseido,

a Japanese company selling cosmetics within the EU, and Unilever, a company owning body care brands such as AXE, Dove and Rexona. All nine companies are operating in the cosmetics industry and are selling their products in the European market, thus the EU regulations for cosmetics apply.

### 3.3. Data Analysis

This sub-chapter focuses on the data used within this thesis. It elaborates which type of data is used for the analysis and the construction of this paper. Moreover, the focus is also on the categories described in the previous chapter which are used to analyse the sustainability reports of companies.

#### 3.3.1. Data Type

For this thesis, purely secondary data is used, either from academic sources such as journal article or data provided by companies. Moreover, qualitative data in form of sustainability reports and other non-financial reports published by companies are used for the analysis. These reports vary in terms of quality and quantity. Meaning, not every company is providing information in detail. The sustainability reports range from 16 pages to 194 pages published by the company. Thereby, the report published by Henkel has the longest in terms of total number of pages with 194 pages, followed by dm-drogerie markt (138 pages), Johnson & Johnson (121 pages), LVMH (92 pages), Beiersdorf AG (76 pages), P&G (74 pages), Shiseido (57 pages), L'Oréal (26 pages), and Unilever with only 16 pages.

As “greenwashing” itself is neither addressed by the company nor is it a measurable variable, other factors must be used to analyse the research question. Therefore, sustainability factors must be considered. But as sustainability is not measurable either, other aspects must be analysed. Measurable factors of sustainability can be divided into three parts: the economy, the environment, and the social aspect. These dimensions include the profitability of the company in terms of the economic aspects, pollution, and greenhouse gas emissions in terms of the environmental aspects as well as a women quota, diversity, and equality at the workplace in terms of the social aspects. Therefore, the code-system mainly focuses on the sustainability factors mentioned above with the addition of general company information, the consideration of stakeholders, and external evaluation as well as standards and reporting guidelines featured within the reports.



### 3.3.2. Categories

#### Categories

The categories are formed according to the guidelines provided by Kuckartz (2016, pp.83-86). Kuckartz (2016) divides the category formation into six steps, beginning with the aim of the categories based on the research question. The aim of the categories for this research paper is the thematic classification of sustainability reports to identify green-washing techniques conducted by companies in the cosmetics industry.

The second step focuses on the category type and the question which categories are used for the analysis (Kuckartz, 2016, p.83). Within this paper, in-vivo codes were used to form thematic categories based of the first sustainability report read which is the Progress Report by L'Oréal. Based of those thematic categories a preliminary category system was created. Therefore, the categories are closely linked to the original source as their formulation is based in the wording used in the reports.

For the third step, the researcher gets to know the data and uses the formed categories to code key sentences and key words within the data (Kuckartz, 2016, p.84). Within this step of the research, the additional sustainability reports were read and coded according to the preliminary code system mentioned in the second step.

As Kuckartz (2016) mentions in his work, the fourth step requires the researcher to partially work through the data, code the text according to the formed categories and formulate new ones if needed. Thus, the next step is to organise and adjust the formulated categories (Kuckartz, 2016, p.85). For this step, the software MAXQDA (version used: Analytics Pro 2020, Release 20.4.1) is used to not only organise the categories digitally but also to code the dataset accordingly. Within the software, main categories are established resulting in a functioning category-system which, in the last step of the guideline, is fixed. Further, the categories are defined, and a category guideline is created by giving a clear definition of the category and using quotations form the dataset.

The formed categories are illustrated below, and a detailed depiction of the category system can be found in the appendix (see figure A.1):

- > ● the company
- > ● economic aspects
- > ● environmental aspects
- > ● social aspects
- > ● stakeholders
- > ● auditing and evaluation
- > ● standards and reporting guidelines

Figure 1 Main Categories, own depiction taken from MAXQDA

## Characteristics of the categories

The table below illustrates the characteristics of the main categories used within the code system. The characteristics and definitions are underlined using quotations from the reports to describe the categories based on the texts.

*Table 1 Definitions and characteristics of the categories, own depiction*

<b>Category</b>	<b>Definition and characteristics</b>
<b>The company</b>	When was the company founded? And by whom? What is the company history? In which industry is the company active? What brands do they own? What are the goals, their values, and their mission? What is the sustainability strategy?
<b>Economic aspects</b>	The economic aspects focus on the “Industry 4.0 [which] is characterized by digitalization, increased automation and data exchange.” (Henkel AG & Co. KGaA, 2020, p.67) while also “promoting sustainable innovation by reducing the environmental footprint” (L’Oréal, n.d., p.8). It also deals with companies operating in emerging markets and supporting small and local businesses.
<b>Environmental aspects</b>	“In today’s world, the challenge to protect the planet and biodiversity as well as combat climate change and rising sea levels is of such crucial importance it needs to be tackled effectively and seriously” (LVMH, n.d., p.3) that is why the environmental aspects are the main areas of interest. They put emphasis on product formula and ingredients, the product design, packaging, deforestation, CO2 emissions, energy and water consumption, waste reduction, transportation, and logistics, as well as traceability, transparency and labelling of products and materials. Overall, the environmental aspects also aim at a circular economy and put an emphasis on reusing and recycling processes.
<b>Social aspects</b>	The social aspects comprise of the promotion of sustainability, life improvements, and health and safety measure as well as campaigns initiated by the respective company that raise awareness of such matters.  Promoting sustainability and sustainable consumption is on of the focus areas as “[e]very year, we humans consume more natural resources than the earth can produce and regenerate in a year” (dm-drogerie markt GmbH + Co. KG, 2021, p.34).  Life improvements discuss human rights and equal opportunities regardless of gender, religion, or sexual orientation.

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	Health and safety measure focus on product safety, the use of animal testing or chemicals, as well as occupational health and safety measures and the compliance to international standards such as the ISO.
<b>Stakeholders</b>	<p><i>"We take responsibility for the well-being of all people employed in our value chain"</i> (Beiersdorf Aktiengesellschaft, n.d., p.6), this includes all stakeholder - customers, employees, and partners, not only comprising of suppliers but also working with experts and non-governmental organisations (NGOs) (dm-drogerie markt GmbH + Co. KG, 2021, p.24).</p> <p>"Diversity and inclusion are critical to our business and integrated into everything we do. Empowering people to be themselves helps us to drive innovation, inform decision-making, and deliver business results" (Johnson &amp; Johnson, n.d., p.61).</p>
<b>Auditing and evaluation</b>	This category is centred around external recognition, rankings, awards, certifications, and any other forms of external validation. It also includes internal performance evaluation tools, i.e. SPOT by L'Oréal or Henkel Sustainability#Master® (Henkel AG & Co. KGaA, 2020, p.79; L'Oréal, n.d., p.18).
<b>Standards and reporting guidelines</b>	<p>Is the company certified with any international standards (i.e. ISO)?</p> <p>Does the company apply reporting guidelines (i.e. GRI)? Do they follow the sustainability development goals (SDGs)? Which other standards and guidelines are mentioned?</p>

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## 4 Findings

This chapter focuses on the insights of the sustainability reports. It is further split into a simple category-based evaluation wherein the main categories depicted in the previous chapter are evaluated using simple descriptive statistics as well as absolute and relative frequencies. The second part of this chapter deals with a more complex analysis of the company reports, followed by a summary overview of the companies.

### 4.1. Simple Category-Based Evaluation

The simple category-based evaluation estimates how often a code is used within the dataset. The dataset consists of nine sustainability reports or other forms of non-financial reports of companies operating in the cosmetics industry. In addition, the focus of this evaluation are the seven main categories used for the coding of the reports and their absolute and relative frequencies within the code system.

As depicted in the table below (table 2), the codes were used a total of 1816 times. The total number of absolute frequencies of the codes is that high due to the coding methods used for the analysis as either a whole paragraph, a sentence or keywords where coded in the text. Resulting in not only varying frequencies of categories but also varying frequencies of coding within the reports.

Category	Absolute Frequency	Relative Frequency
The company	183	10.08%
Economic aspects	33	1.82%
Environmental aspects	732	40.31%
Social aspects	184	10.13%
Stakeholders	400	22.03%
Auditing and evaluation	151	8.31%
Standards and reporting guidelines	133	7.32%
<b>Total</b>	<b>1816</b>	<b>100%</b>

*Table 2 Absolute and Relative Frequencies of the Categories, own depiction*

The use of 732 codes (40.31% of the report) related to environmental aspects indicated that these aspects are the focus of companies when it comes to sustainability. Moreover, stakeholder also seem to play an important part for the companies as they are mentioned a total of 400 times (22.03%), followed by social aspects (184) and company statements regarding the goals and the sustainability strategy (183). On the other hand, economic aspects seem to be less relevant regarding sustainability as these aspects were only mentioned 33 times (1.82%). One reason for that might be the mandatory publication of annual reports and their focus on facts and figures regarding the fiscal year.

## 4.2. Complex Analysis

The complex analysis comprises of a more detailed depiction of the sustainability report insights. This includes a table for each company comprising of the most important details the companies provide within their reports regarding the category system established previously. It should be noted that the findings include a company bias, and the presented results are purely based on the company statements. To decrease the company bias, the statements are supported or rejected by consulting company external sources.

### 4.2.1. Beiersdorf AG

*Table 3 Report insights Beiersdorf AG, own depiction*

<b>Category</b>	<b>Report insights</b>
<b>The company</b>	The Beiersdorf Aktiengesellschaft (hereafter Beiersdorf AG) is focused on consumer goods and skin care products and has further launched its sustainability strategy “We care.” In the year 2012 focusing on products, planet, and people (Beiersdorf Aktiengesellschaft, n.d., pp.2-4).
<b>Economic aspects</b>	The company supports 300 small palm oil farmer in Indonesia in cooperation with WWF (World Wide Fund For Nature) (Beiersdorf Aktiengesellschaft, n.d., p.24), aims at sustainable energy concepts of manufacturing sites (Beiersdorf Aktiengesellschaft, n.d., p.37) and training its employees in terms of digitalisation (Beiersdorf Aktiengesellschaft, n.d., p.50).
<b>Environmental aspects</b>	Microplastic is not included within the formula, instead biodegradable ingredients and certified palm oil are used (Beiersdorf Aktiengesellschaft, n.d., pp.22-24). In addition to sustainable palm oil sourcing, effort is put into reforestation by planting 8,000 trees (Beiersdorf Aktiengesellschaft, n.d., p.11). Further, it is stated that the packaging has improved by 8% (Beiersdorf Aktiengesellschaft, n.d., p.20) which is achieved by aiming at using 25% recycled material in plastic by 2025 as well as 100% recycled, reused or biodegradable packaging by 2025 (Beiersdorf Aktiengesellschaft, n.d., p.21). The company achieved a 65% CO2 reduction (baseline 2014), a 3.5% waste reduction (Beiersdorf Aktiengesellschaft, n.d., p.33), and energy used is 100% renewably sourced (Beiersdorf Aktiengesellschaft, n.d., p.35), whereas the total water consumption and the wastewater production increased (baseline 2017) (Beiersdorf Aktiengesellschaft, n.d., p.40).

<b>Social aspects</b>	<p>For one, the support of women in Africa involved in the Sheabutter production is highlighted within the report (Beiersdorf Aktiengesellschaft, n.d., p.25) as well as the support of disadvantages families regarding childcare, the inclusion of seniors, or disabled family members (Beiersdorf Aktiengesellschaft, n.d., p.43) which is underlined by a NIVEA campaign that encourages mothers of disabled children and raises awareness for the children's individual needs (Beiersdorf Aktiengesellschaft, n.d., pp.45-46).</p> <p>Regarding health and safety measure, it is referred to the cosmetic regulations of the European Union (Beiersdorf Aktiengesellschaft, n.d., p.29).</p>
<b>Stakeholders</b>	<p>Seven membership linked to its supply chain, sustainable sourcing, and palm oil production are listed (Beiersdorf Aktiengesellschaft, n.d., p.63)</p> <p>The customer's demand for natural cosmetic products is met with a new skin care line (Beiersdorf Aktiengesellschaft, n.d., p.28), and additional information about the environmental impact of the products (Beiersdorf Aktiengesellschaft, n.d., p.6).</p> <p>Moreover, it is stated that responsibility for everyone involved in their value chain regarding human right, health, and safety is taken (Beiersdorf Aktiengesellschaft, n.d., p.6). Also, diversity in terms of nationality, cultural background, and different generations as well as the inclusion of women in leadership positions with 13% in the executive board, 31% in the first management level, and 50% in the second management level (Beiersdorf Aktiengesellschaft, n.d., p.51) are seen as advantages within the company.</p>
<b>Auditing and evaluation</b>	<p>Four ratings related to environmental and social performance are listed (Beiersdorf Aktiengesellschaft, n.d., p.62). In addition, external auditing based on the ISO 14001 on environmental management systems and the ISO 45001 on occupational health and safety management systems are conducted regularly (Beiersdorf Aktiengesellschaft, n.d., p.56).</p>
<b>Standards and reporting guidelines</b>	<p>The reporting period spans from 1<sup>st</sup> January to 31<sup>st</sup> December 2019.</p> <p>The SDGs are listed at the end of each chapter. Further, the report is based on the GRI guidelines which is stressed by the listing them at the end (Beiersdorf Aktiengesellschaft, n.d., pp.60, 67-76).</p>

## 4.2.2. dm-drogerie markt

Table 4 Report insights dm-drogerie markt, own depiction

Category	Report insights
<b>The company</b>	<p>The first dm-store opened in Karlsruhe in 1973, followed by the launch of a natural cosmetics brand in 1989 (dm-drogerie markt GmbH + Co. KG, 2021, p.20), and the development of a sustainability strategy for its own 27 brands by the year 2008 (dm-drogerie markt GmbH + Co. KG, 2021, pp.35-36). The sustainability strategy by the dm-drogerie markt aims at sustainable consumption (p.44), self-monitoring (p.68), and a circular economy in terms of packaging (p.82), energy consumption and emissions (p.96).</p>
<b>Economic aspects</b>	<p>The digitalisation plays an important role in almost all corporate processes (dm-drogerie markt GmbH + Co. KG, 2021, p.100) which is reflected by providing free Wi-Fi for employees and customers in all stores (dm-drogerie markt GmbH + Co. KG, 2021, p.107).</p>
<b>Environmental aspects</b>	<p>Regarding the natural cosmetics of the company, it is free from mineral oil-based ingredients and purely synthetic fragrances, colours, and preservatives. Moreover, body and dental care items are free of microplastics. To indicate the ingredients environmental seals to label products are used. (dm-drogerie markt GmbH + Co. KG, 2021, pp.39-42)</p> <p>Recycling bins for product packaging are used in some stores (dm-drogerie markt GmbH + Co. KG, 2021, p.20). Furthermore, since 2011 the plastic packaging consists of recycled material, since 2018 at 50%, and the paper packaging consists of at least 80% recycled cardstock (dm-drogerie markt GmbH + Co. KG, 2021, p.39). In addition, glass and aluminium packaging is used (dm-drogerie markt GmbH + Co. KG, 2021, pp.75-76) which saves up to 4,640 tons of CO2 emissions (dm-drogerie markt GmbH + Co. KG, 2021, p.93).</p> <p>The company is also committed to certified and sustainable palm oil by being a founding member of the "Forum Nachhaltiges Palmöl" (dm-drogerie markt GmbH + Co. KG, 2021, p.53).</p> <p>Since 2012 80% of the needed energy for the operation sites is sourced from renewable energy sources by using photovoltaic panels (dm-drogerie markt GmbH + Co. KG, 2021, pp.90-91).</p>

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<b>Social aspects</b>	<p>Sustainable consumption is promoted and product safety through continuous quality management is ensured (dm-drogerie markt GmbH + Co. KG, 2021, p.29) but also the conscious decision to not sell alcohol or cigarettes in store has been made (dm-drogerie markt GmbH + Co. KG, 2021, p.36).</p> <p>“#ForumRezyklaf” is a champaign raising environmental awareness through promoting a circular economy and waste separation and reduction (dm-drogerie markt GmbH + Co. KG, 2021, p.43) which is underlined by sending trainees outside to collect carelessly discarded trash (dm-drogerie markt GmbH + Co. KG, 2021, p.111). In addition to the quality management, all products and its ingredients are cruelty-free, thus were not tested on animals (dm-drogerie markt GmbH + Co. KG, 2021, p.50).</p>
<b>Stakeholders</b>	<p>The company aims at building a consciously buying consumer base, in terms of employees the aim is to learn from each other while also developing oneself, and regarding its partners the goal is to maintain a long-term, fair, and reliable cooperation (dm-drogerie markt GmbH + Co. KG, 2021, p.22).</p> <p>Further, regarding its employees the dm-drogerie markt offers a flexible organisation of working hours, informs about parental leave, and can re-integrate employees after a long break, e.g. due to health issues (dm-drogerie markt GmbH + Co. KG, 2021, p.107)</p>
<b>Auditing and evaluation</b>	<p>A selection of received awards is listed, including four awards in the year of 2019, all related to sustainability (dm-drogerie markt GmbH + Co. KG, 2021, p.16). Moreover, products receive the “<i>Blauer Engel</i>” seal, are marketed as “Fair Trade” or as certified natural cosmetics (dm-drogerie markt GmbH + Co. KG, 2021, p.37)</p>
<b>Standards and reporting guidelines</b>	<p>The reporting period spans from 1<sup>st</sup> October to 30<sup>th</sup> September of the following year.</p> <p>The report is based on the GRI which is highlighted by listing the guidelines at the end of the report (dm-drogerie markt GmbH + Co. KG, 2021, pp.134-135).</p> <p>In addition, suppliers must operate according to the ISO 14001 (dm-drogerie markt GmbH + Co. KG, 2021, p.50) and the operation sites are evaluated according to the ISO 50001 on energy management (dm-drogerie markt GmbH + Co. KG, 2021, p.91).</p>

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### 4.2.3. Henkel

Table 5 Report insights Henkel, own depiction

Category	Report insights
<b>The company</b>	<p>Founded in 1876, the Henkel AG &amp; Co. KGaA (hereafter Henkel) build its first production site in Düsseldorf, Germany, in 1899 (Henkel AG &amp; Co. KGaA, 2020, pp.6-7). The sustainability strategy “Better for you” has been established by the Beauty Care unit of the company aiming at more sustainability (Henkel AG &amp; Co. KGaA, 2020, p.115).</p>
<b>Economic aspects</b>	<p>With production sites in 56 countries, economic and social development is promoted (Henkel AG &amp; Co. KGaA, 2020, p.18). Also, Industry 4.0, digitalising and automating data exchange, is integrated in the entire supply chain (Henkel AG &amp; Co. KGaA, 2020, p.67f.).</p>
<b>Environmental aspects</b>	<p>The company is committed to using renewable raw material whenever possible and all products are free of microplastic (Henkel AG &amp; Co. KGaA, 2020, pp.86-87). Another goal is to achieve 100% recycled and reused packaging by 2025 (Henkel AG &amp; Co. KGaA, 2020, p.14), while also using metal, glass, and paper packaging in addition to plastic packaging (Henkel AG &amp; Co. KGaA, 2020, p.92). Henkel supports sustainable palm oil sourcing which does not contribute to deforestation (Henkel AG &amp; Co. KGaA, 2020, p.88). On the other hand, Henkel aims at a 75% emission reduction by 2030 and becoming climate-positive by 2040 (Henkel AG &amp; Co. KGaA, 2020, p.19) which, in a first step, is achieved by saving 50 million metric tons of CO<sub>2</sub> by the end of 2020, a goal mentioned several times within the report. In addition, transport emissions are reduced by wall-to-wall production facilities (Henkel AG &amp; Co. KGaA, 2020, p.72). Which also impacts the 40% waste reduction and adds to the 63% of production sites sending zero waste to landfill (Henkel AG &amp; Co. KGaA, 2020, p.64).</p>
<b>Social aspects</b>	<p>New logos informing about purchasing habits and the percentage of recycled material and Social Plastic® used within the packaging were designed (Henkel AG &amp; Co. KGaA, 2020, p.103). Raw materials and finished products are tested several times (Henkel AG &amp; Co. KGaA, 2020, p.82). While the company recognises the prohibition of animal testing within the EU it resorts to these practices when required by law, but also search for alternative</p>

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testing methods excluding animals (Henkel AG & Co. KGaA, 2020, p.85). Moreover, it is aimed at zero accidents in the long-run and a 40% accident reduction by the end of 2020 (baseline 2010) (Henkel AG & Co. KGaA, 2020, p.155).

The Schwarzkopf brand launched the “Million Chances” initiative supporting girls and women coming from poor backgrounds or ethnic minorities to find a job and gain financial independency (Henkel AG & Co. KGaA, 2020, p.120).

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**Stakeholders**

Cooperate with Plastic Bank since 2017, to collect and recycle plastic to produce Social Plastic®, a recycled packaging material (Henkel AG & Co. KGaA, 2020, p.98). It is stated that a commitment to sustainability is shared by customers and the company, thus a strong focus is set in the suppliers (Henkel AG & Co. KGaA, 2020, p.108) by using a “six-stage Responsible Sourcing Process” consisting of a continuous cycle of auditing, development, and re-assessment actions (Henkel AG & Co. KGaA, 2020, pp.51-53).

It is aimed at an inclusive work environment where every employee feels valued and recognised (Henkel AG & Co. KGaA, 2020, p.145), meaning people are hired regardless of their gender, cultural background, mindset, life stage, possible disability, age, or sexual orientation (Henkel AG & Co. KGaA, 2020, pp.146-148). Further, flexible working hours and a high level of health insurance are offered (Henkel AG & Co. KGaA, 2020, pp.142-144).

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**Auditing and evaluation**

Seven sustainability indexes regarding the environmental, social, and governmental performance, four sustainability ratings, four awards given by customers regarding the sustainable performance, and one recognition of the company’s participation in a carbon disclosure project are listed (Henkel AG & Co. KGaA, 2020, pp.173-175). The company also mentions its internal assessment tool “Sustainability#Master®” (Henkel AG & Co. KGaA, 2020, p.79).

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**Standards and reporting guidelines**

The GRI guidelines and the International Standard on Assurance Engagement (ISAE) 3000 are used (Henkel AG & Co. KGaA, 2020, p.4). The SDGs (12 out of 17) are implemented into the company’s business operations (Henkel AG & Co. KGaA, 2020, pp.15-17) and data about natural ingredients are integrated into the report according to the ISO 16128 concerning cosmetic products (Henkel AG & Co. KGaA, 2020, p.116).

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#### 4.2.4. Johnson & Johnson

Table 6 Report insights Johnson & Johnson, own depiction

Category	Report insights
<b>The company</b>	Johnson & Johnson was founded in 1886, went public in 1944 and owns 13 brands in the consumer health sector (Johnson & Johnson, n.d., pp.4-5). Moreover, the company established several Health for Humanity 2020 goals listed in a progress scorecard (Johnson & Johnson, n.d., pp.10-14).
<b>Economic aspects</b>	A “Workplace Innovation Program” has been established in 2010 to support physical and mental health as well as adopting a green building design (Johnson & Johnson, n.d., p.69). Further, minority owned businesses are supported worldwide (Johnson & Johnson, n.d., p.87).
<b>Environmental aspects</b>	Waste is seen as inefficient (Johnson & Johnson, n.d., p.98), thus, the company aims at not only reusing the toiletry packaging resulting in a decrease of 240 tons of cardboard boxes but also at reusing and upgrading wastewater containing active pharmaceutical chemicals (Johnson & Johnson, n.d., pp.96-98). Moreover, the company is working with partners in terms of palm oil products sourcing and wood-fibre product sourcing (Johnson & Johnson, n.d., p.88). In addition, a 32% reduction of CO2 emissions (baseline 2010) has been achieved and 30% of energy is sourced from company owned solar arrays and wind turbines (Johnson & Johnson, n.d., pp.7, 91).
<b>Social aspects</b>	<p>The company is primarily operating in the health sector, aiming at improving treatments for HIV/AIDS and Tuberculosis (Johnson &amp; Johnson, n.d., pp.24-25), while also tackling mental health issues and the access to mental health treatments (Johnson &amp; Johnson, n.d., pp.30-31).</p> <p>Human rights are protected throughout its value chain (Johnson &amp; Johnson, n.d., p.78) while women-owned businesses and disabled people are supported (Johnson &amp; Johnson, n.d., p.86).</p> <p>It is stated that “Employee safety is a core value” (Johnson &amp; Johnson, n.d., p.65) which is underlined by providing information regarding occupational safety activities and safety training. Moreover, animal welfare is discussed as alternative testing methods are used and the use of animal testing is minimised (Johnson &amp; Johnson,</p>

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	n.d., pp.77-78). Further, the company is focusing on green chemistry (Johnson & Johnson, n.d., p.100).
<b>Stakeholders</b>	<p>Johnson &amp; Johnson has a partnership with WWF to support sustainable palm oil sourcing and the biodiversity of forests (Johnson &amp; Johnson, n.d., p.88) and partnered with several institutions in terms of recycling (Johnson &amp; Johnson, n.d., p.101).</p> <p>The company works with more than 58,000 suppliers worldwide whereas more than half (52%) are based in North America with the majority supplying the Consumer Health sector (32%) (Johnson &amp; Johnson, n.d., p.82). Moreover, it is stated that “inclusion, health, wellbeing and safety, and continuous growth and development” are prioritised, therefore, 46% of management positions filled by women (Johnson &amp; Johnson, n.d., pp.53-54) and parental-leave based on gender is constantly improving with almost all employees returning (Johnson &amp; Johnson, n.d., p.58).</p>
<b>Auditing and evaluation</b>	<p>20 different recognitions, ratings, and awards related to sustainable performance are listed (Johnson &amp; Johnson, n.d., p.8). Additionally, CDP ratings are mentioned throughout the report whenever a good score has been achieved (Johnson &amp; Johnson, n.d., p.7).</p> <p>Moreover, a “Capacity Self-Assessment Tool” to evaluate environmental health and safety measure was launched in 2019 (Johnson &amp; Johnson, n.d., p.66).</p>
<b>Standards and reporting guidelines</b>	<p>The reporting period spans from 1<sup>st</sup> January 2019 to 31 December 2019 unless otherwise indicated (Johnson &amp; Johnson, n.d., p.104).</p> <p>GRI guidelines are followed which is indicated by listing the respective GRI following each chapter headline. Additionally, guidelines of the Sustainability Accounting Standards Board (SASB) are listed throughout the report.</p> <p>The SDGs are also listed in form of a progress scorecard showing which goal related to the SDGs has been achieved during the years 2016 to 2019 (Johnson &amp; Johnson, n.d., pp.15-17).</p>

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#### 4.2.5. L'Oréal

Table 7 Report insights L'Oréal, own depiction

Category	Report insights
<b>The company</b>	L'Oréal launched its sustainability program "Sharing Beauty With All" in the year 2013 with targets to be achieved by 2020 in addition to the stated 20 years of experience in terms of sustainable actions (L'Oréal, n.d., pp.3-4).
<b>Economic aspects</b>	Innovation, thus sustainable innovation of "reducing the environmental footprint of [the] product formulas, by sourcing raw materials in a responsible, sustainable way that respects biodiversity, by optimising packaging and by committing to zero deforestation" is an economic aspect addressed by the company (L'Oréal, n.d., p.8).
<b>Environmental aspects</b>	<p>Regarding raw material used 59% are renewable sourced and largely of plant based, with the addition that shower products have a biodegradability of 91% and 92% (L'Oréal, n.d., p.10).</p> <p>Moreover, L'Oréal is aiming at a circular economy by replacing 13,204 tons of virgin packaging material by recycled material (L'Oréal, n.d., p.11), turning their factories into "waterloop factories", recycling the water used in-house apart from production and employee requirements (L'Oréal, n.d., p.15), or reducing the waste production of 11% in absolute terms and a 35% reduction of waste generated per finished products (L'Oréal, n.d., p.16). In addition, L'Oréal states that it reduced the emissions of their sites by 78% (baseline 2005) and 35 of its industrial sites are carbon neutral (L'Oréal, n.d., p.14). Moreover, wall-to-wall production reduces transportation packaging (L'Oréal, n.d., p.16) as well as emissions linked to transportation by 12% (L'Oréal, n.d., p.14). Further, 69% of energy needed is renewably sourced (L'Oréal, n.d., p.14).</p> <p>In terms of deforestation, L'Oréal "pledged that by the end of 2020 at the latest, none of the ingredients and raw materials used in [its] products would be linked with deforestation" (L'Oréal, n.d., p.12), thus palm oil, palm oil derivatives, soya oil and paper used by the company are 100% certified (L'Oréal, n.d., p.12).</p>
<b>Social aspects</b>	<p>Regarding health and safety measure, more than 40,000 formulas were screened to provide product safety (L'Oréal, n.d., p.9).</p> <p>In terms of live improvements, according to the report, L'Oréal provides access to employment for people facing social and financial</p>

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	<p>challenges in the regions where the company is involved and promoting inclusion of disabled people since 1990, currently employing 1,280 disabled employees (L'Oréal, n.d., p.21).</p> <p>Moreover, the company initiated many campaigns to raise awareness to social issues (“Write Her Future” to fight against illiteracy of girls), health issues (“Skin Checker” to prevent skin cancer) or environmental issues (“Let’s recycle beauty”) (L'Oréal, n.d., p.19).</p>
<b>Stakeholders</b>	<p>The company is working with NGOs to achieve sustainable sourced material, decent labour conditions and equal treatment within the supply chain (L'Oréal, n.d., p.10).</p> <p>Moreover, within the report it is stated that suppliers are selected based on their environmental and social performance which will be assessed by social audits (1,562) or an evaluation based on the suppliers’ corporate responsible policies (713, increase of 93 evaluated suppliers) (L'Oréal, n.d., p.22).</p> <p>In terms of employees, L'Oréal wants to provide health care for its employees and their families, provide financial support in unexpected life accidents, enable parental-leave, highlighting paternity leave of six to eight weeks for fathers, and highlighting the company’s online training portal available in 27 languages as well as focusing on volunteering event for employees (L'Oréal, n.d., p.23).</p>
<b>Auditing and evaluation</b>	<p>L'Oréal developed an internal product evaluation tool called “Sustainable Product Optimisation Tool (SPOT)” to assess the environmental and social performance of their products (L'Oréal, n.d., p.18).</p> <p>External assessment from eight different institutions certifying the company with AAA to A ratings, prime rating or being listed as the number one company by an ethical reputation index (L'Oréal, n.d., p.25).</p>
<b>Standards and reporting guidelines</b>	<p>According to the company, they are contributing to 15 out of 17 SDGs (L'Oréal, n.d., p.3). In addition, L'Oréal aims at receiving a certification for the ISO 50001 for energy management in all the company’s factories (L'Oréal, n.d., p.14).</p>

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#### 4.2.6. LVMH

Table 8 Report insights LVMH, own depiction

Category	Report insights
<b>The company</b>	According to the report LVMH is “one of the first major corporations to implement an environmental strategy back in 1992” (LVMH, n.d., p.1). The latest initiative is the LIFE 2020 program aiming at reducing the environmental footprint, protecting biodiversity, and implementing a circular economy (LVMH, n.d., p.11).
<b>Economic aspects</b>	Building new sites are based on construction standards (LVMH, n.d., p.38). In addition, 263 out of 397 production, warehouse, and administrative sites are considered in the report (LVMH, n.d., 84).
<b>Environmental aspects</b>	<p>The company met its goal to reduce its CO2 emissions by 25% (baseline 2013) (LVMH, n.d., p.18). In terms of water consumption (-1.1%), energy consumption (+6.5%), and waste production (+8.7%) the 2020 target of reducing these indicators by 10% is not met in 2019 and 91% of waste has been recycled in 2019 (LVMH, n.d., p.19). Moreover, the company aims at 70% of sourcing channels to meet the highest standard by 2020, and 100% by 2025 (LVMH, n.d., p.30). In addition, the new skin care line at Sephora consists of 90% natural ingredients (LVMH, n.d., p.51) and ingredients that are not in line with the “Clean at Sephora” label were removed from the products (LVMH, n.d., p.60). In terms of packaging, the environmental performance is evaluated based on weight, volume, recyclability, and layers of the packaging leading to a 12% improvement for perfumes and cosmetics (LVMH, n.d., p.50) exceeding the 2020 goal by 2% (LVMH, n.d., p.18).</p> <p>Furthermore, the company exceeded its goal of purchasing at least 70% of certified oil and pail oil derivatives (LVMH, n.d., p.28).</p>
<b>Social aspects</b>	<p>The company aims at products safety wherein any raw material or substance of a product must comply to the European regulations for chemicals as well as the EU cosmetics regulations (LVMH, n.d., p.58).</p> <p>Other objectives are set in different sectors of the company such as animal welfare in the fashion sector (LVMH, n.d., p.17), no more chemical weedkillers in the wine sector (LVMH, n.d., p.25), or no more fertiliser and pesticides to grow flowers in the perfume sector (LVMH, n.d., p.28).</p>

<b>Stakeholders</b>	Customer demand transparency in terms of products and the related sustainable impact (LVMH, n.d., p.59), whereas LVMH demands an in-depth knowledge in terms of its suppliers (LVMH, n.d., p.56). Moreover, employees are trained and made aware of the environmental impact of the company (LVMH, n.d., p.87). In addition, the company joins the UNESCO to protect the biodiversity and bees (LVMH, n.d., pp.32-33).
<b>Auditing and evaluation</b>	LVMH has been certified regarding its fashion sector and the use of cotton, mohair, merino wool, down, cashmere, fur, leather, and exotic leather (LVMH, n.d., p.31). In addition, five non-financial certifications are listed within the report, thereof one is specifically addressed to the cosmetics sector of the company (LVMH, n.d., p.73).
<b>Standards and reporting guidelines</b>	The company specifically focuses on the SDGs (LVMH, n.d., pp.66-67) but also sets its own guidelines (LVMH, n.d., p.14). Additionally, several ISOs such as the ISO 14001 in the wine and spirits sector (LVMH, n.d., p.24) and the fashion sector (LVMH, n.d., p.38) as well as the ISO 50001 and the ISO 22000 in the champagne-cognac-vodka sector (LVMH, n.d., p.38) have been issued.

#### 4.2.7. Procter & Gamble

*Table 9 Report insights Procter & Gamble, own depiction*

<b>Category</b>	<b>Report insights</b>
<b>The company</b>	The sustainability strategy is embedded in the company strategy and aims at “driving positive impact while creating value for consumers and our Company” (Procter & Gamble, 2020, p.16). The company aims at 100% recycled and reused packaging as well as the reduction of virgin plastic by 50% by the year 2030 (Procter & Gamble, 2020, p.19).
<b>No coding of Economic aspects within this report.</b>	
<b>Environmental aspects</b>	The environmental performance of Procter & Gamble (hereafter P&G) improved in absolute terms as CO2 emissions (-25%), energy consumption (-21%), waste production (-92%), and water consumption (-27%) were reduced and renewable energy sourcing increased by 13% (all baseline 2010) (Procter & Gamble, 2020, p.14). The brand Herbal Essences is highlighted in terms of ingredients and its new bio: renew line (Procter & Gamble, 2020, p.29).



Moreover, the company aims at 100% recycled packaging by 2030, currently reaching 88% of recyclable packaging (Procter & Gamble, 2020, p.24) as well as participating in Loop, a platform promoting recyclable packaging use (Procter & Gamble, 2020, p.17).

Furthermore, regarding deforestation and the use of wood-fibres P&G utilises a certification system for suppliers to ensure sustainable forestry (Procter & Gamble, 2020, p.37). Additionally, the acquisition of palm oil is also bound to certain criteria to ensure sustainable sourcing (Procter & Gamble, 2020, p.41).

<b>Social aspects</b>	<p>Product safety is important regarding consumers and the environment, thus information regarding ingredients is displayed on the company's website (Procter &amp; Gamble, 2020, pp.28-29). In terms of occupational health and safety, 0.25% injuries as well as 0.14% lost or restricted workdays occurred in the year 2019 (Procter &amp; Gamble, 2020, p.66).</p> <p>Campaigns to fight environmental issues such as raising awareness of plastic in the ocean (Procter &amp; Gamble, 2020, p.17), launching as "Plastic-Free Campaign" in Korea (Procter &amp; Gamble, 2020, p.21), or motivate customers to clean local beaches in the UK and Spain (Procter &amp; Gamble, 2020, p.22) were launched.</p> <p>Again, the brand Herbal Essences is highlighted as cruelty-free (Procter &amp; Gamble, 2020, p.18).</p>
<b>Stakeholders</b>	<p>To take environmental actions P&amp;G is working with NGOs and other partners to support sustainable forestry (Procter &amp; Gamble, 2020, p.39), improve water consumption (Procter &amp; Gamble, 2020, p.50), and reduce plastic waste (Procter &amp; Gamble, 2020, p.58).</p>
<b>Auditing and evaluation</b>	<p>The company lists six external certifications in terms of sustainable forestry (Procter &amp; Gamble, 2020, p.38), a sustainability award and packaging award for a project related to circular economy (Procter &amp; Gamble, 2020, p.56). P&amp;G also has an internal health, safety, and environment (HSE) auditing program (Procter &amp; Gamble, 2020, p.67).</p>
<b>Standards and reporting guidelines</b>	<p>The reporting period spans from 1<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019 whereas the report is based on the GRI 102: General Disclosure 2016 (Procter &amp; Gamble, 2020, p.74).</p>

#### 4.2.8. Shiseido

Table 10 Report insights Shiseido, own depiction

Category	Report insights
<b>The company</b>	The company launched a “Sustainable Beauty Initiative” focusing on “focusing on Clean Environment, Respectful Society, and Enriched Culture (Shiseido Co., LTD., n.d., p.4) aiming at “Beauty Innovation for a Better World” (Shiseido Co., LTD., n.d., p.27).
<b>No coding of Economic aspects within this report.</b>	
<b>Environmental aspects</b>	<p>The company aims at carbon neutrality by 2026 by using renewable energy sources such as water and solar power (Shiseido Co., LTD., n.d., p.11), it also wants to reduce water consumption by 40% by 2026 compared to the year 2014 by recycling water used for cleaning equipment, using lukewarm water instead of hot water or switch a water-cooling system to air-cooling (Shiseido Co., LTD., n.d., p.12).</p> <p>The aim of zero waste send to landfills by 2022 will be achieved by reusing and recycling resources, achieving a reduction of 394 tons of waste produced by factories (Shiseido Co., LTD., n.d., p.13).</p> <p>In terms of deforestation, Shiseido aims at 100% sustainable palm oil acquisition by the year 2026 by joining a non-profit organisation to support ethical palm oil production and purchase 9,700 tons of certified palm oil equivalent. It also aims at 100% sustainable paper usage by 2023 by using recycled or externally certified paper (Shiseido Co., LTD., n.d., p.15).</p> <p>In addition, raw material for products as well as packaging aims at being 100% sustainable by reusing a recycling plastic packaging, thus reducing plastic usage by 60% (Shiseido Co., LTD., n.d., p.18f.).</p>
<b>Social aspects</b>	<p>The company aims at improved labour conditions as well as tackling human rights issues (Shiseido Co., LTD., n.d., p.9).</p> <p>In terms of health and safety measure, the cosmetics products aim a skin protection and ultraviolet (UV) ray protection (Shiseido Co., LTD., n.d., p.17). Further, the company also states in a footnote that they only test their products on animals when it is required by law, if not they utilise alternative testing methods (Shiseido Co., LTD., n.d., p.17).</p>

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	<p>Japan is ranked 121<sup>st</sup> of 153 countries in terms of gender equality (Shiseido Co., LTD., n.d., p. 29) which is highlighted by the fact that only 33.1% of leadership positions within the company in Japan are staffed with women (52.7% globally) (Shiseido Co., LTD., n.d., p.31). To support the state willingness of improvement, the company highlights its involvement in many projects involving education for girls and empowerment of women (Shiseido Co., LTD., n.d., pp.30-31) while also highlighting its care for cancer survivors or people with disabilities (Shiseido Co., LTD., n.d., pp.33-34).</p>
<b>Stakeholders</b>	<p>The company need to take “authentic steps” when it comes to a circular economy (Shiseido Co., LTD., n.d., p.19), i.e. reusable packaging. Not only did the company include an expert interview, but it also highlights its collaboration with several NGOs and other partners in different fields of action, e.g. stop child labour in India (Shiseido Co., LTD., n.d., p.23) or prevent unethical labour practices in terms of palm oil production (Shiseido Co., LTD., n.d., p.24). To further ensure an ethical supply chain, Shiseido monitors and assesses its supplier regularly as stated in the company’s code of conduct (Shiseido Co., LTD., n.d., pp.21-22).</p> <p>Shiseido sees its employees as “[its] most important asset” (Shiseido Co., LTD., n.d., p.37), therefore aiming at employing people from different backgrounds and creating a validating work environment (Shiseido Co., LTD., n.d., p.37).</p>
<b>Auditing and evaluation</b>	<p>“Shiseido received positive evaluations from Socially Responsible Investment (SRI) evaluation institutions” (Shiseido Co., LTD., n.d., p.70). Within the report, the company lists six different indexes they received in the year 2019.</p>
<b>Standards and reporting guidelines</b>	<p>The reporting period 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2019 (Shiseido Co., LTD., n.d., p.55).</p> <p>“Based on our mission BEAUTY INNOVATIONS FOR A BETTER WORLD, our sustainability strategy centers on ESCG” (Shiseido Co., LTD., n.d., p.5), standing for a clean environment, a respectful society, and an enriched culture routed in a trustworthy governance.</p> <p>The company’s actions are linked to the SDGs (Shiseido Co., LTD., n.d., p.6). Additionally, almost all production sites are certified with the ISO 14001 on environmental management systems (Shiseido Co., LTD., n.d., p.11).</p>

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#### 4.2.9. Unilever

The Sustainable Living Report issued by Unilever is the shortest selected from the dataset and comprises of only 16 pages total. On the other hand, a second document, the Sustainable Living Plan, was considered for the evaluation of the company as said document deals with the Sustainable Development Goals (SDGs) of the United Nations.

*Table 11 Report insights Unilever, own depiction*

<b>Category</b>	<b>Report insights</b>
<b>The company</b>	The company statement within the report explains the documentation and assessment of data, while on the other hand articulates the absence of reporting norms for non-financial reports (Unilever, n.d.-a, p.3).
<b>Economic aspects</b>	Unilever supports small retailers and small farmers gain access to initiative that improve their income and agricultural practices. According to the report 1.8 million retailers and 793 thousand farmers were supported. (Unilever, n.d.-a, p.4)
<b>Environmental aspects</b>	In terms of environmental factors, Unilever reduced 48% of water consumption, 65% of energy consumption, and 96% of waste production within the manufacturing process (all to the baseline of 2008), whereas the greenhouse gas impact of products used, and the water associated with product use increase by 2% and 1% respectively (Unilever, n.d.-a, pp.4-5).
<b>Social aspects</b>	In terms of social aspects, the company only mentioned occupational health and safety measures. For the reporting period, the company lists four fatal accidents and an accident rate of 0.76 accidents per 1-million-man hours worked (Unilever, n.d.-a, p.5).
<b>Stakeholders</b>	Unilever's report mainly focuses on its suppliers and their compliance to sustainable sourcing of agricultural raw materials (Unilever, n.d.-a, p.8).
<b>Auditing and evaluation</b>	External auditing has only been carried out regarding Unilever's suppliers in terms of adequate raw materials (Unilever, n.d.-a, p.8).
<b>Standards and reporting guidelines</b>	Unilever's reporting period spans from 1 <sup>st</sup> October 2018 to 30 <sup>th</sup> September 2019 (Unilever, n.d.-a, p.6). A second document regarding the SDGs has been published by the company and focuses on the SDGs of the company regarding social and environmental aspects (Unilever, n.d.-b).

### 4.3. Similarities and Differences

Table 12 Summary Tabel, own depiction

The company	Similarities and Differences
<b>Economic aspects</b>	<p>Three companies mention supporting for small farmers and businesses (Beiersdorf Aktiengesellschaft, n.d., p.24; Johnson &amp; Johnson, n.d., p.87; Unilever, n.d.-a, p.4) and three companies mention sustainable energy management for its manufacturing and production sites (Beiersdorf Aktiengesellschaft, n.d., p.37; Johnson &amp; Johnson, n.d., p.69; LVMH, n.d., p.38). Whereas sustainable innovation regarding formula and ingredients is mentioned once (L'Oréal, n.d., p.8).</p> <p>In terms of digitalisation employees are trained (Beiersdorf Aktiengesellschaft, n.d., p.50), free Wi-Fi is available for employees and customers in store (dm-drogerie markt GmbH + Co. KG, 2021, p.107), and it is implemented into the supply chain (Henkel AG &amp; Co. KGaA, 2020, p.67f.).</p> <p>Two companies (Procter &amp; Gamble, 2020; Shiseido Co., LTD., n.d.) do not mention any economic aspects within the sustainability report.</p>
<b>Environmental aspects</b>	<p>Three out of nine companies explicitly mentioned that their cosmetics products are free of microplastic (Beiersdorf Aktiengesellschaft, n.d., p.22; dm-drogerie markt GmbH + Co. KG, 2021, p.40; Henkel AG &amp; Co. KGaA, 2020, p.86).</p> <p>The ingredients are biodegradable ingredients (Beiersdorf Aktiengesellschaft, n.d., p.22; L'Oréal, n.d., p.10), renewably sourced whenever possible (Henkel AG &amp; Co. KGaA, 2020, p.87; L'Oréal, n.d., p.10; LVMH, n.d., p.51) and aim at being sustainable (Shiseido Co., LTD., n.d., p.18f.). To indicate the ingredients environmental seals to label products are used (dm-drogerie markt GmbH + Co. KG, 2021, p.42).</p> <p>Seven out of nine companies mention the use of reusable and recycled packaging material, either aiming at 100% recycled packaging by 2025 (Beiersdorf Aktiengesellschaft, n.d., p.21; Henkel AG &amp; Co. KGaA, 2020, p.14), by 2030 (Procter &amp; Gamble, 2020, p.17), or as a general goal (Shiseido Co., LTD., n.d., p.18f.). In addition, alternatives such as glass, aluminium or paper are mentioned (dm-</p>

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drogerie markt GmbH + Co. KG, 2021, pp.75-76; Henkel AG & Co. KGaA, 2020, p.92).

Six out of nine companies directly mention sustainable forestry, especially focusing on certified palm oil and palm oil derivatives (dm-drogerie markt GmbH + Co. KG, 2021, p.53; Henkel AG & Co. KGaA, 2020, p.88; LVMH, n.d., p.28; Procter & Gamble, 2020, p.41; Shiseido Co., LTD., n.d., p.15), additionally also focusing on soya oil sourcing (L'Oréal, n.d., p.12) and wood-fibre sourcing (Procter & Gamble, 2020, p.37). Only Beiersdorf explicitly mentions forest restoration by planting trees (Beiersdorf Aktiengesellschaft, n.d., p.11). All companies state either their achieved reduction in CO2 emissions (Beiersdorf Aktiengesellschaft, n.d., p.33; dm-drogerie markt GmbH + Co. KG, 2021, p.93; Johnson & Johnson, n.d., p.7; L'Oréal, n.d., p.14; LVMH, n.d., p.18; Procter & Gamble, 2020, p.14) or their goals of reducing emissions (Henkel AG & Co. KGaA, 2020, p.19; Shiseido Co., LTD., n.d., p.11) with the exception of Unilever stating an increase in emissions related to its products (Unilever, n.d.-a, p.5).

Four of the companies state that they use renewable energy sources for the production sites ranging from 30% to 100% renewable energy (Beiersdorf Aktiengesellschaft, n.d., p.35; dm-drogerie markt GmbH + Co. KG, 2021, p.90; Johnson & Johnson, n.d., p.7; L'Oréal, n.d., p.14) sourced from solar panels or wind turbines owned by the company (dm-drogerie markt GmbH + Co. KG, 2021, p.91; Johnson & Johnson, n.d., p.91). Moreover, two companies were able to reduce energy consumption (baseline 2008 and 2010) (Procter & Gamble, 2020, p.14; Unilever, n.d.-a, p.5), whereas LVMH increased its consumption (baseline 2013) (LVMH, n.d., p.19).

Three companies reduced their water consumption (baseline 2008 and 2010) (LVMH, n.d., p.19; Procter & Gamble, 2020, p.14; Unilever, n.d.-a, p.4), whereas the Beiersdorf AG reduced its water consumption but increased its wastewater volume (both from 2017 to 2019) (Beiersdorf Aktiengesellschaft, n.d., p.40). Contrary, L'Oréal implemented "waterloop factories" to reuse its wastewater, similarly to Johnson & Johnson (Johnson & Johnson, n.d., p.96; L'Oréal, n.d., p.15).

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Five companies were able to reduce their waste production in the year 2019 (Beiersdorf Aktiengesellschaft, n.d., p.33; Henkel AG & Co. KGaA, 2020, p.64; L'Oréal, n.d., p.16; Procter & Gamble, 2020, p.14; Unilever, n.d.-a, p.5), whereas waste production at LVMH increased (LVMH, n.d., p.19).

Lastly, wall-to-wall production is mentioned twice (Henkel AG & Co. KGaA, 2020, p.72; L'Oréal, n.d., p.16) which does not only reduced packaging but also emissions linked to transportation.

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**Social aspects**

Apart from the tackling human rights issues (Johnson & Johnson, n.d., p.78; Shiseido Co., LTD., n.d., p.19) companies also focus on financially and economically disadvantaged families and disabled people to find employment while also supporting women (Beiersdorf Aktiengesellschaft, n.d., pp.25, 43; Johnson & Johnson, n.d., p.86; L'Oréal, n.d., p.21) and putting a special emphasis on the role of women (Shiseido Co., LTD., n.d., pp.30-31). Moreover, sustainable consumption (dm-drogerie markt GmbH + Co. KG, 2021, p.29), improving treatments for HIV/AIDS and tuberculosis (Johnson & Johnson, n.d., pp.24-25), and caring for cancer survivors (Shiseido Co., LTD., n.d., pp.33-34) are also highlighted aspects. In addition, occupational safety activities and training is provided (Johnson & Johnson, n.d., p.65), while referring to the European regulations (Beiersdorf Aktiengesellschaft, n.d., p.29), and aiming at zero accidents and low accident rates (Henkel AG & Co. KGaA, 2020, p.155; Procter & Gamble, 2020, p.66, Unilever, n.d.-a, p.5). Regarding product safety, product quality management is required (dm-drogerie markt GmbH + Co. KG, 2021, p.29), while ingredients and product are tested several times (Henkel AG & Co. KGaA, 2020, p.82; L'Oréal, n.d., p.9) so that they company to European regulations for chemicals and cosmetics (LVMH, n.d., p.58) while aiming at skin protection and UV-protection (Shiseido Co., LTD., n.d., p.17). In addition, green chemistry is utilised (Johnson & Johnson, n.d., p.100) and information regarding the ingredients is listed on the company's website (Procter & Gamble, 2020, p.29). Moreover, cosmetics by dm-drogerie markt are cruelty-free (dm-drogerie markt GmbH + Co. KG, 2021, p.50), while P&G highlights one specific brand as cruelty-free (Procter & Gamble, 2020, p.18). On the other hand, the prohibition of animal testing with the EU is recognised but companies still use animal testing when required by

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law elsewhere but state to otherwise use alternative methods (Henkel AG & Co. KGaA, 2020, p.85; Johnson & Johnson, n.d., pp.77-78; Shiseido Co., LTD., n.d., p.17).

Further, several campaigns are launched by a few companies. Regarding social issues campaigns to support mother of disabled children (Beiersdorf Aktiengesellschaft, n.d., pp.45-46), “Million Chances” to support women and girls of disadvantaged background (Henkel AG & Co. KGaA, 2020, p.120), and “Write Her Future” to fight against women illiteracy (L'Oréal, n.d., p.19) were launched. In terms of environmental issues “ForumRezyklat” (dm-drogerie markt GmbH + Co. KG, 2021, p.43), “Let’s recycle beauty” (L'Oréal, n.d., p.19), “Plastic-Free Campaign” (Procter & Gamble, 2020, p.17), and Social Plastic® (Henkel AG & Co. KGaA, 2020, p.103) were launched, all focusing on circular economy and reusing and recycling plastic waste. Regarding health issues L'Oréal launched as “Skin Checker” campaign to check for skin cancer (L'Oréal, n.d., p.19).

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#### **Stakeholders**

Six out of nine companies work with partners and NGOs regarding environmental aspects (Beiersdorf Aktiengesellschaft, n.d., p.63; Johnson & Johnson, n.d., p.88; L'Oréal, n.d., p.10; LVMH, n.d., pp.32-33; Procter & Gamble, 2020, pp.39, 50, 58; Shiseido Co., LTD., n.d., pp.23-24), and two out of nine companies mention partnerships regarding social aspects (L'Oréal, n.d., p.10; Shiseido Co., LTD., n.d., pp.23-24).

Suppliers are the focus within the report by Unilever (n.d.-a, p.8). Moreover, Johnson & Johnson (n.d., p 82) mentions more than 58,000 suppliers with 32% working in the Consumer Health sector. The suppliers are selected based on environmental and social performance (L'Oréal, n.d., p.22), thus Henkel implemented a “six-stage Responsible Sourcing Process” (Henkel AG & Co. KGaA, 2020, pp.51-53). As transparency is demanded (LVMH, n.d., p.56), suppliers are regularly monitored (Shiseido Co., LTD., n.d., pp.21-22).

In principle diverse and inclusive hiring is practiced (Beiersdorf Aktiengesellschaft, n.d., p.51; Henkel AG & Co. KGaA, 2020, pp.146-148; Shiseido Co., LTD., n.d., p.37) and women in leadership positions are supported (Beiersdorf Aktiengesellschaft, n.d., p.51; Johnson & Johnson, n.d., p.53). In addition, flexible working hours are

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promoted (dm-drogerie markt GmbH + Co. KG, 2021, p.107; Henkel AG & Co. KGaA, 2020, p.142) and a high level of health insurance not only for employees (Henkel AG & Co. KGaA, 2020, p.144) but also their families (L'Oréal, n.d., p.23) is offered. Further, employees are informed about paternity leave (dm-drogerie markt GmbH + Co. KG, 2021, p.107), a six-to-eight-week paternity leave is highlighted (L'Oréal, n.d., p.23) and parental leave is almost divided equally amongst men and women at Johnson & Johnson (n.d., p.58).

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**Auditing and evaluation**

Internal auditing measures are mentioned by three out of the nine companies: the health, safety, and environmental auditing program by P&G (Procter & Gamble, 2020, p.67), the Sustainable Product Optimisation Tool "SPOT" by L'Oréal (L'Oréal, n.d., p.18), and the Sustainability#Master® by Henkel (Henkel AG & Co. KGaA, 2020, p.79).

External auditing is either carried out with the focus on suppliers only (Unilever, n.d.-a, p.8), certifications are issued for sustainability forestry (Procter & Gamble, 2020, p.38) or are in other sectors of the company in addition to non-financial certifications (LVMH, n.d., p.31). Moreover, indexed (Henkel AG & Co. KGaA, 2020, pp.173-175; Shiseido Co., LTD., n.d.), ratings (Beiersdorf Aktiengesellschaft, n.d., p.62; Johnson & Johnson, n.d.; L'Oréal, n.d., p.25) and labels (dm-drogerie markt GmbH + Co. KG, 2021, p.37) all related to environmental and social performances of the company are mentioned within the reports.

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**Standards and reporting guidelines**

Varying reporting periods, spanning from 1<sup>st</sup> July 2018 - 30 June 2019 (Procter & Gamble, 2020), 1<sup>st</sup> October – 30 September 2019 (dm-drogerie markt GmbH + Co. KG, 2021; Unilever, n.d.-a, p.6), and 1<sup>st</sup> January – 31 December 2019 (Beiersdorf Aktiengesellschaft, n.d.; Johnson & Johnson, n.d.; Shiseido Co., LTD., n.d., p.55) are mentioned which makes comparing the companies more difficult.

The SDGs are either listed in a progress scorecard or at the end of each chapter (Beiersdorf Aktiengesellschaft, n.d.; Henkel AG & Co. KGaA, 2020, pp.15-17; Johnson & Johnson, n.d., pp.15-17), partly covered by the company's actions (Henkel AG & Co. KGaA, 2020, pp.15-17; L'Oréal, n.d., p.3; LVMH, n.d., pp.66-67; Shiseido Co.,

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LTD., n.d., p.6), or addressed in a second document (Unilever, n.d.-b).

The GRI either mentioned at the end of the report (Beiersdorf Aktiengesellschaft, n.d., pp.67-76), mentioned below each headline (Johnson & Johnson, n.d.), within the report (dm-drogerie markt GmbH + Co. KG, 2021, pp.134-135; Henkel AG & Co. KGaA, 2020, p.4), it is stated that report is based on the GRI (Procter & Gamble, 2020, p.74), or not mentioned at all (Unilever, n.d.-a).

The ISO 14001 on environmental managements systems is mentioned most often (Beiersdorf Aktiengesellschaft, n.d., p.56; dm-drogerie markt GmbH + Co. KG, 2021, p.50; LVMH, n.d., p.24; Shiseido Co., LTD., n.d., p.11), In addition, the ISO 16128 on cosmetic products (Henkel AG & Co. KGaA, 2020, p.116) and the ISO 45001 on occupational health and safety managements systems (Beiersdorf Aktiengesellschaft, n.d., p.56) are also relevant standards mentioned in the sustainability reports of two companies. Whereas three companies aim at an evaluation according to the ISO 50001 on energy management (dm-drogerie markt GmbH + Co. KG, 2021, p.91; L'Oréal, n.d., p.14; LVMH, n.d., p.38).

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#### 4.4. Verify and Falsify the Claims

The cosmetics industry must consider various factors into account when it comes to its impact. As the industry does not only impact the human health and the human body by applying cosmetic products directly to the skin. But the cosmetics industry must also acknowledge its environmental impact by contributing to water-, air- and land-pollution. As companies try to minimise the impact on the consumer, claims are made that state the environmental friendliness of companies and clean cosmetics products which are less harmful for the body and the environment as these products supposedly do not contain toxic or harmful chemicals.

To regulate cosmetic products cosmetics seals and labels were implemented to indicate if a product is cruelty-free, vegan, natural cosmetic, Fair Trade or contains allergen substances. In addition, these labels demand more from a company than legislators do (Verbraucherzentrale, 2021a) which is especially important in the US market as the cosmetics industry regulates itself (Pearson, 2019). With more than 30,000 possible substances allowed to be used in cosmetic products, labelling the packaging with an ingredients list, potential warnings, the durability of a product as well as the manufacturer information is important (Verbraucherzentrale, 2021b), especially if potential harmful ingredients cause

an unwanted reaction of the body. Further, a palm oil is one of the cheapest, thus most used planed based oils it is often linked to illegal deforestation and harmful fire cleaning endangering animals and people (Verbraucherzentrale, 2021c) Moreover, the cosmetic products do not require a label indicating the origin or sustainability of palm oil, thus consumers rely on voluntary labelling of companies of Fair-Trade logos (Verbraucherzentrale, 2021a; Verbraucherzentrale, 2021c). Unwanted environmental effects are also possible as microplastics, non-biodegradable plastic particles smaller than 5 millimetres, are polluting waterbodies with the German cosmetics industry contributing almost 50,000 tonnes alone and health and environmental effects are largely unclear thus far (Verbraucherzentrale, 2021d).

It should be noted that most of the following accusations, lawsuits, and cases of negative representation of the companies took place in the United States which are not the focus of this study, still the negative press also affects the brand reputation in other parts of the world. Further, as the brands and their products are also available to purchase in the EU the presented cases are of interest for the conducted research.

The Beiersdorf AG is operating globally, meaning the company must identify consumers wants and needs according to the region and adjust the products correspondingly which is done by analysing global and local market research data, thus increasing the effectiveness across all business units (Trites, 2015). In addition, it is stated in the report that the consumer demand for natural cosmetics is met by introducing a new skin care line (Beiersdorf Aktiengesellschaft, n.d., p.28). On the other hand, the Beiersdorf AG is facing a class action lawsuit involving a lotion by its brand NIVEA (Lammi, 2019). The company is accused of mislabelling the packaging, thus selling the product as an unapproved drug as the packaging claims to "improve skin's firmness" altering the structure and function of the skin. It was ruled that the product name and statement are more fitted for the definition of cosmetics and as the company did not have the intention for the product to affect the structure or function of the body, the case was dismissed (Lammi, 2019).

Johnson & Johnson also faced legal charges, as the company was sued more than 15,000 times and allegedly failed to inform consumers about the use of asbestos, a substance causing cancer, in its talc-based baby-powder (Sandler, 2020). Consequently, the product has been discontinued in the US and Canada and was remove from supermarket shelves. According to the same articles, the company was aware that the baby-powder contained potentially harmful substances but failed to inform consumers for the last 50 years (Sandler, 2020). Moreover, the sustainability report is primarily focusing on the company's environmental footprint and less on the ingredients (Johnson & Johnson, n.d.). The lawsuit might be a reason to take the attention away from the ingredients.

Furthermore, L'Oréal is facing several charges for misleading claims as well as unacceptable packaging. Firstly, the company is accused of using collaborative talks with Metricolor to infringe trade secrets, patents, breach contracts and confidence (Caldwell, 2020a). The case was originally dismissed but reassigned to court in December 2019. Secondly, L'Oréal has been accused of using a misleading name for its hair care products "EverSleek Keratin Caring" for not containing keratin as an ingredient, but the case was dismissed as the ingredient list is labelled unambiguously (Caldwell, 2020b). Thirdly, the company is accused of selling product contains with defective pumps that prevent consumer from accessing 43% to 81% of product (Sortor, 2020), therefore a significant amount of product and money is wasted (Honacker, 2019). To access the product, the glass containers had to be destroyed as the pump was not designed to be removable and alternative packaging options such as screw-off lids, airless pumps, or squeeze tubes are not used (Honacker, 2019; Sortor, 2020). Contrary to the accusations, within the non-financial report any collaboration with Metricolor, nor the "EverSleek Keratin Caring" hair care products or keratin as an ingredient used in other hair care lines are not mentioned. On the other hand, the product design in terms of its optimal size and weight is mentioned within the report but only regarding shampoo which is sold in a container that does not require a pump nor a glass bottle (L'Oréal, n.d., p.11). In contrast, L'Oréal, and its brand La Roche-Posay is highlighted not only within the progress report for its "Skin Checker" campaign but also in an article stating the release of a beauty device which tracks UV exposure and pH levels of the skin and thereby promoting itself as a health advocate (Pearson, 2019).

Within the same article, Pearson (2019) refers to the "Clean at Sephora" label introduced in 2019 and proves that the respective products are free of hazardous chemicals, thus safe to use. The brands efforts are additionally called as "setting industry standards" (Sasso, 2020) for releasing a new report focusing on increasing accessibility of ingredient information, reducing the number of products containing harmful substances, and using safer replacements. These aspects of a new label (Pearson, 2019) and clean ingredients (Sasso, 2020) are also highlighted within the sustainability report of LVMH, as Sephora is owned by the company (LVMH, n.d., pp.51, 60), therefore the external evidence is in line with the report. But additional expectations are placed on the brand to also address fragrance ingredient transparency, to include Black-owned brands, thus make cosmetics safer for women of colour and get other companies to follow Sephora's action (Sasso, 2020).

P&G reportedly first faced charges against its deodorant brand 'Old Spice' in 2016 which has been dismissed for being too individual (Grasha, 2019). Now more than 450 people accuse the company of selling deodorant that causes chemical burns, rashes, and other

skin issued and documented the issues in blog posts or YouTube videos (Grasha, 2016; Grasha, 2019). Additionally, the company is blamed for concealing the problems and downplaying the skin irritations rather than recognising them to continue sales (Grasha, 2016; Grasha, 2019). Moreover, it is stated that consumers with alcohol sensitivity are advised to use alternative options such as antiperspirant, but most deodorant and antiperspirants consist of ingredients that can cause irritations and allergic reactions (Grasha, 2016). Further, P&G and nine other companies are accused of misleading consumers about effectiveness of recycling and false packaging claims (Brunsmann, 2020) which stands in contrast to the statements of the company's non-financial report and the focus on recyclable packaging (Procter & Gamble, 2020, p.24). On the other hand, the company partnered with the Environmental Working Group (EWG), a company verifying products to not contain hazardous chemicals and ingredients, to develop Herbal Essences Bio: Renew sulphate free shampoo, thus completely align cosmetics to the EWG standards to show consumer the efforts to produce safe and clean products (Pearson, 2019). These efforts are also highlighted with in the company's sustainability report, as the brand Herbal Essences is not only highlighted for its Bio: Renew line (Procter & Gamble, 2020, p.29) but also for being free of animal testing (Procter & Gamble, 2020, p.18).

While the sustainability report by Shiseido highlights the natural mineral-based make-up brand bareMinerals (Shiseido Co., LTD., n.d., p.17), the company is accused of allegedly containing harmful substances which are not disclosed on the product packaging, ingredients list, or website, thus mislead consumers into thinking they are buying natural cosmetic products (Bradley-Smith, 2021). On the other hand, Shiseido is aiming at forming a joint venture with CVC Capital Partners to create a spin-off company focusing on affordable skincare products, thus expanding the business of Shiseido which primarily focuses on mid-to-high priced cosmetic article (Rozario, 2021).

Lastly, Unilever is accused of letting go a Jewish employee for taking a few days off during Rosh Hashanah, Jewish New Year, at the end of September 2019 (Feuer & DeGregory, 2021). The employee was told he was not able to take the days off, proceeded to not work on those days due to religious reasons, and even send an e-mail to the upper management to explain the situation and how the treatment was supposedly against the law. Moreover, no actions were taken from Unilever and the employee was fired over the phone without an explanation contribution to the antisemitic claims against Unilever (Feuer & DeGregory, 2021). None of the reports explicitly mentions any employee protection as the first report mainly focuses on the suppliers of the company (Unilever, n.d.-a) and the second report focuses on the SDGs and fairness in the workplace is briefly mentioned once (Unilever, n.d.-b).

## 5 Discussion

In this chapter the findings of the thesis are discussed and the hypotheses in relation to the research question are confirmed or rejected. In addition, the limitations of the study are disclosed, and potential future research is considered.

### 5.1. Interpretation

The purpose of this study is to identify greenwashing techniques adapted by companies in the cosmetics industry while focusing on the company perspective. Therefore, the question on what competitive advantage do cosmetic companies selling in the European Union generate from Greenwashing in the year 2019 has been proposed. Further, it is hypothesised that companies not used greenwashing techniques ( $H_0$ ). But when rejecting the null hypotheses, it is presumed that companies use greenwashing ( $H_1$ ) to be more profitable, ( $H_2$ ) because it is cheaper, ( $H_3$ ) to attract customers, ( $H_4$ ) as a marketing strategy, and ( $H_5$ ) independent of the company's location. Additionally, it is proposed that ( $H_6$ ) cruelty-free companies and ( $H_7$ ) companies following reporting guidelines are less likely to greenwash.

The data suggest that the cosmetics industry is putting an emphasis on presenting itself as sustainable. The analysis identified three focus points. Firstly, the product itself is highlighted as consumers demand more natural ingredients for their cosmetics, especially in skin care products (Beiersdorf Aktiengesellschaft, n.d., p.28; LVMH, n.d., p.51). But the lawsuit against Shiseido's natural cosmetic brand bareMinerals for allegedly using harsh chemicals and not disclosing the use in any form (Bradley-Smith, 2021) is suggesting that companies are only using the claims to attract more customers. Furthermore, the cosmetics industry does not require extensive labelling, thus officially recognised labels and seals such as the "*Blauer Engel*" or the "Fair Trade" labels (dm-drogerie markt GmbH + Co. KG, 2021, p.37) are rare and consumer have to rely on company created labels such as the "Clean at Sephora" label (LVMH, n.d., p.60) which are used on the packaging to convince consumers of the merit of the product. Additionally, evidence suggest consumers seemingly do not pay too close attention to the ingredients list, proven by the lawsuit against L'Oréal's "EverSleek Keratin Caring" for not containing keratin as an ingredient while at the same time, the case proposes that companies use claims to attract customers but not holding the promise by providing the ingredients in the formula (Caldwell, 2020b). Moreover, by adding further information about the environmental impact of a product on the packaging (Beiersdorf Aktiengesellschaft, n.d., p.6), a company is playing into the customers want to lessen their impact on the environment by choosing a sustainable product.

Secondly, the data proposes that the selected companies put an emphasis on recycling and circular economy as the sustainability reports highlight recycling efforts such as the recycling bins put in the dm-stores (dm-drogerie markt GmbH + Co. KG, 2021, p.20) or the “waterloop factories” for reusing wastewater from the production process (L'Oréal, n.d., p.15). On the other hand, P&G is accused of misleading consumers about effectiveness of recycling and false packaging claims (Brunsman, 2020) contrasting the statements from the sustainability report, thus implying greenwashing.

Thirdly, sustainable forestry and sustainable palm oil sourcing are highlighted within the data as deforestation is not only destroying human and animal habitats but also destroying the environment and is often linked to illegal deforestation and slashing and burning on a large scale, thus companies claim to support small farmers.

The main findings do not suggest an emphasis on cruelty-free cosmetics, but this paper is highlighting this feature. Thus, regarding the cruelty-free status of the companies, only two companies specifically focused on cruelty-free products which are dm-drogerie markt and Herbal Essences by P&G (dm-drogerie markt GmbH + Co. KG, 2021, p.50; Procter & Gamble, 2020, p.18), whereas the remaining companies test on animals when it is required by laws but also recognise the prohibition of animal testing within the EU, thus claim to minimise the use of animals but rather use alternative methods (Henkel AG & Co. KGaA, 2020, p.85; Johnson & Johnson, n.d., pp.77-78; Shiseido Co., LTD., n.d., p.17).

Lastly, companies highlight their compliance to reporting standards, whereas the emphasis and commitment varies among the sustainability reports. Additionally, the sustainability reports mostly focus on international reporting guidelines, international standards and SDGs, European standards, on the other hand, are only briefly mentioned regarding cruelty-free cosmetics (Henkel AG & Co. KGaA, 2020, p.85), chemical regulations and EU cosmetics regulations (LVMH, n.d., p.58).

It should be noted that the selected companies are operating internationally and not only limit their target market to the European Union. While Beiersdorf AG, dm-drogerie markt, and Henkel are based in Germany, L'Oréal and LVMH are based in France. On the other hand, Johnson & Johnson as well as P&G are based in the US and Shiseido is based in Japan. Still all cosmetic companies make their products available for purchase within the European Union, thus European Law applies.

Evidence suggests a gap between the reported sustainability measures of the cosmetic companies in contrast to the presented lawsuits and articles, thus indicating evidence of greenwashing and leading to the rejection of  $H_0$ . Further,  $H_3$  is supported as companies tried to attract customers with false claims regarding product ingredients and labels put

on the packaging as well as the misleading claims about packaging recyclability. This evidence leads to the support of  $H_1$  as companies are more profitable by attracting more consumers and  $H_2$  that providing false claims is easier and cheaper than including a promised ingredient in the product. In addition, as sustainability reports present the company in the best way possible while working on improving its sustainability, the reports are not only used to hold companies accountable but also to attract and convince any interested stakeholder that the company is sustainable, therefore sustainability reporting itself can be seen as a marketing strategy, thus supporting  $H_4$ . The fact that the selected companies are in different countries and on different continents suggest the support of  $H_5$  and the independence of location when it comes to greenwashing. In addition,  $H_6$  is partly accepted as dm-drogerie markt and P&G's brand Herbal Essences were mentioned less regarding greenwashing schemes but were still considered in relation to seemingly better recycling schemes. Further,  $H_7$  is also only partly accepted as there are fewer negative headlines about greenwashing for the companies that adhere to EU standards.

## 5.2. Limitations

While conducting the research several limitations were faced. For one, the research is limited to the sustainability reports and other non-financial reports of companies. Therefore, the findings are not without a company bias which must be considered when analysing the content. Further, the data set of sustainability report available from the year 2019 is restricted. Firstly, companies must publish annual reports regardless of the size or number of employees, but companies do not have to publish sustainability reports or other forms of non-financial reports. Under European Law companies only must disclose information regarding its sustainability if more than 500 people are employed, if this condition does not hold true, companies can disclose sustainability reports on a voluntary basis. Secondly, not all companies analysed within this study are based in the EU, thus reporting guidelines and regulations do not apply to all selected companies. Thirdly, many brands within the cosmetics industry are owned by big conglomerates or parent-companies, therefore these brands do not publish individual reports but are part of a consolidated company report. Moreover, many companies only have the most recent sustainability report, or the two most recent sustainability reports available on their website which makes finding reports from the year 2019 more difficult. Furthermore, additional information used to confirm or reject the claims of companies are limited, difficult to find, and often do not apply to a specific company but to a whole industry sector. In addition, the research is limited to the European Union due to the nature of the research question. Still, the European Law applies to all products that are available within the European Union, therefore a product must be tested regarding its safety. Moreover,



animal testing is prohibited within the EU, thus all products sold should be cruelty-free which is not the case.

### 5.3. Future Research

There is potential for future research following this study. For one, there is the possibility to analyse the sustainability reports from 2019 onwards and in the upcoming years. But the impact of the global health pandemic must be taken into consideration as the pandemic does not only impact human health but also the consumption habits and needs of consumers change.

Secondly, greenwashing practices and related claims within sustainability reports can be analysed in different regions around the world. There are various reporting regulations in place, e.g. the US regulations are less strict compared to the European regulations, as well as various requirements in terms of animal testing as it is prohibited within the EU but mandatory in China. Moreover, the demand for certain products and ingredients differs. Whereas the Western market demand ingredients of natural origin, the Eastern market might also be looking for natural ingredients but is more focused on anti-pollution products that is able to protect consumer from pollution particles. There might be companies who claim to protect the consumer without delivering such promise and in turn committing some other form of deceiving consumers.

Thirdly, other cosmetic companies could be analysed, assuming there is data available as not every company or brand is obliged to disclose information. In addition, companies from other sectors, e.g. companies from the fashion sector, could be analysed in terms of sustainability claims and greenwashing techniques.

## 6 Conclusion

To sum up the conducted research, Corporate Social Responsibility according to the European Commission is the integration of social and environmental aspects into the company's business strategy on a voluntary basis (Commission of the European Communities, 2001, p.6). Therefore, CSR reporting is described as a communication tool that affects consumer trust, brand image, reputation, and financial performance (Balluchi et al., 2020, p.160). Moreover, within the European Union publishing a non-financial report is mandatory for companies exceeding 500 employees. Other reporting guidelines include the 17 Sustainable Development Goals, broad sustainability goals published by the United Nations which are not legally binding, the Global Reporting Initiative which launched the GRI standards or the International Organization of Standardisation issuing international standards regarding sustainability and the work environment.

Another aspect discussed within the thesis is the term "Greenwashing" which, amongst many other definitions, is characterised by false advertisement, misleading marketing claims (Lane, 2014, pp.142-143), and the promise of sustainable actions to satisfy stakeholders leading to a gap between a symbolic promise and the existing action (de Freitas Netto et al., 2020, p.6). Therefore, as the demand for cosmetics is shifting in the direction of natural ingredients as well as not using animal products nor animal testing within the production process, companies are aiming at meeting the demand for sustainability and attracting consumers by claiming the sold cosmetic is organic, vegan and/or cruelty-free. In addition, companies often claim that the environmental impact of the product is not as damaging as the packaging is cleaning to be recyclable, produced out of recycled material and even uses an environmental label claiming sustainability. But as most cosmetic brands are owned by only eight parent-companies, the consumers are being misled into thinking they have a choice in which brand they support but, in the end, the parent-company, regardless of its ingredients or environmental impact, is still profiting.

To analyse the greenwashing in the cosmetics industry, a content analysis according to Kuckartz (2016) is utilised. Therein, nine companies operating in the cosmetics industry are selected. Wherein, the sample consists of the companies Beiersdorf AG, dm-drogerie markt, Henkel, Johnson & Johnson, L'Oréal, LVMH, P&G, Shiseido, and Unilever. The method of a content analysis was chosen to analyse sustainability reports and other non-financial reports and work through the content thoroughly while utilising a self-developed code system. Those categories are formed and adjusted based on the reports. In a later step, the categories are fixed, and definitions are formed to develop a functioning code system. Further, the reporting year 2019 was selected as it has not yet been influenced by the global health pandemic.

The analysis results in a detailed depiction of the report insights listed in tables according to the respective company and divided into the developed categories. Therein, the findings illustrate the focus points regarding sustainable business from the company perspective and what is perceived as most important to the readers. Therefore, the environmental aspects and the stakeholders are the most elaborated points within the sustainability reports. Within the stakeholders, the focus is on the employees and their well-being within the company, followed by highlighting ongoing partnerships and co-operations, suppliers and only than customers. The environmental aspects are the focus point within the non-financial reports and generally highlight the company's effort to reduce its environmental impact and pollution. Therein, microplastic and biodegradable products are hardly highlighted, whereas natural and renewably sourced ingredients are emphasised. Moreover, a high focus point is also set for sustainable packaging options and its recyclability and durability, e.g. for glass and aluminium. Further, sustainable forestry and sustainable palm oil sourcing is highlighted as well. Additionally, all companies focus on CO<sub>2</sub> reduction, renewable energy, or reduced energy consumption, reduced water consumption and reusing wastewater, as well as waste reduction to some extent. Moreover, economic aspects are shortly mentioned regarding the support of small farmers and business, sustainable energy management on site and Industry 4.0. Further, social aspects, concerning human rights issues, inclusion, and diversity as well as health and safety measures are acknowledged. Therein, a special focus is set on hiring and supporting women as well as people with disabilities. Regarding the product safety, ingredients and finished products are thoroughly tested, whereas companies mostly still test on animals when required by law outside the EU but search for alternative testing methods within the EU framework. The companies also pride themselves on launching campaigns and raising awareness regarding social, environmental, and health issues. Additionally, the companies rely on external validation and assessment in the form of ratings, indexes, and awards, whereas only a few of the selected companies have internal evaluation systems to measure the performance or sustainability of the cosmetic products. Lastly, each published report covers a different reporting period which makes comparison over the same time period more difficult. As all companies operate globally, the minority focuses specifically on the European reporting rules or the European rules and regulation in the cosmetics industry. All companies focus on the SDGs, even if these sustainability goals are not legally binding and the companies adhere to the GRI reporting standards or other international reporting guidelines for the non-financial reports.

To answer the research question on what competitive advantages companies in the cosmetics industry generate by using greenwashing techniques the hypotheses put forward were rejected or confirmed in the process. As there is a gap between what companies report and what actions hold true,  $H_0$  is rejected, thus greenwashing occurs in the

cosmetics industry. On the other hand, H<sub>1</sub> to H<sub>7</sub> are accepted or partly accepted. Answering the research question, companies generate a larger consumer base by attracting customers with false claims regarding ingredients and environmental friendliness. Moreover, by attracting more customers companies also generate higher sales, thus higher profit. False or misleading statements regarding the ingredients and the sustainability of a product also means that companies can produce products of lesser quality on a larger scale by not support small palm oil farmers and put less effort into elaborate testing methods making the production process cheaper but also less sustainable in the long run. Additionally, the companies selected for the analysis are in various countries operating internationally, thus greenwashing occurs independent of the company's location. Regarding the cruelty-free status of cosmetics, greenwashing occurs less when alternative testing methods are used and the welfare of animals are considered which is in line with the European Regulations regarding cosmetics, thus companies complying with said regulations are less likely to greenwash as well.

As discussed, this research has its limitations as it is bounded to the sustainability reports and non-financial reports of companies in the cosmetics industry and as not every company is based within the EU has more than 500 employees, sustainability reports are published on a voluntary basis. Also, a company bias must be taken into consideration countered by external sources restricted to lawsuits against the companies or articles published to identify deviations from the reported subjects. On the other hand, there is also potential for future research adding to this contribution as future research can analyse non-financial reports from the year 2019 onwards and even include the effects of the pandemic on the company's greenwashing techniques. Moreover, a different selection of companies in the cosmetics industry or in a different sector can be analysed to better generalise the findings and prevent misleading consumers in the long run.

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## Appendix

Figure A.1 Detailed Coding System, own depiction taken from MAXQDA

- the company
      - corporate governance
      - goals
      - values / mission
      - > Sustainability Strategy
      - > official company statement
    - economic aspects
      - > innovation
      - production / manufacturing sites
      - include small businesses
      - Industry 4.0
      - emerging markets
    - environmental aspects
      - microplastic
      - > formula and ingredients
      - > product design
      - > packaging
      - > deforestation
      - > CO2 emissions
      - > energy consumption / renewable energy
      - > water consumption
      - > waste reduction / pollution
      - > transportation and logistics
      - traceability / transparency / labeling
      - > circular economy (reuse / recycle)
    - social aspects
      - life improvements
        - > social inclusion / access to employment
          - human rights
          - support people with health issues
          - inclusion / diversity
          - gender (in-)equality
        - > promote sustainability
        - > health and safety measures
      - campaigns to raise awareness
        - > social issues
        - > environmental issues
        - > health issues (e.g. cancer)
  - stakeholders
    - > working with NGOs / partnerships
    - stakeholder engagement
    - customers
    - > suppliers
    - > employees
  - auditing and evaluation
    - > evaluation tool
    - > external auditing
  - standards and reporting guidelines
    - > SDGs
    - GRI
    - ISO
    - > other

## Declaration of Authenticity

I, Nora Kreitzen, hereby declare that the work presented herein is my own work completed without the use of any aids other than those listed. Any material from other sources or works done by others has been given due acknowledgement and listed in the reference section. Sentences or parts of sentences quoted literally are marked as quotations; identification of other references regarding the statement and scope of the work is quoted. The work presented herein has not been published or submitted elsewhere for assessment in the same or a similar form. I will retain a copy of this assignment until after the Board of Examiners has published the results, which I will make available on request.

Rheinberg, 22.02.2022

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(Place, date)

Nora Kreitzen

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(Signature)