

**Organizational design and sustainability:
a win-win relationship?**

Prof. Cinzia Calluso

Prof. Sara Lombardi

SUPERVISOR

CO-SUPERVISOR

Tommaso Febbe

ID: 730971

CANDIDATE

A.A. 2021-2022

Table of Contents

1. Introduction	4
1.1. The luxury sector	7
1.1.1. Luxury consumers and trends	9
1.2. Economic analysis of the sector	11
1.2.1. LVMH	15
1.2.2. Kering	15
1.2.3. Estée Lauder	16
1.2.4. Richemont	17
1.2.5. L'Oréal Luxe	18
1.2.6. Chanel	18
1.2.7. Essilor Luxottica	19
1.2.8. PVH Corp.	20
1.2.9. Hermès International	20
1.2.10. Chow Tai Fook	21
2. Sustainability challenge	22
2.1. Sustainability revolution	22
2.1.1. Changes over the last years	24
2.2. The Business Roundtable Organization	25
2.3. Luxury brands' approach to the Sustainability Challenge	27
2.3.1. Delivering value to customers	27
2.3.2. Investing in the employees	30
2.3.3. Dealing fairly and ethically with suppliers	37
2.3.4. Supporting the communities in which the company works	43
2.3.5. Generating long term value for shareholders	52
3. Analysis of Three Major Luxury Company	54
3.1. Development of the analysis	55
3.2. LVMH	55
3.2.1. Business Group analysis	59
3.2.2. Geographical analysis	59
3.2.3. Corporate Governance analysis	61
3.2.4. Employee's Well Being analysis	62
3.2.5. LIFE 360 Program and its results	65
3.2.6. Shareholders' Dividends	72

3.3. KERING	73
3.3.1. Corporate Governance Analysis	73
3.3.2. Strategy Analysis	74
3.3.3. Economic analysis	75
3.3.4. Geographical analysis	77
3.3.5. Environmental Profit & Loss	78
3.3.6. Clean by Design	82
3.3.7. The 10 Best Practices	83
3.3.8. Program results	84
3.4. Prada Group	87
3.4.1. Economic Analysis	87
3.4.2. Sustainability linked loans	89
3.4.3. Corporate Governance Analysis	90
3.4.4. Re-Nylon Project	91
Conclusions	92
References:	93
Summary	97

1. Introduction

The issue of sustainability has increasingly become the focus of attention of companies, which in recent years have increased their investments in this direction, convinced that they can obtain an economic return, as well as a "greener" image in the eyes of consumers. But what is sustainability? Using an encyclopedic definition, as reported by the Encyclopedia Treccani, sustainability can be defined as a "condition of a development capable of ensuring the satisfaction of the needs of the present generation without compromising the ability of future generations to realize their own." In defining sustainability, therefore, reference is made to a development that takes into account not only the needs of the present generation but also those of future generations, who in turn must take a long-term view in order not to compromise the future of their descendants. From a corporate point of view, over the years, sustainability has become an increasingly important issue for many companies that have seen in it opportunities for profit. To define a company as sustainable, as *IlSole24Ore* (Ceresi, P., 2017) reports, is not enough to limit oneself to a company that is attentive and motivated by ethical principles that redistributes part of the value it creates to charity. The sustainable company is that company that, in addition to having the characteristics just listed, manages to ensure a competitive position with stable returns over time. The analysis of the sustainable company also includes the definition of the key factors necessary to maintain this competitive stability over time. As *IlSole24Ore* (Ceresi, P., 2017) points out, the key factors for achieving these results are the creation of a shared value to be distributed to all company stakeholders, a careful measurement of business decisions that takes into account the various impacts, economic and otherwise, that each decision has and, finally, an adequate communication addressed to all stakeholders in order to inform them about the actions of the company. The analysis of the newspaper *IlSole24Ore* also highlights, citing a study by MBS Consulting, the existence of some common characteristics among companies that can now be defined as sustainable. The first characteristic is that, already highlighted, of having a long-term vision that does not look at immediate returns, a characteristic common to many family-run companies that have a long-term vision defined as multi-generational in the *IlSole24Ore* article. The second characteristic concerns the relationship with stakeholders: the company must know its stakeholders in order to define well its relationships with all the actors of the environment: suppliers, employees, customers and institutions must have a healthy and sincere relationship with the company and in order to make this happen, efficient reporting and monitoring mechanisms related to the company's performance of value creation for the stakeholders are necessary. The third characteristic is related to the quantification of the level of stakeholder satisfaction, which must be used as a starting point for evaluating the work of company management. The fourth characteristic of a company that can already be defined as sustainable refers to the involvement of stakeholders in the decision-making processes of the company in order to make decisions that are convenient for the company and the entire environment. Involving stakeholders in the decision-making process makes it possible to manage the trade-off between the shareholder's short-term vision, aimed at immediately maximizing value, and the medium-

to long-term vision of the stakeholders themselves, who consider the impact that each decision can have on each of them, and not only in the short term. The fifth characteristic is linked to the theme of corporate culture: creating value for stakeholders must be the company's mission, the purpose for which the company does business. This is linked to the concepts of inter-functionality and co-responsibility in the management of stakeholders and in the impact that the company has on them, whether we are talking about relations with suppliers, institutions or consumers.

Consumers themselves are becoming increasingly attentive to issues of sustainability and are orienting their purchasing decisions by increasingly considering factors such as the environmental impact and sustainability policies of a company. In past decades, as highlighted by La Scola, many companies viewed sustainability as a compliance effort, others saw it as a promising management opportunity, and another part of the world's industry pursued sustainability policies for the sole reason that they were "the right thing to do" for image reasons. Nowadays, the approach of companies to sustainability has changed considerably: it is seen as a fundamental tool to bring prosperity to the company. An additional factor that must be taken into consideration is represented by the general climate of instability present today due to the Covid-19 pandemic and Russia's recent invasion of Ukraine. Analyzing the global situation from a purely economic point of view, it can be seen that the world economy is facing a crisis of proportions similar to the "Great Depression" of 1929. Institutions are trying to put a brake on this crisis through targeted measures aimed at supporting the economy, businesses, and citizens. The European Commission, as reported on its institutional website, has allocated over 3500 billion euros in economic aid to support the economic recovery of Europe, which has been hit hard by this crisis (European Commission, 2020). As mentioned earlier, just 10 years ago the approach to sustainability was totally different than it is now; Indeed, such issue was perceived as vast, abstract and somewhat unrealistic (La Scola M., 2011). Even for companies that were already more sensitive to the issue at the time, it was still difficult to practically implement operations aimed at developing corporate sustainability. Management wondered how profitable the investments would be, how to convince the various stakeholders to support these activities, and how in practice the company would move to achieve concrete results. From this point of view, it is necessary to analyze the relationship between organizational design and sustainability. The analysis proposed by La Scola takes as reference the areas of the so-called "managerial mechanisms", and in particular the area of reporting. Some indices measuring the level of sustainability are being added to company reports more and more often, in order to be able to assess the extent to which a company is "sustainable" as compared to its competitors. More and more non-financial information is being included in corporate reporting, especially for large conglomerates and multinational firms. The reasons for this are to be found not only in the desire of companies to be greener, but also and above all, as already mentioned, in the increasing attentiveness of consumers to environmental concerns, as well as in the growing institutional pressure that lead companies to pursue more sustainable policies. The

international non-profit organization Global Reporting Informativa (hereafter, GRI), points out that, in 2010, 1973 companies followed its guidelines to inform stakeholders about their progress and investments in sustainability. The number has grown in 10 years by more than 1,900 units. In 2000, as reported by La Scola, there were only 44 companies that followed the GRI guidelines. However, the effort made by organizations in terms of reporting is not sufficient. It is difficult for many companies to truly understand the amount of value created by their sustainability policies. In some cases, for example, it can be difficult for companies to have a clear benchmark and this, in turn, has repercussions on the overall performance of the company, which is held back by these uncertainties. Companies are highlighting the need to integrate "effective performance metrics" with corporate sustainability strategy and external reporting requirements. From a purely organizational point of view, it can be said that having correct management mechanisms for corporate sustainability policies is a necessary success factor for a company, but it is not sufficient to succeed.

The great modern company is the one that can nowadays absorb sustainability within its DNA. Indeed, according to Greg Babe- Bayer Corporation's CEO - *"true sustainability involves applying systems thinking to anticipate unintended consequences that can occur when the entire system is not taken into account."*

Along the same lines, according to a study from the American Management Association it is possible to identify the top seven qualities of a sustainable business (American Management Association, 2007). These qualities include: i., the support of top management, which is fundamental to sustaining sustainability policies at the highest levels of the organization; ii., the centrality of sustainability in the company's strategy; iii., values and iv., metrics that play a fundamental role in measuring company performance; v., stakeholder engagement, which is necessary to ensure that all stakeholders in the company are involved in sustainability policies and are supportive of them; vi., "systems alignment" and vii., "organizational integration" refer to more organizational issues, relating to a high level of coordination between the various players involved in the company in order to pursue sustainability policies. Additionally, La Scola points out that there is a strong difference between the perceived importance within the company of these issues and the actual achievement of the set objectives. In order to properly integrate sustainability into company policies, it must be perceived as a "strategic intent" by the company itself. By integrating sustainability into the company's strategic intent, it will be possible to assess how it can impact every part of the production chain, starting from the essential inputs, passing through the production processes and finally arriving at the final output that the company puts on the market. Integrating sustainability into the company's value stream is also critical in order to clearly establish management mechanisms, including precise benchmarks in the analysis and clear reporting on the results obtained. On the employee side, the firm can also provide extra compensation for employees who are personally involved in integrating sustainability into the firm. A well-rounded understanding of

sustainability and organizational design go hand in hand in the journey of integrating sustainability into a company's value proposition.

1.1. The luxury sector

Taking the luxury sector as a reference, and in particular the world of fashion, it is possible to note that many players, such as the LVMH group and the Kering group, have long since embarked on a corporate path aimed at increasingly integrating sustainability into company policy. The objective of this paper is to analyze how and to which extent, luxury companies are investing in sustainability and how organizational design can be a useful tool to address these changes. The definition of a win-win relationship between Organizational Design and Sustainability will descend from a quantitative analysis regarding how luxury companies have invested in sustainability and what kind of impact sustainability has had on their revenues. As a first step, it is necessary to introduce the luxury sector, which appears to be highly concentrated and dominated by large French and Swiss corporate conglomerates, flanked by small to medium sized companies. These large conglomerates are global companies with a non-differentiated offering. These large companies often have an international strategy with regard to marketing, outsourcing and distribution. Small and medium-sized companies, on the other hand, are closely linked to their founders, to the tradition of craftsmanship and to values such as "made in" and homemade. The luxury market does not always have clear-cut boundaries with the fashion market and there are structural differences between the two markets: as already mentioned, the luxury market is very concentrated, while the fashion market is more diversified. On the one hand, even in the fashion market we find large French corporate conglomerates, on the other hand, in this market it is more frequent to find independent Maisons which are still managed by their founder or descendants.

Analyzing the big conglomerates in the luxury sector it is possible to mention brands such as Luxottica, which includes in its brand portfolio the Rayban brand; the already mentioned LVMH group, including brands such as Louis Vuitton and Sephora and the Swatch Group which has in its portfolio brands such as Balmain and Hamilton. Other important players are the Kering Group, which includes among its brands Gucci and Balenciaga, as well as independent brands such as Hermès and Chanel. Widening the analysis, it is impossible not to mention the Rolex brand, which has always been one of the leaders in the luxury watch sector and the Arab group Mayhoola which owns Pal Zileri.

From a theoretical point of view there are also many differences between the luxury sector and other market sectors. In fact, the luxury industry is characterized by having certain peculiarities that distinguish it from the fashion market and from the "common" fashion market. A first difference can be noticed in the products: luxury products are not comparable to each other and, in appreciating them, it is necessary to forget the usual quality/price analysis that can be done in relation to products of other sectors. Luxury products are hardly identifiable as "best performers" by consumers and very often they are not even perfect to match consumers' needs. Generally, a given product aims to reach the widest possible segment of consumers on the market.

This does not apply to luxury products that do not aim to have too many consumers. A luxury product that is too "common" would in fact lose the characteristics of exclusivity and uniqueness typical of products in this sector. It is therefore risky for a product of this type to satisfy the entire market demand because of the characteristics listed above of luxury goods. Another distinctive characteristic of luxury products is related to the place and the way of purchase. Buying a product of this type should not be too easy for the consumer; even from the point of view of distribution there are in fact some rules to follow in order to distinguish luxury products from other goods such as, for example, the golden rule of flagship stores which states that between a store and another of the same brand there should be at least 100-150 km of distance. Another feature of this industry is the "protection" that is given to regular and higher-spending customers as opposed to consumers who spend less on luxury goods and only purchase these products occasionally. This is done in order to build the loyalty of the wealthiest and most spending clients who appreciate the fact of feeling pampered and protected by the companies from which they purchase the desired luxury products.

Advertising campaigns in the sector under analysis have peculiarities related to the purpose of their communication: they do not have to talk about the quality of the product and its characteristics, as it happens with other products. The role of communication in luxury is not to create sales but to create dreams for consumers who, attracted by the culture, values, and tradition of a brand, decide to buy a certain good rather than another. In luxury communication, moreover, it is never necessary to talk about price, which can also increase in case of an increase in demand, as compared to what happens in other sectors. Remaining in the area of sales, it is also necessary to underline that a salesperson in a luxury brand store must never try to sell at any cost the product that the consumer is showing interest in. Trying to persuade the consumer too much can create unwanted effects, such as changes in the customer's perception of one brand over another. Trying to persuade the customer can make the product lose those qualities that the customer expected to find in it, it can decrease the value of the good that can no longer create dreams and stimuli in the mind of those who want to buy it. As far as advertising is concerned, it is understandable to delineate a difference between a normal testimonial of a commercial of a commonly used product and a "brand ambassador" of a luxury brand. The brand ambassador is a figure in whom customers see the values, culture and tradition of the brand and its role is not limited to a normal commercial as for a testimonial of a product in common use.

Moreover, with regard to the sponsorship of luxury goods, it is necessary to avoid mixing luxury products with "popular" art and sports in order to ensure that the sponsored good does not lose its already mentioned distinctive characteristics. Finally, from a production point of view, it is never advisable for a luxury brand to relocate production to another country to reduce costs. The theme of "made in" is in fact a recurring trend and consumers could lose confidence in a brand that has made "made in" a distinctive feature if it relocates production to reduce costs.

1.1.1. Luxury consumers and trends

In order to better understand the industry, it is first necessary to analyze the difference between traditional purchasing behavior, driven by rational factors, and luxury purchasing behavior, driven by emotions. In traditional purchasing behavior we have a very linear path: the first phase is the perception of a need, the second phase is the research of information, the third phase is the evaluation of this information and at the end there are the purchase and the post purchase evaluation. In the purchasing choices of consumers, of course, there are also intrinsic characteristics of the brand relative to tradition and culture and this is connected to the so-called "luxury paradox" which expresses the conflict, related to the image of a brand, between the exclusivity, that defines the style of the brand, allows higher prices and drives the emotions; and the accessibility, which optimizes brand's productivity and makes the brand accessible to a broader base of consumers but reduces the uniqueness and elitism of the brand. This analysis of the luxury paradox also introduces 4 key drivers of the luxury industry, which then allows us to analyze the various market trends in the industry today. The first key driver is identified as the democratization of luxury. The number of consumers of luxury goods has grown exponentially over the years and this has not translated into a vulgarization of brands or a loss of value of products. This is also due to the second key driver, the increase in consumer purchasing power. The third element to be analyzed is globalization: new consumers coming from markets traditionally not involved in the luxury sector such as China or India have guaranteed an increase in revenues for large corporate groups and not only. The average Chinese consumer places more emphasis on characteristics such as the extravagance of the garments purchased as well as looking for brand iconic patterns but at the same time gives less importance to factors such as exclusivity, craftsmanship and superior quality that are fundamental for a European or American consumer. The last key driver to be mentioned is communication as nowadays, with the advancement of the digital era, the points of contact between brands and consumers have increased and this is also connected to themes such as the omnichannel experience, which are increasingly central to the strategy of companies. (Lazzaroni et al., 2021)

It is possible to divide the luxury market into 3 macro areas, the so-called 3 A's of luxury. (D'arpizzo & Levato, 2021) At the top of the pyramid, we find the so-called "Absolute Luxury", synonymous with elite, tradition and uniqueness that includes brands such as Hermès and Ferrerri. In the middle of the pyramid, we find "Aspirational Luxury", synonymous with aspiration and social differentiation for consumers. The last segment, which includes brands such as Tiffany and Burberry, is defined as "Accessible Luxury". It is seen as the gateway to the world of luxury and consumers tend to assert their social status by making purchases of this type to feel part of this world as well. These 3 major macro areas of luxury make up the core of the global market, which, according to Deloitte's report (2020) generated sales for US\$281 billion in 2019. Pre-pandemic sales level growth is estimated at 8.5% annually, and for the first time in the history of this industry, the top 10 luxury companies by revenue contributed more than half of the total luxury goods sales of the world's top 100 companies. In fact, the market share achieved was 51.2%. A central role in the sector

is still played by Italy: more than one company out of 3 in the clothing and footwear sector is Italian and Italy confirms itself as the first country for the presence of companies in the top 100 with 22 companies (Deloitte, 2020). However, Italy contributes only 12.4% of the total sales of the top 100 luxury companies selected by Deloitte based on sales in 2019. The total value of sales was chosen as a selection criterion: to enter the Top100 it was necessary to have made sales worth at least US\$238 million.

Deloitte's analysis related to the year 2019 turns out to be very interesting as a starting point to introduce the theme of the Covid-19 pandemic that shocked the world starting at the end of 2019. As we will see below in the economic analysis of the sector, the Covid-19 pandemic represented a turning point for the industry, accelerating the arrival of new trends such as digitization that are very dear to the new and future luxury consumers, namely Generation Z and Generation Alpha.

The luxury market at the time was growing steadily and no one imagined a global pandemic as imminent. The year 2020 has been a watershed for the luxury sector as the pandemic has made new trends emerge more strongly and in advance, such as e-commerce and collaborations between brands, very dear to Generation Z, young consumers increasingly linked to the world of luxury (Deloitte, 2021). The new consumer of luxury is identified for the coming years in the so-called Generation Alpha, or people born from 2010 onwards. This generation is defined in the report as "global", as these people live in a globalized world that influences their way of thinking and also as "digital". The new luxury lover lives in a digitized world and is able to use technological tools such as smartphones and tablets without problems. The Alpha Generation also happens to be the first generation born at the beginning of the 21st century and this connects to two other characteristics of the new luxury consumer. The gen-Alpha luxury customer is defined as "social" by the Deloitte report due to the continuous use of social networks by this new generation that through modern social media such as Instagram and Tik Tok comes into contact with modern influencers who are able to guide the purchase choices of these consumers. A further characteristic of the consumer of the Alpha Generation is to be "sustainable". The new generations are in fact increasingly sensitive to issues such as global warming and climate change. This also has implications when it comes to choosing a brand to buy from, as already known, indeed it is possible to hypothesize an increasing importance of sustainability in the future purchasing choices of the Alpha Generation. (Lazzaroni et al., 2021) Additionally, differences seem to exist between the "traditional" consumer of luxury products and the newcomer. The discourse on the Alpha Generation is connected to the new trends that are emerging in the world of luxury in recent times. An analysis by the Boston Consulting Group reports collaborations between brands such as Supreme and Louis Vuitton and second-hand luxury as "new and emerging" trends. According to the report of BCG in collaboration with Altagamma of June 2021, 18% of consumers have experienced luxury rentals in the past year, giving strength to the "Rental luxury" trend, up 13% from the previous year.(Lazzaroni et al.,2021) The peak came with Millennials and Generation Z experiencing luxury rentals to the tune of 21%. Regarding

second-hand luxury we still find Millennials and Generation Z leading the way with percentages of 44% and 37% respectively on an average of 35% when it comes to selling luxury products. With regard to the purchase of second-hand luxury products, the joint BCG-Altgamma analysis reports a purchase percentage of 25% for second-hand luxury goods by "luxury consumers". The analysis then extends to trends that are continuing their growth and in this part of the analysis sustainability is mentioned. As "keep growing" trends BCG also identifies the online luxury market together with the so-called "luxury casualwear" that is becoming more and more popular among young consumers. Sustainable luxury, as already mentioned, is part of these growing trends, while trends such as omnichannel, made in and single-branded stores are stable. Customization of luxury products is present in the ranking as a stable trend and this is also connected to the last trend analyzed by BCG and defined as stable, that is Mix&Match. More and more consumers are customizing their luxury clothes in order to make them "unique" and so they can then "match" and "mix" them as they like. A further growing trend, as reported in the BCG-Altgamma report, is the virtualization of luxury, capable of generating new sources of revenue, particularly in relation to gaming. In fact, it turns out that 39% of consumers analyzed in the aforementioned study are aware of the fact that brands also interact through videogames, and 55% of them have purchased a virtual item within the game. Among those who have made the purchase, 86% say they have then bought the corresponding "non-virtual" version. The analysis of these trends also allows us to talk about the changes that are taking place in the sector. Luxury has traditionally been understood as something exclusive that could be enjoyed by some and could not be appreciated and perceived by others. Luxury was seen as an elitist phenomenon, related to the privileges of a small group of people who were seen as a world totally apart. Nowadays, things are changing radically, and the desire of the luxury consumer is no longer to buy valuable objects but to buy meaningful "experiences" for his or her person. A consumer's awareness of the value of the goods they purchase has increased in recent years thanks to modern technologies that allow consumers to better understand and evaluate aspects such as the quality, craftsmanship and culture of a given good. The purchase of a luxury good no longer means, in most cases, to banally flaunt the fact of being part of an elite of people. Buying luxury products means enjoying the best of the best, it means making beauty known in all its aspects, it means appreciating the craftsmanship behind the creation of a product as well as recognizing the values embedded in the brand and in the goods purchased.

1.2. Economic analysis of the sector

Analyzing the sector from an economic point of view, we can state that in 2020 we have witnessed, as was predictable due to the pandemic, a reduction in the value of sales in the sector. The variable "aggregate luxury goods sales" in 2020 has a value of US\$252 billion and there is a 12.2% drop in the figure for composite year over year sales growth. In times of crisis such as those that the world population is

experiencing in the last two years, the large groups of the fashion world have been able to make a difference by driving the sector. Deloitte's 2021 report shows that large conglomerates in the luxury world have had a strong hand in achieving strong financial results. Of particular note is the case of France, which is the country with the best results achieved in the year in question, with only 8 companies in the ranking. More specifically, it is possible to notice that in first and second place in the ranking of sales for the luxury sector in 2020 there are two French companies which represent two very famous conglomerates in the world: LVMH group and Kering group. France also has two other luxury companies in the top-10 of the list, with L'Oréal-Luxe Group in fifth place and Hermès International SCA in ninth place. With respect to the year 2021, the analysis carried out by Bain in collaboration with Altagamma (D'arpizzo & Levato, 2021) shows that the luxury personal goods sector in the year 2021 had a recovery defined as "V-shaped" returning to 2019 levels after the crisis of 2020 due to the pandemic and related restrictions. The growth of the market in the year 2021 stands at a value of 29% compared to the previous year, touching 293 billion euros and exceeding, albeit only to the extent of 1%, the levels of 2019. Bain's analysis predicts a steady growth of 6-8% per year for the entire market, which will lead to the personal luxury goods sector having a volume of 360-380 billion euros as early as 2025. This estimate by Bain can be linked to the words of Matteo Lunelli, president of Altagamma, who in a statement to *IlSole24Ore* said that the global luxury goods market in the last two decades has grown by 135%, contributing 7.4% of Gross Domestic Product in Italy (Crivelli, G., 2021). Bain's analysis then also takes into account the entire luxury market including both "products" in the narrow sense and "experiences" that a consumer can have in the world of luxury. The analysis of this broader market reports that overall performance in 2021 has not yet reached 2019 levels but still performed appreciably with a volume of approximately €1.1 trillion. Three main drivers of the luxury market recovery in 2021 have been identified: i., the recovery of local consumption, ii., the China-U.S. "dual engine," and iii., digital channels that have been improved and leveraged more by companies. In this recovery perspective, companies are also already thinking about the future and, as the aforementioned report by Bain and Altagamma indicates, by 2025 70% of the market will be represented by Gen Y and Gen Z, i.e., consumers born from 1981 onwards. This greater presence in the market of these two categories of consumers leads companies to revise their strategies for the future by focusing on issues to which these two generations are more sensitive, such as sustainability and social inclusion.

Shifting the focus of the analysis to the geographical aspect, the report points out a difference in weight between the various continents in the luxury market. America is currently the largest luxury market with a volume of 89 billion euros, while China stops at 60 billion. In percentage terms, the two geographical poles above make up 52% of the global market, with America accounting for 31% and China for the remaining 21%. As far as other geographical areas are concerned, excellent performances are reported in the Middle East, especially in the United Arab Emirates and Saudi Arabia. The European continent, along with Japan

and the rest of the Asian continent, experienced only a partial recovery in 2021, and Bain and Altagamma estimate a return to 2019 levels to occur in 2023 for Japan and the following year for Europe (D'arpizzo & Levato, 2021).

Turning to an economic analysis of the various luxury market trends listed in the previous paragraphs, we see that second-hand luxury and online sales have been two pivotal points for both the post-pandemic recovery and during the period of increased restrictions. By 2021, the second-hand luxury market was worth an estimated €33 billion, increasingly becoming a large and competitive market. Comparing the growth of the second-hand and first-hand luxury market, there is a marked difference in the growth rate over the period 2017-2021. In fact, the primary market grew "only" 12%, compared to a 65% growth in the second-hand market. As for the online sales channels, a 27% growth is noted compared to the previous year. The growth trend, therefore, appears to be continuous after the 50% leap occurred in 2020 compared to 2019 and clearly connected to the anti-pandemic restrictions that led to lockdowns and the logical consequence of the temporary closure of physical stores of luxury and non-luxury brands. The market value of online sales of luxury products in 2021 is estimated at 62 billion euros. In the medium term, Bain and Altagamma's analysis predicts that single-brand stores and online sales channels, in which sites controlled directly by brands make up 40% of the total value, up 10% from 2019, will be important key drivers. As already highlighted above, the luxury market is a very concentrated market and, from 2000 onwards, the main brands in the luxury sector have experienced both an increase in their market share, which has risen in 20 years from 17% to 33%, and an increase in their relative size compared to their competitors. In 2000, in fact, the largest companies in the fashion world were "only" 7 times larger than the rest of the players, now this value is equal to 18. As far as new market entrants are concerned, defined in the analysis as "rising stars", they represent only 2% of the total market but have a growth rate twice as high as the rest of the market. The reasons for this are to be found in the fact that these "new" brands are often the quickest to intercept the new trends and needs of consumers, which nowadays are increasingly changeable and short-lived.

We proceed in the following pages to a detailed analysis of the Top10 companies in the luxury world analyzed by Deloitte in its annual report on the industry for the financial year 2020. The figure below, renamed Figure 1, shows the ranking of the Top10 luxury companies by sales in FY2020; the next figure, renamed Figure 2, shows the year-on-year growth in sales for the 10 companies that will be analyzed starting with the first in the ranking, i.e. the LVMH group.

FY2020 Luxury goods sales ranking	Change in ranking from FY2019	Name of company	Country of origin	FY2020 Luxury goods sales (US\$M)	FY2020 Total revenue (US\$M)	FY2020 Luxury goods sales growth*	FY2020 Net profit margin**	FY2020 Return on assets**	FY2017- 2020 Luxury goods CAGR ²
1	↔	LVMH Moët Hennessy-Louis Vuitton SE	France	33,976	50,889	-11.0%	11.1%	11.1%	6.3%
2	↔	Kering SA	France	14,930	14,930	-17.5%	16.6%	16.6%	5.7%
3	↔	The Estée Lauder Companies Inc.	United States	14,294	14,294	-3.8%	4.9%	4.9%	6.5%
4	↔	Compagnie Financière Richemont SA	Switzerland	13,183	15,821	-0.7%	6.5%	6.5%	3.6%
5	↔	L'Oréal Luxe	France	11,602	11,602	-7.6%	n/a	n/a	6.3%
6	↔	Chanel Limited	United Kingdom	10,108	10,108	-17.6%	13.7%	13.7%	1.7%
7	↔	EssilorLuxottica SA	Italy	8,793	16,445	-20.0%	1.0%	1.0%	ne
8	↑ 1	PVH Corp.	United States	8,380	9,909	3.8%	4.2%	4.2%	8.0%
9	↑ 2	Hermès International SCA	France	7,282	7,282	-7.2%	21.7%	21.7%	4.8%
10	↓ -2	Chow Tai Fook Jewelry Group Limited 周大福珠宝集团有限公司	China/ Hong Kong SAR	7,196	7,260	-14.7%	5.3%	5.3%	3.4%
Top 10				129,744	158,540	-10.3%	9.4%	4.3%	5.4%
Top 100				252,270	292,775	-12.2%	5.1%	2.8%	1.8%
Top 10 share of Top 100				51.4%	54.2%		104.0% ³		

Figure 1. Top 10 luxury goods companies by sales, FY2020

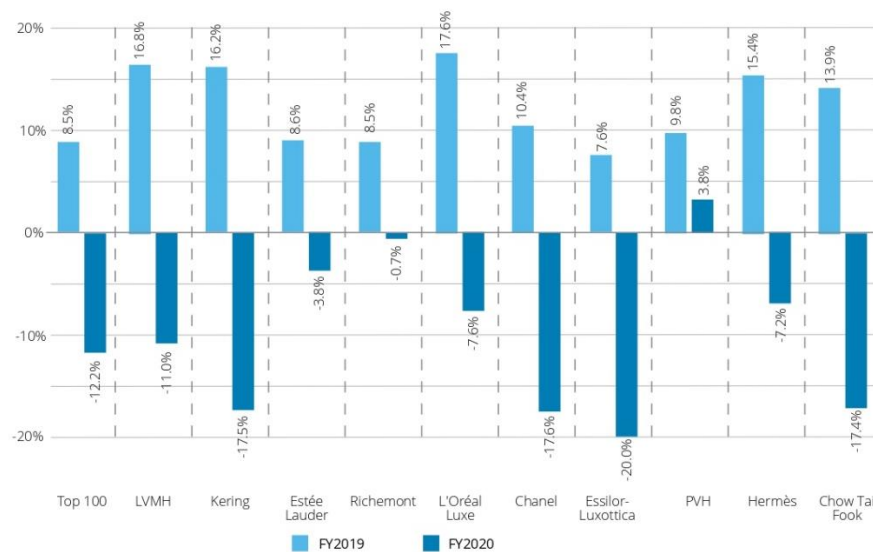
¹ Net profit margin based on total consolidated revenue and net income
² Compound annual growth rate
³ Top 10 companies share of total net profit for Top 100 companies - based on the 81 companies reporting net profits
e=estimate n/a=not available ne=not in existence (created by reorganization)

*Top 10 and Top 100 sales growth rates are sales-weighted, currency-adjusted composites
**Top 10 and Top 100 net profit margin and return on assets are sales-weighted composites

Source: Deloitte Touche Tohmatsu Limited, *Global Powers of Luxury Goods 2021*. Analysis of financial performance and operations for financial years ending within the 12 months from 1 January to 31 December 2020 using company annual reports, industry estimates, and other sources.

Source: <https://www2.deloitte.com/it/it/pages/consumer-business/articles/global-powers-of-luxury-goods-2021---deloitte-italy---consumer.html>

Luxury goods sales for the Top 10 companies: YoY growth % for FY2019 and FY2020



Number of Top 10 luxury goods companies by country and product sector, FY2020

	Clothing and footwear	Bags and accessories	Cosmetics and fragrances	Jewelry and watches	Multiple luxury goods	Top 10
China				1		1
France			1		3	4
Italy		1				1
Switzerland				1		1
United Kingdom					1	1
United States	1		1			2
Top 10	1	1	2	2	4	10

Figure 2. Luxury goods sales for the top 10 companies, YoY growth % for FY2019 and FY2020 Source: <https://www2.deloitte.com/it/it/pages/consumer-business/articles/global-powers-of-luxury-goods-2021---deloitte-italy---consumer.html>

1.2.1. LVMH

Specifically, Deloitte's analysis shows that for LVMH Group, due to the Covid-19 pandemic, there will be an 11% reduction in sales of personal luxury goods in 2020. Confirming the above-mentioned growth trends, a significant increase in online sales has been reported, mitigating the effects of physical store closures due to the spread of Covid-19. In the second half of the year 2020 LVMH recorded a strong recovery in Asia and significant improvements in the US and Japan, the 3 business groups of the LVMH group suffered a reduction in their sales due to the Covid-19 pandemic. However, Deloitte's analysis reports that sales in the fashion and leather goods sectors fell only 3% year on year thanks to the rapid response of brands such as Louis Vuitton and Christian Dior to the challenges posed by the pandemic. These two brands have strongly followed the path of digitization by improving their online customer services achieving a double-digit growth of their sales in the final two quarters of 2020. Other brands such as Fendi and Berluti have followed this path and the Cèline brand has reported a strong recovery in the second half of 2020 thanks to its Asian clientele. As far as sales in the perfumes and cosmetics sector of the LVMH group are concerned, a 23% reduction in 2020 can be seen, linked to the reduction in spending by international travelers due to the restrictions imposed by the pandemic. In any case, an increase in online sales and a recovery in sales from the second half of 2020, led by consumers in the US, China, Japan and the Middle East, are also reported in this sector. The LVMH group also faced sales declines in the watches and jewelry sector. In fact, there was a 24% drop, also due to store closures and the suspension of international travel. In this case, it was the Chinese market that mitigated the effect of this reduction in sales with a strong rebound in the second half of 2020. As already mentioned, each brand has expanded its online and direct sales channels while also taking measures to reduce costs. Regarding the levels of profitability, we can see that Louis Vuitton has maintained its levels and Cristian Dior has increased them. Analyzing the operating margins of the various sectors, we can see that the fashion sector has gone from 33% in FY2019 to 33.9% in FY2020; regarding the perfumes and cosmetics and watches and jewelry sectors, there have been significant drops in operating margins from 10% to 1.5% and from 16.7% to 9% respectively. Finally, in early 2021 the LVMH group finalized the acquisition of Tiffany&Co and in the same year acquired 60% of the Off-White brand as well as the French brand Officine Universelle Buly 1803. Italy's Etro and international retail company Feelunique have joined the LVMH group through related companies such as Sephora and L. Catterton Europe.

1.2.2. Kering

The Kering Group in FY2020 experienced a 17.5% reduction in luxury product sales revenue to \$13USBillion. Again, we see a sharp decline in sales in the first half of FY2020 due to anti-pandemic restrictions and a subsequent rebound in the second half of the same year coinciding with re-openings announced by international governments. In percentage terms, we see a 30.1% drop in sales in the first half of the year, rising to 3.2% year on year in the second half. As reported by Deloitte, this reduction in sales is

countered by a strong increase of 67% in online sales, a growth in distance selling capabilities and an acceleration in the digitalization of product design and marketing with virtual sales campaigns and online fashion shows. The report also notes reductions in production capacity and negative consequences for the supply and logistics sectors due to anti-Covid-19 restrictions. More specifically, sales revenues decreased for each product group marketed by the Kering group. Sales of leather goods remained at levels in line with the main market competitors, while ready-to-wear apparel performed better than the market average. Deloitte reports a rebound in the second half of the year in the shoe market and overall considers jewelry sales stable. This constancy in the level of jewelry sales is due to a strong presence in the Asian market by the Kering group as evidenced by the strong development of the Qeelin brand in China. In the analysis of the Kering group, it is necessary to mention the Gucci brand which alone contributed to 59% of the total revenue for FY2020 of the conglomerate, as reported by Deloitte in its annual report "Global Power of Luxury Goods 2021" with a reduction in sales year on year of 21.5%. An analysis of wholesale revenues shows a strong reduction for the main brands of the Kering group: for Gucci the reduction was 33.4% and for Yves Saint Laurent 13.8%. The exception is represented by the Bottega Veneta brand which saw an increase in sales of 4.8%. It should also be noted that the Kering group has achieved the fifth highest net profit margin among the top 100 companies analyzed by Deloitte, equal to 16.6% and overall Deloitte states that the group is continuing to follow the path of organic growth thanks to the acquisition of the Danish luxury eyewear brand Lindberg and investments in start-ups and young innovative companies such as the e-commerce platform Vestiaire Collective and the start-up Cocoon that deals with the rental of luxury handbags.

1.2.3. Estée Lauder

For this large American company, active in the cosmetics, perfumes and skin and hair care sectors, FY2020 closed with a reduction in sales revenues of 3.8%. Deloitte ascribes this reduction to anti-Covid19 restrictions, only for the second part of FY2020 as the financial year for this American company ends on June 30, and to changes in consumer demand. The rapid shift to an online sales system by Estée Lauder has led the company to increase its total online sales worldwide. In North America, Europe, the Middle East and Africa, we have seen a double-digit increase in the aforementioned sales, which have also doubled in South America and reached similar levels in the Asia Pacific region. The company also began a cost-cutting plan in August 2020 aimed at encouraging online commerce even in the aftermath of the pandemic. Skin care products drove the company with net sales growing 13% year on year partly due to sales of products from newly acquired Korean brand Dr. Jart+. Sales of makeup products, on the other hand, fell by 18%, but this was to be expected in times of pandemic with people leaving home less to go to work or spend free time with family and friends. As far as the fragrance sector is concerned, here too there was a reduction of 13%, due to a change in consumer demand, which required fragrances for ambient and body rather than for

personal use. Revenue growth was observed in the Asia Pacific region, where Chinese and South Korean consumers stood out, with a 15% increase. However, this increase was an isolated case: as the Deloitte report shows, sales in the Americas fell by 20%, mainly due to a lack of demand for makeup products, and even in the so-called EMEA region, which includes Europe, the Middle East and Africa, there was a reduction in sales estimated by Deloitte at 3% year on year. The company's operating income decreased to 4.2% of net sales, down 15.6% from FY2019, and the net profit margin, calculated at 4.9%, was down from the previous year's 12.1% figure. From an M&A perspective, we highlight the acquisition of South Korean Have & Be. Co. Ltd, which includes in its portfolio brands such as Dr.Jart+. Following a fragrance rationalization policy, licensing agreements for brands such as Michael Kors, Donna Karan and DKNY were terminated in 2021.

1.2.4. Richemont

The Swiss company distinguished itself in FY2020 by having an almost insignificant sales decline of 0.7%. Considering that Richemont's financial year ends in March, the pandemic only affected the last quarter of FY2020. More specifically, there was an 18% reduction in group sales from the fourth quarter of FY2020, including in the Asia Pacific region which peaked at minus 36%. Jewelry Maisons, such as Cartier and Buccellati, accounted for 61% of Richemont Group's total sales going up from FY2019 by 1.9 percentage points. This increase is also due to the acquisition of Buccellati, retail sales and the exploitation of online sales channels to sell iconic jewelry collections. Despite the growth of brands such as Panerai and A. Lange & Söhne, the watch sector suffered a 4.1% decline in sales. Deloitte's report lists retail sales as stable, but the same cannot be said for wholesale sales, which fell 5% despite strong growth in Japan, offset by steady declines in other regions. Richemont's group operating margin fell to 10.7% of net sales and had previously stood at 13.9% in FY2019. Analyzing profit shows a 67% year-over-year decrease due to the non-recurrence of \$1.378US\$ Billions post taxes on last year's non-cash accounting gain and the revaluation of YNAP (Yoox Net-A-Porter Group) shares held prior to the takeover bid involving the aforementioned spa. Eliminating these two variables from the calculation, however, results in a significant reduction in operating profit of 34%, which is linked to two factors: a 22% reduction in operating profit and an 84% increase in net financial costs. In addition to the aforementioned acquisition of Buccellati Holding Italia spa, which took place in 2019, the Richemont group acquired shares equal to 25% in a joint venture with Alibabà and Farfetch related to market operations by Farfetch in China. In 2021, the Swiss giant also acquired Maison Delvaux, a Belgian manufacturer of luxury leather goods.

1.2.5. L'Oréal Luxe

In FY2020, the French company saw its sales fall by 7.6% due to anti-Covid19 restrictions that have resulted in travel restrictions and the closure of the companies' physical stores. However, the company managed to outperform its competitors by following a strategy based on 3 guidelines: strengthening e-commerce, in particular direct-to-consumer sales; a strong presence in the Chinese market, where the company has strengthened its leadership; and a well-developed global product launch program in these times of crisis. In doing so, the French giant managed to return to growth in the fourth period of FY2020. Going into the specifics of the 3 product categories marketed by the French group, namely skincare products, fragrances and makeup products, Deloitte's report reports that all of these 3 product categories outperformed the market. The company performed well both from the launch of new products and the consolidation of existing products. From a geographic perspective, L'Oréal Luxe gained shares of market in every region with the best results coming from the Asia Pacific region, particularly China, and Western Europe. Deloitte's report features an analysis of how L'Oréal Luxe boosted the company's digitization during a pandemic period. It notes that the French company improved its social presence, accelerated its growth in areas such as community management, advocacy, loyalty and implemented its digital services. One popular idea has been to turn salespeople in physical stores into e-advisors and live streamers who can provide customer support as well as services such as online tutorials for makeup, skin care and any other product marketed by L'Oréal Luxe. From an M&A point of view, we note the acquisition of the Mugler brand and Azzaro fragrances through the acquisition of the fragrance division of the company Clarins, a French multinational. These acquisitions took place in 2020 and in February 2021, the prestigious Japanese brand Takami was acquired and the license agreement with Prada signed in 2019 for a collaboration in the luxury sector was made operational.

1.2.6. Chanel

The French company suffered a 17.6% drop in net sales in FY2020 despite the fact that before the start of the pandemic, sales of luxury products had recorded double-digit growth across all product categories. The pandemic has obviously led to the closure of physical stores also for this brand which, however, has responded promptly by leveraging the digital tools at its disposal such as, for example, an app launched in May 2020 to allow customers to purchase luxury products online with adequate assistance in real time. In terms of the various sectors in which Chanel operates, there are excellent performances from the luxury jewelry and watches sectors and mixed results from the fragrance and beauty sectors, with excellent performances within this sector from skincare products. This variety of results can be explained, as reported by Deloitte, by the excellent performance of the online sales sector which is counterbalanced by the decline in sales in physical stores, especially if we refer to sales related to people's travel for tourism or leisure. An analysis of Chanel's performance by geographical area shows that Europe saw a 36.4% drop in sales, while

in the Asia Pacific region the same figure was 3.1%. On the investment front, there was a major investment in brand support activities estimated at 1.3US\$ Billion in FY2020, as well as the purchase of the company's flagship store on New Bond Street in London. There is also work on the boutique located in Beverly Hills which is scheduled to open in 2022. As previously highlighted in FY2020 the company also made technology-based investments to enhance its online presence and to make the most of all the digital tools available to get in touch with the customer. However, the net profit margin for FY2020 is down by 5.9 percentage points compared to FY2021 and stands at 13.7%. From an M&A point of view Chanel acquired in FY2020 the majority of the shares of the Italian tannery "Conceria Gaiera Giovanni" and the Italian footwear company Ballin.

1.2.7. Essilor Luxottica

Analyzing Essilor Luxottica's net sales, it is possible to highlight that they have undergone the greatest decrease compared to the previous FY considering the top-10 companies analyzed in this discussion. Compared to FY2019 in fact net sales dropped by 20% despite a slight recovery in the second half of FY2020. As far as online sales and related revenues are concerned, direct e-commerce revenues grew by 40% reaching a figure of 1.2US\$ Billion thanks to mono-brand platforms such as Rayban, Costa and Oakley. A not secondary role has been played by multi-brand platforms such as EyeBuyDirect. With regard to digitization, Essilor Luxottica has successfully pursued this path by acting in various ways: digital displays, smart shoppers and virtual mirrors have been inserted in physical stores; website interactivity has been improved and tele-optometric technologies such as eye measurements and examinations have been introduced. The supply chain has also been involved in this digitization process. Wholesale sales returned to FY2019 levels in the second half of FY2020, and Deloitte highlights as an important factor in this aspect the fact that by that time consumers had returned to their normal work activities after the months of hard lockdown. From a geographic standpoint, we note that the key driver role was played by North America with wholesale revenues growing in double digit percentages, supported by e-commerce. More than 90% of the group's physical stores remained open in the second half of FY2020, which clearly contributed to the increase in revenues during this period. Deloitte's analysis also shows excellent performance of optical banners especially in the Americas and Australia, with a decrease in revenues in the last quarter of the year due to the worsening of the pandemic and the consequent increase in restrictions in Western Europe and South America. An analysis of the M&A area shows that Essilor Luxottica completed the acquisition of the majority of shares in optical retailer GrandVision.

1.2.8. PVH Corp.

The US company was the only one among those in the Top10 to report an increase in luxury goods sales in FY2020. The reasons for this are partly because for PVH Corp the FY ends at the end of February, just before the start of the most critical phase of the pandemic. Leading the growth, estimated at 3.8%, was the Tommy Hilfiger brand which saw its revenues increase by 8% in FY2020 thanks to licensing agreements signed in the Central Asia and South-East Asia regions and despite a slight decrease, equal to just 1%, in North America. Considering other brands belonging to PVH Corp, there was a 2% decrease in Calvin Klein sales. Solid growth in Europe, accompanied by the acquisition of the Australian Gazar, was not sufficient to mitigate the negative numbers due to the action of several negative forces such as a drop in sales in Asia, linked to socio-political tensions in Hong Kong and the trade war between China and the USA, and the disposal of the CALVIN KLEIN 205 W39 NYC brand. Among the negative factors contributing to the revenue decline, Deloitte's report also cites "the discontinuation of the directly operated Calvin Klein North America women's jeans wear wholesale business, following the 2019 licensing agreement with G-III. PVH also terminated its global licensing agreements for Tommy Hilfiger and Calvin Klein socks and hosiery early in 2019 to consolidate its brands' position in this business in Canada and the United States of America through a newly formed joint venture called PHV Legwear, of which PVH Corp owns 49%. Another motivation for these operations was to bring the international hosiery business for the Calvin Klein brand in-house in order to relaunch its wholesale business as well. In 2020, in April, PVH sold its North American business operations related to the non-luxury brand Speedo and in June 2021 sold other "heritage brands" such as IZOD, Van Heusen, ARROW and Geoffrey Beene to Authentic Brands Group.

1.2.9. Hermès International

In FY2020, the French company ranked in the Top10 for the first time, taking ninth place. The offer of Hermès, one of the few large companies in the world of luxury and fashion that has remained independent and is not part of any large industrial conglomerate, includes products in various categories. In fact, the French brand operates in the sectors of ready to wear and accessories, leather goods and saddlery, silk and textiles, perfumes and beauty, watches and jewelry. Despite such a diversified offer, this company also suffered a reduction in revenues in FY2020, estimated by Deloitte in the above-mentioned report at 7.6% compared to FY2019. The second half of the year saw a rebound in revenues, which grew by 16% in the last quarter of FY2020, at the same time as pandemic restrictions were loosened. Analyzing the causes that led to these variations in revenues, it can be stated that an important role was played by local customers who compensated for the lack of tourist customers due to the anti-Covid restrictions¹⁹. Hermès also made strong use of e-commerce in FY2020 and strong growth in online sales contributed, as did local customers, to mitigate the effect of the absence of tourist customers. Deloitte's analysis reports that the group's store network revenues declined only 2% over the period thanks to a 21% recovery in the fourth period of the year

and thanks to Hermès' strong presence in the Japanese market and the rest of the Asian continent. Wholesale sales recorded a 32% reduction, due to the absence of tourists. The report notes that Hermès has also continued to expand its distribution network even in times of pandemic by both opening new stores and renovating and expanding stores already open. One of the avenues Hermès chose to address the pandemic was to improve omnichannel customer solutions. The company launched its new digital platform in China and the Middle East, achieving a strong increase in sales in these regions. Going into specifics, it is noted that the Asia region, which does not include Japan in this case, saw a 14% sales growth in FY2020, linked more to the strong uptick had in the fourth period of the year where sales rose 47%, especially thanks to Chinese, South Korean and Australian consumers. The geographical regions where Hermès suffered the greatest reduction in revenues were Europe and America: in these territories Hermès suffered a decrease in sales of over 20%. As already mentioned in this paragraph, Hermès has a highly diversified offering and the various product categories performed differently on the market in FY2020. The largest category is leather goods and saddlery and includes the iconic Hermès Birkin Bag. It accounted for more than 50% of the brand's total sales, and despite a strong recovery in the second half of FY2020, there was a year-over-year decrease in sales of 4.8%. The second largest category for Hermès sales is represented by "ready to wear" and "accessories" products, which account for 22% of total sales of the French brand. Here too we see a rebound in sales in the fourth quarter of the year, calculated as a percentage of 12%, but this was not enough to offset the decline in sales in the previous three quarters of FY2020. Year-on-year sales for this product category thus recorded a decrease of 9.2%. The watches category and the jewelry category reported growth in sales for FY2020: the watches category grew by 2.3% thanks to a strong presence in the Asian market; the jewelry category continued its growth by taking advantage of the September 2020 launch of the new "Lignes sensibles" collection. An analysis of the net profit margin shows that the French company recorded the highest figure, 21.7%, of all the Top100 companies analyzed by Deloitte in the above-mentioned report, confirming its position as one of the most profitable companies in the luxury market. From an M&A point of view, the sale of the majority shares of the Chinese brand Shang Xia to the Exor group in December 2020 should be noted.

1.2.10. Chow Tai Fook

Despite a 14.7% decline in sales, the Hong Kong-based Chinese company entered the Top10 in FY2020. The financial year of the group under analysis ends in March and this has influenced the results obtained: in the first half of FY2020 the company achieved stable results, supported by constant growth in China; in the second half of the year there was a drop in sales attributable to various factors. First of all, reference is made to the surge in the price of gold that occurred in the second half of FY2020, which contributed to the decrease in demand for gold products; secondly, consideration is given to the company's below-expected

performance in the Hong Kong region; and finally, the impact of the Covid-19 pandemic must obviously be considered, which only had an effect, considering the end of the financial year reported above for this company, in the fourth period of FY2020. The geopolitical situation in Hong Kong had an impact on sales: many visitors did not reach the city to avoid getting caught up in the unrest and this drop in sales led the company to close about one in five of its stores in Hong Kong. The decline in revenues affected all product categories: platinum/karat gold products performed best, led by the launch of new collections and fixed price gold jewelry. Gold products declined by 16.3% primarily due to the volatility of the gold price and the gem-set jewelry sector declined by 17.5% due to changes in the macroeconomic environment. From a distribution channel perspective, Chow Tai Fook stood out by opening more than 700 stores in China and performed well from e-commerce by recording a 3.4% increase in online sales. From an M&A perspective, the company made the purchase of the Enzo Jewelry brand, which is useful for the company's multi-brand strategy.

2. Sustainability challenge

2.1. Sustainability revolution

In recent years, as highlighted in the previous chapter, the theme of sustainability has become increasingly central in every field. Following the example of Northern Europe, the governments of the main countries in the world are increasingly pursuing environmental policies; young people are demonstrating almost daily in every corner of the globe to protest against climate change, and an increasingly large number of consumers are orienting their purchasing choices by giving more and more weight to values such as respect for the environment in preferring one brand over another. The centrality of this theme in the minds of consumers leads companies to have to adapt their corporate policies, and it should be noted that more and more companies are taking the path of sustainability not only to reach consumers sensitive to issues of this type, but also because corporate governance itself recognizes these values as important. However, as Bain points out, the global success rate of sustainability initiatives is only 4%, which means that changes must be made to the approach to sustainability that has been in place to date (Davis-Peccoud et al., 2020). The challenge for companies to become sustainable is not easy and is increasingly being compared to the challenge of digitalization faced by companies from the 1990s onwards (Davis-Peccoud et al., 2020). Just as in the digital revolution, continuous technological advances have made changes in businesses necessary and affordable, increasing pressures from larger and larger groups of stakeholders and new discoveries in green technology will lead an increasing number of companies over the next few years to pursue the path of sustainability. Just as with the digital revolution, each industry sector will follow this revolution at different speeds and the degree of disruption will also differ from sector to sector. (Davis-Peccoud et al., 2020) As Bain further highlights, the sustainability revolution will leave no company untouched and those who move first will

benefit from the first mover advantages. Thus, speed of action is presented as a success factor for dealing better than competitors with this new business revolution. Such revolution affects every sector of industry because its scope is so broad that it can shift profit pools: historically profitable sectors risk becoming less profitable than others, and important new investment opportunities can make sectors that until now had lower returns very profitable. From an organizational point of view, this challenge will lead companies to face strategic changes and to reorganize their production chains. In pursuing the path of sustainability, many companies will also have to build innovative partnerships to better penetrate the market and increase their chances of success. In Bain's analysis, therefore, this revolution is irreversible, just as the digital revolution has been, but is now at a point of decline. The causes of this downturn are linked to various reasons. First of all, Bain's study indicates that in recent years world consumption has increased massively, but this increase has not been matched by an increase in available resources which remain fixed, finite and only partially renewable. (Davis-Peccoud et al., 2020) In some areas of the world consumption is exceeding the capacity to supply sustainably. Figure 3 highlights some key aspects related to the behavior of the 4 main stakeholder groups involved in this sustainability challenge.



Sources: Harvard Business Review; Sustainable Brands; FSB; Glassdoor; Network for Business Sustainability; UN; Bain analysis

Figure 3. What are these stakeholders doing in terms of sustainability? Source: <https://www.bain.com/insights/sustainability-is-the-next-digital/>

As shown in Figure 3, more than 7 out of 10 consumers worldwide say they are ready to change their consumption habits to reduce their impact on the environment. From the marketing point of view, a product presented as sustainable shows almost 6 times more growth on the market than a normal product. This reinforces the hypothesis made earlier that sees consumers as a strong driving force behind sustainability

policies. On the investor side, it is noticeable that almost 8 out of 10 investors worldwide have stated that they pay more attention to sustainability issues now as compared to 5 years ago. It is also worth mentioning the Task Force on Climate-related Financial Disclosures, which is an organization that provides support and information to investors regarding their actions to mitigate the risks of climate change. This organization is supported, as shown in Figure 3, by a very large audience of investors whose total wealth is estimated at 118 trillion U.S. dollars. The organization was established in 2015 by the G20 Financial Stability Board and is chaired by Michael Bloomberg, a well-known U.S. businessman and philanthropist. Shifting the focus to the third group of stakeholders, namely employees, we see a 16% increase in productivity among employees of companies that perform well in terms of corporate social responsibility. A survey of 18-34-year-olds in the U.S. found that 75% of respondents expect their employers to take a firm stance on climate change. This most likely due to the growing concern among the younger generation about this type of issue, as already highlighted in the previous chapter. Finally, analyzing the last remaining group of stakeholders, i.e., institutions, it is worth mentioning the 2015 Paris Agreement on Climate Change ratified in 2018 by 189 countries that committed to reducing the increase in the Earth's temperature to 1.5 degrees Celsius. On the other hand, 127 countries around the world have chosen to ban or tax single-use plastics, and plenty of corporate giants like McDonald's have followed this path in recent years.

2.1.1. Changes over the last years

As highlighted, the topic of sustainability is expanding and increasingly encompasses social, economic, and business issues. The focus is not only on environmental protection but also, for example, on the protection of gender freedom, freedom of sexual and religious orientation and food equality. As Bain points out, the speed of this revolution is increasing at a rapid pace: examples include electric cars, which have grown 9-fold on the market from 2014 to 2019; or modern and innovative companies such as Amazon and Airbnb, which have entered the market in a big way, revolutionizing it. Other companies, such as Burger King, have introduced new products to the market to get closer to greener consumers: in fact, the introduction of plant-based foods in the menus of this fast food giant has been a very popular move that has been successful. Figure 4 below will take a closer look at some of the changes that have occurred in recent years, specifically from 2014 to 2019.

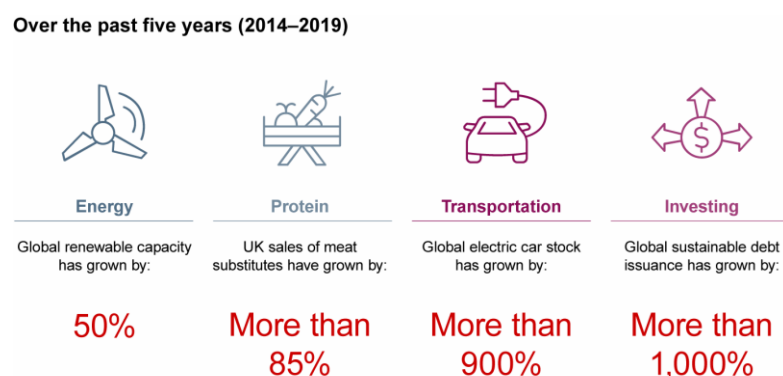


Figure 4. Changes in the environment 2014-2019. Source: <https://www.bain.com/insights/sustainability-is-the-next-digital/>

As shown in Figure 4, many changes have occurred in recent years in various sectors, starting with the energy sector. The use of renewable energy sources has increased in recent years and global renewable capacity has grown by 50% in the period under consideration. The food market has also been caught up in this revolution: the sale of meat substitute products in the UK has increased by more than 85% from 2014 to 2019. Consumers are looking for products that are similar to meat from a taste perspective but are more sustainable. With respect to transportation, the example in Figure 4 relates to electric cars, mentioned earlier, which have grown 900% globally in numbers over the period. As far as investments are concerned, it can be seen that the global sustainable debt issuance variable has grown by more than 1000%, i.e., more than 10 times, in recent years.

A common mistake made by many companies is that of not having a well-defined long-term vision, a fundamental element for entering the world of corporate sustainability. Often, as highlighted by Bain, they tend to imagine a future scenario very similar to the present one and this leads companies to make important mistakes in the initial phases of planning and organizing activities. In some cases, some potentially profitable sectors are left in the background due to lack of organization and knowledge of the sector itself. In this case, therefore, organizational design comes into play and can be an excellent tool to help companies pursue sustainability. Bain's analysis reports, for example, that the market size of the eco and water friendly personal care products market can be worth between 30 and 60 billion US dollars, but that no company has been able to fully exploit it to date. The downturn in the race for sustainability that has occurred in recent years is linked to the Covid-19 pandemic: companies have had to make choices to reduce costs and maintain an adequate level of available cash but in the long term the pandemic could, like the Great Global Economic Crisis of 2008-2009, show positive aspects. Companies, while initially weakened and displaced by the pandemic, have found quicker, more transparent, and greener ways to run their operations. Indeed, the pandemic has made supply chains more socially conscious, and in an effort to reduce costs, many companies have discovered that the path of sustainability may be the most economical and convenient.

2.2. The Business Roundtable Organization

A virtuous example of an organization that is very active from the point of view of sustainability is represented by Business Roundtable, an association founded in 1978 of the CEOs of major U.S. companies that promotes the U.S. economy by guaranteeing all Americans greater opportunities through sound public policy. The organization includes, as reported on its website, CEOs of companies that have a total of 20 million employees and more than 9 trillion U.S. dollars in annual revenues. In 2019, as shown in Figure 5, Business Roundtable member companies invested US\$226 billion in R&D and made US\$9 billion in donations to charities.

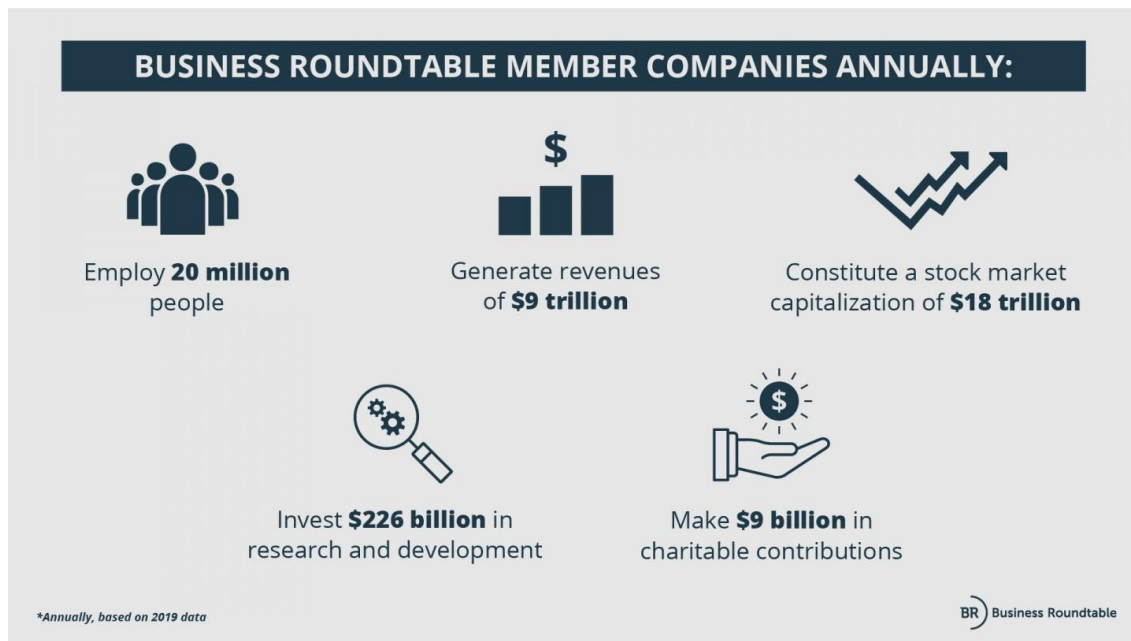


Figure 5. Infographic about Business Roundtable organization. Source: <https://www.businessroundtable.org/about-us>

In August 2019, the association adopted a new version of the "*Statement on the Purpose of a Corporation*", redefining the primary purpose of a corporation. Previously, the stated purpose was to maximize return for corporate stakeholders. With the new Statement, Business Roundtable member companies declare that, as reported on the official website of the association: "*companies should serve not only their shareholders, but also deliver value to their customers, invest in employees, deal fairly with suppliers and support the communities in which they operate*". (Business Roundtable.,2022) In this statement we can capture some important aspects related to the behavior of a company that believes in the values of sustainability. The association wants to deliver to Americans an economy that can support their work efforts with dignity and care. The free market system is not in question, but it must be integrated into a system that provides great jobs for employees, a healthy environment, a strong push for innovation, and a strong, sustainable economy that gives everyone the right opportunities. Business plays a central role in this system by creating jobs, fostering innovation, and providing essential goods and services. The declaration of the 181 CEOs is divided into 5 main points, described below:

1-Delivering value to our customers: Businesses say they want to follow the U.S. tradition by showing the way regarding their consumers' needs. Companies are committed to not only intercepting and meeting consumer needs but also exceeding consumer expectations to provide consumers with products and services

2-Investing in our employees: The starting point for investing in employees is a fair salary accompanied by benefits provided by the company. This also includes training and education of employees to continuously develop new skills in a changing environment. Companies are also committed to promoting values such as diversity, inclusion, respect, and dignity.

3-Dealing fairly and ethically with our suppliers: The objective is to establish healthy and lasting relationships with suppliers. Companies are therefore committed to maintaining relationships based on values such as fairness and mutual respect with their partners who are nothing more than businesses themselves and who have a role in helping the company to achieve the objectives set by the corporate mission.

4-Supporting the communities in which we work: Respect and support for local communities and the environment are key points for a company that wants to act in a sustainable way.

5-Generating long term value for shareholders: Shareholders are those who provide the company with the capital it needs to make the investments necessary for business, growth, and innovation. A sustainable company is one that is committed to having a transparent relationship with its shareholders and is able to maintain lasting and healthy relations with them.

2.3. Luxury brands' approach to the Sustainability Challenge

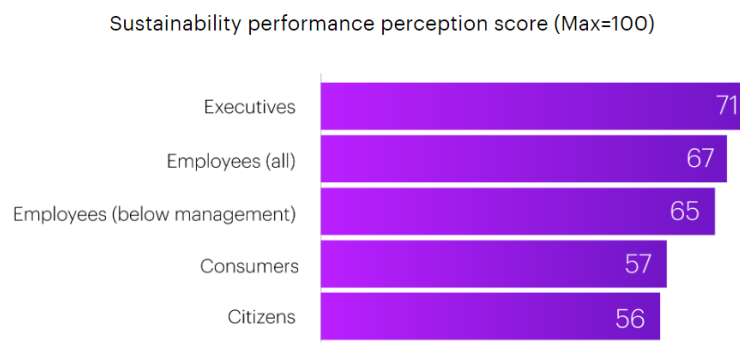
The following paragraphs, starting with the 5 key points highlighted by BusinessRoundtable, will analyze how companies in the luxury world have approached the sustainability challenge. As highlighted above, the issue of sustainability is increasingly central to both corporate strategic decisions and consumer purchasing choices, and the luxury industry is no exception. In fact, many companies in recent years have increased their investments in the field of sustainability, with numerous initiatives to support local communities as well as initiatives to protect the environment and biodiversity. In doing so, the luxury giants certainly have not forgotten the economic aspect of the actions and investments made. Nowadays more and more people, employees of companies and others, are involved in sustainability programs sponsored by luxury companies in collaboration with numerous institutional and international partners. Synergies between luxury brands and organizations such as UNICEF have ensured assistance and support for needy people scattered all over the world; activities have been carried out to redevelop places of high historical and cultural interest; and detailed environmental protection programs have been created in cooperation with political institutions to achieve the goals of Europe2030 and beyond. All of these activities are part of a broader and more modern conception of sustainability: as can be seen in the various codes of conduct of luxury companies that will be analyzed below, sustainable initiatives involve not only purely green actions but also support for people in need, relationships with suppliers and various parties such as sub-suppliers in the supply chain, and the relationship with shareholders.

2.3.1. Delivering value to customers

Consumers are one of the stakeholder groups to be considered when analyzing the behavior of a company that wants to act in a sustainable way. The importance of consumers for a company is fundamental: they are the ones who buy the products and use the services of the company, contributing to increase the company's revenue. With the arrival of the pandemic and the recent Russian invasion of Ukraine, the world has faced

humanitarian, economic, and social crises of proportions unimaginable just a few years ago. In this context, as Accenture reports, consumers have raised their expectations regarding the role of business in solving global problems.(Shook et al., 2021)Expanding on the analysis, Accenture reports that 66% of consumers say they will make more sustainable or ethical purchases in the coming months. 74% of consumers also say that ethical corporate practices and values are an important factor in their choice of brand. Accenture also emphasizes that sustainable organizations are "purpose-led businesses which inspire their people and partners to deliver lasting financial performance, equitable impact and societal value that earns and retains the trust of all stakeholders. Accenture's definition of a sustainable company allows us to introduce another issue related to the sustainability of a company: the level of perception that various stakeholders have about how sustainable a company is in its performance. As shown in Figure 6, executives are those who rate the sustainability performance of their organizations higher than any other group of stakeholders. At the bottom of the ranking are consumers and citizens.

Executives rate the sustainability performance of their organizations higher than other stakeholders



Copyright © 2022 Accenture. All rights reserved.

Source: Accenture analysis of executive and employee/consumer/citizen surveys.

Note: Respondents were asked a series of questions relating to the 21 practices and 10 enablers from our Sustainability DNA model. Executive and employee scores were calculated from 23 questions; consumer and citizen scores from 10 questions.

Figure 6. How much is perceived as sustainable an organization by its stakeholders? Source: <https://www.accenture.com/us-en/insights/sustainability/sustainable-organization>

In a score range between 0 and 100, the average sustainability performance perception score is 63.2, a value that is above sufficient but still not very high. There is a 14-point difference between the perception of executives and that of consumers. The points become 15 if we analyze the difference in perception between executives, equal to 71, and citizens, equal to 56. (Shook et al., 2021)In general, the various stakeholders do not have a high perception of company performance in terms of sustainability. Companies' internal stakeholders, such as executives and employees, perceive a higher level of sustainable performance as

compared to the external ones. It is also necessary to point out that consumers and citizens report an insufficient level of perception of performance in sustainability issues. This negative evidence, as Accenture points out, clearly has a negative impact: few stakeholders trust the promises made by corporate leaders in terms of sustainability. Indeed, only 40% of consumers believe that business leaders "walk the talk" on sustainability "often" or "always." The above percentage figure drops to 38% when it comes to the thinking of local communities and stands at 49% when it comes to employee opinion. In this context, two important factors regarding company sustainability commitment come into play: credibility and authenticity. A company that claims to be sustainable must back up its words with action, and leaders should set the example for all other groups of corporate stakeholders. The issue of consumer value creation is also central to luxury companies, which in recent years have been developing programs and projects aimed at their consumers, taking advantage of modern digital technologies. In the following paragraphs, starting with the Kering Group, we will look at how the big names in the luxury world are trying to return value to their consumers with practical initiatives aimed at making customers feel increasingly integrated and part of a community.

2.3.1.1. Kering: integrity and honesty with consumers

As for companies in the luxury sector, the Kering Group can be cited as a prime example. Its code of ethics (Kering Code of Ethics, 2019) addresses a number of issues related to the company's behavior in the market and in its relationship with various stakeholders and shareholders. A section of the code is, of course, devoted to the relationship with consumers. The group stresses that integrity, safety, and quality are the basis of its business activities. The products offered by the Kering group comply with current regulations in terms of quality, safety, and intellectual and industrial property rights. Related to these aspects turns out to be the issue of transparency and communication that must take place between the company and its customers for a solid relationship to develop on both sides. The Kering Group is committed to providing transparent, fair, and reliable information to its consumers. Marketing and advertising communication are carried out in a fair manner to build consumer loyalty and ensure that consumers make an informed choice before making a purchase. The group also ensures proper handling and protection of the numerous consumers' personal data it comes into possession.

2.3.1.2. Moncler and the Client Experience 2.0

The Moncler Group's goal is to provide its consumers with the most consistent, homogeneous, and personalized experience across all distribution channels. Every customer touch point can and should be leveraged to provide the best possible customer experience in both pre-purchase and post-purchase stages. Such an approach to the customer is part of creating a company's sustainable DNA: a sincere dialogue between business and consumers fosters the creation of value for both parties and contributes to the development and well-being of the entire environment. One initiative worth mentioning is the Omnichannel New Experience project, which enabled Moncler to better develop its e-commerce channels by

implementing them by geographic area. In this way, Moncler has strengthened its contact with consumers by improving their customer experience: a customized approach tailored to customer needs ensures smooth navigation and a distinctive experience for the customer who comes into contact with Moncler. (Moncler, Client Experience 2.0,2022)

2.3.2. Investing in the employees

Investing in employees is a strategy that involves more and more aspects. A company must not only guarantee a salary to the employee but must also ensure that the salary is fair in relation to the tasks performed and the hours worked. Alongside the salary, as highlighted by the Business Roundtable Organization, there must be benefits provided by the company. The firm must also continually train its employees to ensure that they are up-to-date in theory and ready to use any new tools to facilitate their work. The company's focus should be on social and economic issues, as well as fairness and tolerance. It is the responsibility of the firm to promote a climate of tolerance and serenity within the firm to ensure integration among workers of different ethnic groups. In a globalized world such as the one we live in today, there is a lot of mixing between people of different origins. Within the company, no employee should feel discriminated or sidelined. Discrimination in the workplace continues to exist, from gender discrimination to discrimination based on ethnicity. It is the duty of companies to combat this, and in this context the statement of Doug McMillon, president and CEO of Walmart and chairman of Business Roundtable, is interesting. *"The racial inequities that exist for many Black Americans and people of color are real and deeply rooted. These longstanding systemic challenges have too often prevented access to the benefits of economic growth and mobility for too many, and a broad and diverse group of Americans is demanding change. It is our employees, customers and communities who are calling for change, and we are listening - and most importantly - we are taking action."* (Business Roundtable,2022)

McMillon reflects on the issue of racial inequality affecting African Americans and other U.S. minorities in the United States. These problems, which have been well entrenched in society for decades if not centuries, reduce the social mobility of these people who find themselves stuck in the gutter of society without a chance at salvation. McMillon reports that these people seeking redemption often work in large American corporations that are tasked with providing them with a better future. The company must listen to its employees in order to better understand their issues and to ensure that they are well taken care of. Attention must therefore be paid not only to the payment of a salary at the end of the month, but also to issues such as the education of employees' children and their integration into society. In this regard, , it is possible to cite Moncler first and foremost as a virtuous example of a company that invests in its human capital and in its personal and professional training and growth. In the following paragraphs, two more positive examples in this field will also be given, namely the two most important luxury giants namely the Kering Group and the LVMH Group.

2.3.2.1. Moncler's example

Shifting the focus to Europe, a good example of investing in one's employees is Moncler. The luxury giant has distinguished itself in recent years for numerous initiatives aimed at improving the corporate climate, the lives of its employees, and the education of their children. The company firmly believes that "*long-term value creation is closely linked to human capital*". This phrase thus underscores a strong link between the company and its employees: to create value you need valuable human capital, and to have valuable human capital you need to create the right conditions within the company. The company's goal is to develop a work environment in which every individual can feel comfortable, without the danger of discrimination of any kind, and so on. It is also important to ensure that employees feel comfortable in the workplace and are able to express their qualities to the fullest. For these reasons, Moncler, on its official website, highlights key aspects and principles to be observed, as will be seen below, in relation to the training of its employees, their compensation, development, and engagement. (Moncler, Gestione e sviluppo, 2022)

-Training: Naturally, caring about one's employees means guaranteeing them adequate training: as reported on the official Moncler website, training is an important tool for developing and consolidating a person's individual skills, and at the same time it is also a useful tool for spreading the company's values and strategy, supporting its growth and cultural and organizational evolution. Training can be organized both through in-person courses and through e-learning: nowadays we have all the necessary tools to educate people directly from their homes. Personal computers, smartphones and tablets are just some of the technological tools at our disposal that have made it possible to teach and train students and people at a distance, and this trend has accelerated with the Covid-19 pandemic. As reported by Accenture in the study mentioned in the previous paragraphs, nowadays 65% of employees believe that organizations should be responsible for leaving their people "net better off" through work. The theme of training therefore concerns both the improvement of employees' skills and support for the cultural and organizational growth of a company. In this direction, it seems useful to analyze the theme using Moncler, a leading company in the luxury sector, as a starting point. The company provides well-defined training plans for its employees, both in presence and, because of the ongoing Covid-19 pandemic, through e-learning. The figure below, called Figure 7, is very helpful in continuing the analysis.

INVESTIMENTI IN FORMAZIONE

	Gruppo Moncler 2021	Marchio Moncler		
		2021	2020	2019
Spese in formazione (Euro)	923.801	907.410	537.856	886.578
Ore in formazione (n.)	118.299	116.753	121.795	103.194
Dipendenti coinvolti (n.) ⁸	5.086	4.800	4.830	4.690

Figure 7. Investments in employees' training Source: <https://www.monclergroup.com/it/sostenibilita/nurture-uniqueness/gestione-e-sviluppo>

The Moncler Group's investment in economic terms in 2021 was almost 924 thousand euros and involved more than 5,000 thousand employees for a total of almost 120 thousand hours of training. The training covered various topics including the use of the new MAKE online platform, which was also made available to employees of the Stone Island brand that recently became part of the Moncler Group. As the official Moncler website reports, in 2021 we saw a slight reduction in training hours of 3% compared to 2020. This is connected to a very specific choice: shorter but more intense courses were carried out in order to make them much more efficient. The choice of this training model has led to a reduction in average hours per head for employees of the production hub located in Romania estimated at around 20%. The increase in the use of digital devices has led to a 21% growth in e-learning courses and more employees have been involved than in 2020. The increase in the number of employees has been estimated at 6%. Moreover, with regard to the employees of the corporate offices and stores, there was an increase in training for the former of double the previous year and for the latter of 38%. Regarding the categories of employees trained, the company has dedicated more time to training its employees compared to executives or managers. The percentages of people trained are defined as follows: 54% of those involved are white collar workers; 25% blue collar workers; 11% professionals; 8% managers and 2% executives and senior managers. A more in-depth analysis of the type of training provided shows that the greatest investment was made in technical and professional training, for both salesforce and corporate employees. In particular, 73% of the courses provided to the two categories of employees mentioned above were technical and professional training. 20% of the training hours concerned health and safety issues, confirming Moncler's commitment in this direction. The Brand Protection team played an active role in the training: this team is responsible for familiarizing employees with procedures related to brand protection in order to safeguard the company's reputation. As regards the development of the Moncler collection, training sessions were held for the implementation of the Product Lifecycle Management program relating to topics such as the life cycle of a product and its launch on the market. From the point of view of relations with suppliers, the Supply Chain Excellence course was launched to ensure that employees are increasingly good at managing the various choices of a strategic nature connected with the functioning of the entire supply chain. From the point of view of ethical and social issues, the company dedicates part of its training course to its Code of Ethics, seen as an important guideline for employees and others. The company has also provided courses on data protection and anti-Covid-19 regulations. The courses on Covid-19 were useful to inform and train employees on the safety and protection measures necessary to deal with the pandemic. Courses were provided to spread the culture of personal health and safety in the workplace. The company also held Basic Life Support & Defibrillation courses to teach employees how to use defibrillators and first aid techniques. Total training hours dedicated to health and safety issues were estimated at 23500. The company also offered a course, called Unconscious Bias, to promote an inclusive organization considering the principles of diversity, inclusion and equity. The Cultural Awareness program was proposed to promote respect for the cultural diversities present in a large company

like Moncler, and courses were also provided to raise awareness and inform about the issue of harassment in the workplace and beyond. The Moncler group also collaborates with associations to promote social inclusion programs and entrepreneurial training courses aimed at young women. In 2018, the company created a Modeling School in Romania to strengthen staff skills internally.

-Remuneration: Another central issue regarding your relationship with employees is compensation. Wages must be fair and must ensure that the worker is able to support themselves and their family adequately. The issue of wages has always been a central theme not only for companies but for the economy in general, and being such an important issue, companies constantly find themselves having to deal with issues relating to the remuneration and internal growth plans of their employees. The remuneration system of a firm must be constructed to ensure rewarding employees for their commitment and dedication. One of the objectives must be to build employee loyalty because, as previously reported, it helps to create a relaxed climate within the organization, which can benefit from this. A correct remuneration system must be based on the principles of fairness, transparency, meritocracy, and equal opportunity, as well as competitiveness. Linked to the theme of equity, the gender pay gap cannot be ignored. The discussion on this issue has been going on for decades now and many companies have moved to eliminate the wage gap that has always separated men and women in the labor market. In fact, as Federconsumatori reports in its analysis of the gender pay gap, the gender disparity weighs in for an average of 10% in favor of men, who earn about 3009 euros more per year than women (Federconsumatori, 2021). Moncler began a process in 2022 to obtain Equal Pay certification, which attests to the fair treatment of workers within a company in terms of salary regardless of gender. A similar move was made by the Kering Group, another giant in the luxury sector. In fact, the Kering Group participates in EVE, the annual leadership conference in which solutions are sought to address the need for gender equality among employees. As far as Moncler is concerned, it should be noted that the group has been implementing for years an annual salary review process based on the principles of performance and talent through which managers can propose additional salaries for employees in relation to the two parameters mentioned above. In addition, the company, through the Global Mobility Policy adopted in 2021 by the group, guarantees fair economic treatment to its workers spread around the world. A percentage of the salary of certain employees can also be linked to the achievement of certain objectives: Moncler, for example, involves employees and managers in the implementation of its Sustainability Plan, and part of the salary of these people is linked to the actual achievement of the objectives indicated in the aforementioned plan. Additional bonuses are also envisaged for those who over-perform and achieve higher results than those set as objectives by company management. The Moncler Group uses Performance Share plans as long-term incentives. These systems allow the company to link the incentive process for top management to the actual company results. People are oriented towards medium/long-term strategies that also take into account the sustainability objectives of the corporate group as well as economic and financial objectives and, more

generally, the interests of all corporate stakeholders. As part of the company's compensation plan, we increasingly find the various benefit packages available to employees, such as meal vouchers, life insurance, pension plans, study facilities for employees' children and so on. Moncler offers its employees benefits linked to the professional category to which they belong, and through its corporate welfare plans, it seeks to guarantee care and attention to its employees for their needs. Additionally, the company has committed to create a nursery school for employees' children in its production site in Romania by 2022, which will host about 60 children.

Figure 8 highlights the benefits that the Moncler company has provided for its employees and the percentage of employees who are entitled to use these benefits. Half of the employees are involved in the company's welfare plans and use the canteen or a substitute voucher to eat. The Moncler Group offers supplementary healthcare plans in collaboration with the National Health System as well as pension plans for employees who want to set aside money to enjoy their retirement. The company also provides direct financial support for employees with disabilities and guarantees access to fitness and sports centers through agreements. In addition, 17% of employees are eligible for life insurance.

Benefit finanziari	Dipendenti aventi diritto ad aderire
Piani pensione integrativi	44%
Piani sanitari integrativi	56%
Assicurazione sulla vita	17%
Sostegno finanziario in caso di disabilità	40%
Mensa aziendale o voucher sostitutivo	55%
Welfare aziendale ⁷	51%
Altro ⁸	32%
Benefit sociali	Dipendenti aventi diritto ad aderire
Centri fitness/sportivi ⁹	17%
Benessere e programmi nutrizionali	53%

Figure 8. Moncler's benefits for its people Source: <https://www.monclergroup.com/it/sostenibilita/nurture-uniqueness/gestione-e-sviluppo>

-Development: A critical success factor for companies is identifying and retaining the best talent in the workplace. In order to make this possible, companies must equip themselves with adequate systems for evaluating the performance of their employees so that they can adequately select those on whom to focus most, for example, for top positions within the company. The issue is also linked to internal growth: an employee will be much more motivated to work if the company provides them with internal growth prospects linked to the results achieved. Among the evaluation criteria, many companies clearly include respect for the founding values of the company itself as well as moral values such as integrity, fairness, respect for others and tolerance. This can be done through the use of more easily identifiable economic parameters such as excellence in performance, and these are combined with the above criteria to provide the

most accurate assessment possible of the employee under review. Assessment processes must take a medium-long term view and in many cases include, as in the case of the Moncler Group, a self-assessment by the employees themselves. This step is very important because it allows the employee to understand what the executives think of their work, and also because it brings out what the employee thinks of their own work and the support they provide to the company. The goal is to create a fruitful collaboration between the evaluator and the evaluated to improve any critical issues found during the evaluation. The goal is to create a fruitful partnership between the evaluator and the evaluated to improve any critical issues found during the evaluation. In order for these evaluations to lead the company to make sound strategic decisions, as many employees and executives as possible need to be evaluated. Here again, Moncler turns out to be a virtuous example: in 2021, the Moncler group involved more than 4,000 employees in this evaluation process, with a coverage rate of 94% of the eligible population

-Employees' Engagement: When assessing the relationship between employees and the company, employee engagement must also be considered. Factors such as involvement and dialogue are increasingly important and central to corporate strategies. A relaxed atmosphere within the company promotes the building of lasting relationships based on trust and mutual respect and helps to increase employee motivation. Companies are increasingly creating opportunities for employees to interact with each other in order to create situations of exchange and mutual understanding. The passage of information favors the strengthening of the values of the corporate culture and the creation of a shared long-term vision that increases team spirit and cohesion. Team-building events are therefore increasingly important and contribute to employee loyalty. To facilitate this, more and more tools are available to companies. One of these is the corporate intranet, used by Moncler to share information and news and encourage networking among its employees. In MONCamp, Moncler's intranet, it is also possible to find news about the company's projects, which, by coming to the attention of employees, create a growing sense of belonging to the company. Another useful tool is the analysis of the internal climate, which makes it possible to photograph the positioning of the company through two main aspects: involvement and empowerment. These two aspects are analyzed in their individual components and provide the company with useful tools for a correct assessment of the internal climate. With a view to an open dialogue between employees and top management, moments of sharing and contact between these categories are important for companies. For example, Moncler launched in 2019 the Thank Boss It's Friday! initiative through which employees share moments of dialogue with their superiors and can also propose solutions for various company problems. The initiative has been adapted to local cultures, as Moncler is a colossus present all over the world and aims to encourage not only dialogue between employees and managers but also and above all dialogue and mixing between different cultures. As a tool of social responsibility, it is important to point out the presence of corporate volunteering actions sponsored by the companies, involving as many employees as possible. This represents a means of

encouraging the creation of a culture of solidarity and sharing that pays attention to diversity. Often, in these cases, voluntary actions are carried out in collaboration with local bodies or non-profit associations and are linked to the theme of giving back not only to employees but to the entire community within which the company operates.

2.3.2.2. LVMH: a welcoming environment to enhance talent

The LVMH group, as well as Moncler, is also aware of the importance of issues such as training, compensation, and employee engagement for a company to act sustainably. The issue of investing in its employees has taken on greater importance in recent years, and LVMH has equipped itself with a code of conduct in which, among other things, the basic principles to be observed in the working environment of the international fashion house are laid out. Values such as professional heterogeneity, diversity and equal opportunity underpin the culture of the LVMH group, which is committed to fostering a work environment that respects individual dignity. As reflected in its Code of Conduct, the group respects the principles of the Global Compact, which focuses on workers' rights and the fundamental principles of protecting the individual in the workplace. Special attention is paid to issues such as the elimination of discrimination, child labor and all forms of forced labor, freedom of association and the right to collective bargaining. Diversity is seen by the company as a value that stimulates creativity and the creation of a work environment suitable for a company that wants to act sustainably. As reported in Accenture's article " Shaping the sustainable organization," a systematic approach to issues related to business ethics is needed to achieve a work environment in which every employee feels an integral part of the company and its mission. Thus, the concept of investing in one's employees turns out to be linked to sustainability issues: a strong sustainable DNA helps the company achieve better results, and a strong sustainable DNA is built by a company on a day-to-day basis, developing a work environment in which values such as tolerance and mutual respect are the basis of human relations among the various stakeholders. LVMH's Code of Ethics is concerned, as is the aforementioned Moncler Code of Ethics, with establishing principles for a fair hiring and compensation system guided by the principles of heterogeneity and justice. Special attention is paid to frail or disabled individuals, who are supported through training and social integration activities. The investment in LVMH's employees is also about respecting their privacy and the so-called work life balance: the company is committed to ensuring that each worker can find the right balance between private and professional life. Last but not least, the issue of occupational safety is central to the investment in its employees that the LVMH group has been making over the years. The maison ensures compliance with the regulations and laws in occupational safety issues in force both nationally and internationally. (LVMH, Code of Conduct, 2021)

2.3.2.3. Kering: managers as examples to promote the culture of integrity

In the Kering Group's code of ethics, a very important aspect of the relationship between top management and employees is highlighted: in the view of a company acting sustainably, there needs to be a strong dialogue between top management and lower-level employees, and this is emphasized in Kering's code of

ethics. Values such as integrity, loyalty and a sense of responsibility are the cornerstones of the way people work in the Kering group. The company, as well as its competitors, is committed to complying with all applicable regulations in terms of occupational safety and wage remuneration. The Kering group's goal with this code of ethics is to foster the creation of a healthy environment in which employees can express their abilities to the fullest while feeling an integral part of the company. Principles such as social inclusiveness and respect for diversity are reaffirmed. Kering is at the forefront of the fight against racism and any form of discrimination is not tolerated in any way in the workplace. Kering's investment in its employees also includes training on issues of sustainability and social inclusiveness, not to mention the fight against violence against women. As well as LVMH, Kering in its code of ethics also emphasizes the issue of work life balance: policies and mechanisms that can facilitate the life of the individual such as smart working and parental leave are implemented and carried out. Linking to the theme of transparency and trust that employees must place in the company, for its sustainable DNA to develop, Kering in its code of ethics emphasizes the respect and protection of its employees' personal data. Fair and transparent information is guaranteed in relation to the use of these personal data. (Kering Code of Ethics,2019)

2.3.3 Dealing fairly and ethically with suppliers

Relationships with suppliers are at the heart of a firm's sphere of interest. Having lasting and sincere relationships with their suppliers helps companies to develop their business: continuous changes in the supply chain generate costs and problems for the company that could end up in unpleasant situations such as lack of raw materials. As well as the relationship with employees and customers, the relationship with suppliers can also be framed from the perspective of sustainability: supply chains can be increasingly green nowadays, as well as the raw materials used and exchanged between first producers and companies. In addition, the issue of human rights and the exploitation of workers are increasingly at the heart of companies' strategic decisions: no one wants to see their image associated with a partner that violates workers' rights or adopts discriminatory criteria in the selection of its workforce. At the forefront in this sense are the large luxury companies that have practically regulated their relationship with suppliers through stringent agreements and codes of ethics to be respected by both parties. The proposed analysis gives as an example the code that regulates the LVMH group's supplier relations and their professional and other conduct. As will be seen, it is very similar to those of other luxury giants such as Kering and Moncler whose supplier codes of conduct will be mentioned in the following paragraphs highlighting their most significant aspects.

2.3.3.1 LVMH group and its code of ethics for suppliers

LVMH group has made available on its website a code of ethics for suppliers. As can be seen from the group's official website, LVMH puts the adoption of shared practices, rules, and values in terms of ethics, social responsibility, and environmental protection at the top of the list for both itself and its suppliers. The group, which controls several luxury Maisons such as Louis Vuitton, Fendy and Bulgari, invites these Maisons to have exemplary relationships with their partners in the supply chain and beyond. Compliance

with LVMH's Supplier Code of Conduct is required not only of suppliers but also of their partners such as sub-suppliers and contractors. In recent years, the French giant has reshaped its code of ethics, first introduced in 2008. The update was necessary because the topic of sustainability has become increasingly important among the company's objectives and because the practical need to adapt to the evolution of laws and social norms arisen. The new code, adopted in 2017, aims to ensure stable and honest relationships with suppliers with a view to an ongoing dialogue between the parties to achieve results and reach common goals in terms of economic performance and sustainability. Among the objectives of the code is also to establish guiding principles in terms of compliance with labor standards, social responsibility, protection of the environment, ethical and business integrity. The code makes it clear from the outset that the maison and its suppliers are committed to complying with national and international regulations and laws in terms of polluting gas emissions, environmental protection and sustainability in general. In the event of a violation by one of the suppliers, the LVMH Group and the individual Maisons reserve the right to request the correction of the violation, to refuse to take delivery of the supplier's goods and to return any goods to the supplier until the supplier corrects the violation. The Group also reserves the right to terminate its relationship with the Supplier in the event of a breach or failure to correct the breach. (LVMH group, Suppliers Code of Conduct,2022)

-Labor standards and social responsibility: Among the first points analyzed by LVMH in its code of ethics are issues related to labor standards and social responsibilities. The group is against youth employment, stressing that it is forbidden to have workers under 16 years of age or, more generally, under the working age threshold set by local authorities, as long as it is at least 16. There are also protections for workers under 18 such as a ban on night shifts. The company underscores its commitment against human trafficking, forced labor and all forms of illegal, clandestine, or undeclared work. Suppliers are expected to treat their employees with respect and dignity, and harassment and abuse of any kind against workers is not tolerated. Discriminatory behavior by suppliers in terms of wages, hiring, termination, internal promotions and termination is punished. Discrimination of any kind, based on gender, ethnicity, religion, or sexual orientation is not tolerated or permitted. LVMH also asks its suppliers to comply with regulations in terms of wages and salaries. "*Wages must be sufficient to meet the workers' basic needs and provide some discretionary income*" (LVMH group,Supplier Code of Conduct, 2022). The issue of working hours is also addressed: suppliers are required to comply with both local authority regulations and International Labor Organization standards. This protection also extends to the vacations of suppliers' employees: one day of rest per week must be guaranteed as a minimum and the total number of days of leave, excluding holidays, must be established in a fair manner. Suppliers are also required not to penalize employees who freely exercise their right to associate. Additionally, suppliers are also required to meet with workers or their representatives to discuss issues of mutual concern and threats of any kind are not tolerated. Workers must be provided with

a safe and clean workplace to avoid accidents and illnesses with short- and long-term consequences such as cancer due to continued exposure to dust and smoke or harmful materials without proper protection.

Ensuring the health and safety of workers must be a cornerstone of the LVMH group partners' policy. As a multinational company present throughout the world, LVMH also aims to create medium to long-term value for the local communities with which it comes into constant contact in the course of its business activities.

To this end, certain conduct is required of suppliers so as not to create harm to these communities and furthermore, when operating with indigenous people, suppliers are asked to respect the UN Declaration on the Rights of Indigenous Peoples so as not to enter into unequal and unbalanced agreements with them.

Environmental compliance and performance: LVMH follows, together with its suppliers, a strategy to protect the environment within which it operates. The company has a specific program of collaboration with its suppliers to minimize environmental impact at all stages of the supply chain. In order to achieve this goal, the so-called green technologies that are nowadays more and more convenient and available for companies are used. Of course, in addition to respecting private agreements between partners, LVMH suppliers are required to comply with local and international regulations concerning the environment, emissions of toxic substances, etc. LVMH's suppliers must therefore comply with numerous national and international standards and must be able, through certified reports, to prove their improvements in sustainability. From an operations point of view, LVMH requires its suppliers to:

- apply an environmental management system.
- improve the environmental performance of production sites and resources used.
- properly manage waste resulting from business activities.
- reduce emissions of gases and harmful substances.
- reduce pollution of water, air and soil.
- apply appropriate measures to train and protect workers directly involved in these activities.

With regard to aspects more related to raw materials, product components and the products themselves, LVMH's code of ethics provides for:

- a constant commitment by the supplier to achieve continuous improvements in the environmental performance of the product throughout its life cycle.
- a commitment by suppliers to always provide the best possible solution to the Group's Maisons in terms of the choice of raw materials, taking into account the environmental impact of each choice made.
- compliance with national and international standards and regulations such as the REACH regulations and the LVMH Restricted Substances List.
- measures to preserve biodiversity in accordance with national and international standards.

- guarantees to avoid illegal deforestation and to avoid deforestation in areas considered at risk.
- measures to respect animal welfare throughout the supply chain and compliance with the LVMH Animal Based Raw Materials Charter.

Here too, a strong commitment by the multinational LVMH to protect the environment emerges, in line with what has been said previously.

-Ethic and business integrity requirements: Exemplary ethics and respect for the principles of moral and business integrity are required of suppliers. LVMH expects its partners to fully comply with regulations, whether local, national, or international, throughout the supply chain. The company imposes total compliance with regulations in the following areas: prohibition of corruption and money laundering, respect of competition, prevention of insider trading and protection of personal information. Looking specifically at the fight against corruption, LVMH expects exemplary behavior from its suppliers throughout the supply chain and acts to prohibit facilitation payments or other benefits of various kinds to public officials for routine, non-discretionary actions. The fight against corruption therefore concerns the relationship not only between LVMH and its suppliers but also those between the multinational's suppliers and their suppliers. With regard to gifts or invitations to exclusive events, LVMH maintains that they may be considered gestures of courtesy if they are framed in the context of good business relations. It is also required that the gift is, of course, permitted by law and that there is no demand or expectation of anything in return on the part of the person receiving the gift. Another issue addressed is that of conflict of interest: LVMH invites its suppliers to prevent situations that may lead to a conflict of interest between the parties. The company, as already highlighted, is firmly opposed to money laundering and insider trading. LVMH also requires its suppliers to work with respect for competition and the free market: agreements which may lead to situations in conflict with the concept of respect for competition such as the abuse of a dominant position are prohibited. A climate of trust is necessary in relations with suppliers, not least because companies often share confidential information with each other. LVMH requires its partners to respect the confidentiality of confidential information or professional secrets and is committed to doing the same. The confidentiality of information also concerns the personal information and sensitive data of those involved in the supply chain: serious and professional behavior is also required here on the part of both the supplier and the LVMH group. Suppliers must also respect the rules established by customs and security authorities as well as any trade restrictions and international sanctions. On the subject of the protection of brand image and intellectual property rights, LVMH requires rigorous behavior from its suppliers in order to protect its working assets. Damage to the image of a supplier's errors could also have serious repercussions for the main company and a giant such as LVMH cannot afford these risks. LVMH suppliers must also behave rigorously and correctly on social networks and more generally in their public statements. Finally, there are transparency and communication obligations regarding the raw materials used, the production sites, the method and so on.

-Supplier grievance mechanism and alert line: LVMH requires its suppliers to set up a mechanism through which employees and executives can communicate company issues promptly without fear of retaliation from superiors. LVMH has made itself available to its partners to resolve any problems by promptly communicating the critical issues detected. Interested parties can contact their LVMH contact to report the situation or they can use the LVMH alert line, an online interface which provides the tools to communicate, in a secure and confidential manner, information relating to possible violations of the Code of Ethics by suppliers. The LVMH alert line is also accessible to the Group's own employees.

-Control and access to information: A section of the LVMH Code of Ethics is dedicated to the control of and access to information relating to the behavior of suppliers in relation to the principles set out in the Code of Ethics. LVMH may carry out controls either itself or through third parties. All of this must take place in a climate of mutual collaboration: suppliers must act in compliance with the aforementioned code while also respecting their professional obligations, and the monitoring entities must not only detect any irregularities but may also provide help and support to suppliers to remedy the irregularity where possible. With regard to the issue of access to information, it is specified that suppliers are required to provide any type of document or information to the control entities if requested. (LVMH group, Suppliers Code of Conduct,2022)

2.3.3.2 Kering and its code of conducts for suppliers

As highlighted above, many companies have adopted a supplier code of conduct to regulate all aspects of relations with the various parties involved throughout the supply chain. Any image damage resulting from a supplier's misbehavior could have a major impact on the main company. Remaining in the luxury sector, the codes of conduct for suppliers to the Kering Group and Moncler can also be cited as examples. (Kering, Code of Ethics,2019) Both codes are very similar to that of the LVMH group and aim at fighting phenomena such as child labor or the exploitation of workers by supplier companies. Topics such as diversity and inclusion, well-being in the workplace, minimum wage and the fight against corruption are present in the ethical codes of all major companies worldwide, especially in the luxury sector. For example, Kering includes in its code of ethics respect for the rights of migrant workers in line with the Dhaka Principles. Thus, measures such as the withholding of migrants' documents by their employers as well as recruitment fees charged to workers are prohibited. In addition, the Kering group has set carbon neutrality as an objective in its code of ethics. The time horizon set is 2025 and the project of offsetting greenhouse gas emissions related to its operations and supply chains started strongly in 2018. Some of the group's Maisons such as Gucci have already achieved this goal. Kering also demonstrates a strong commitment to biodiversity protection. The group is one of the founding members of the Fashion Pact, which brings together leading global companies in the fashion and textile sectors. Also included within the Fashion Pact are suppliers and distributors working together to achieve common goals focused on 3 main areas:

- *stop global warming.*
- *restoring biodiversity.*
- *protecting the oceans.*

As can be seen from the official website of the Fashion Pact, it was commissioned by French President Macron to Kering CEO Pinault and was presented during the G7 summit in Biarritz in 2019. (The Fashion Pact,2022)

2.3.3.3 Moncler and its sustainable supply chain

On the other hand, as far as Moncler is concerned, in recent years the group is implementing the Supply Chain Excellence program with the aim of raising the level of the supply chain to excellence; indeed, Moncler wants to achieve operational excellence in terms of quality, time to market, sustainability, reliability, flexibility and efficiency. To achieve this goal, Moncler has launched several initiatives, including:

-Collection Excellence: The use of the Product Lifecycle Management platform has been extended to all product lines and categories to increase the efficiency of the production process, as well as the sharing of information favored by a common environment in which to operate.

-Supply Chain Collaboration: the objective is to create a new collaboration platform to have greater control of the various production phases. The use of the platform is based on a strong communication between the manufacturers and executives.

-Project 3D: by integrating technology into Moncler's product development processes, Moncler is able to reduce waste of raw materials, development time and prototype production costs.

-Zero waste project: in 2021, Moncler analyzed and classified all its inventories, making those available for the creation of new collections, thus reducing waste. (Moncler, Profilo della Catena di Fornitura,2022)

The company also follows an approach called "*continuous improvement approach*" to continuously improve Supply chain and Operations processes. The continuous improvement concerns raw materials, product quality and also transport traceability.

Moncler's supplier code of conduct analyzes aspects, as well as those of Kering and LVMH, related to the protection of the rights of workers employed in supplier activities as well as issues such as inclusion, the prohibition of discriminatory behavior and the protection of employees' freedom of association. Part of the suppliers' code of conduct also covers environmental protection, a central theme when it comes to sustainability. Moncler Group suppliers are required to comply with all applicable regulations in terms of environmental protection. Emphasis is placed on issues such as the preservation of biodiversity and ecosystems. Suppliers and subcontractors are required to act by reducing as much as possible their own

environmental impact and pollution resulting from the performance of their activities. Moncler strongly recommends that suppliers and subcontractors have ISO14001 EMAS certification related to their environmental management system, which will then comply with international standards. Moncler also emphasizes that suppliers and subcontractors are required to treat solid waste and wastewater before disposing of it. The issues of animal welfare and health are also addressed: these two elements must be ensured in the stages from breeding to the slaughter of the animals. Those involved in Moncler's supply chain are required to protect wild animal populations and ensure the legality and provenance of the animal materials they use. Moncler's code of ethics also emphasizes that suppliers and subcontractors are expected to adhere to the highest standards of honesty, integrity, and fairness in the conduct of business practices. Violations of standards of any kind, especially in the areas of money laundering, bribery, and protection of third-party property rights, are not tolerated. The issue of business ethics therefore also returns in the relationship between a company and its suppliers, and not only in the internal relationships that exist between parties in the same company. The creation of a healthy and heterogeneous environment that can foster the development of a company's sustainable DNA also passes through the creation of solid and lasting relationships with suppliers who also primarily respect principles such as social inclusion and respect for the environment, embracing in the round the definition of corporate sustainability that is not merely limited to issues of respect for animals and plants but includes, as already pointed out, many interconnected social and economic aspects and issues. (Moncler Suppliers code,2022)

2.3.4. Supporting the communities in which the company works

The issue of supporting the local communities affected by the companies' operations turns out to be of vital importance in terms of sustainability. Giving back to local communities appears to be a must-have nowadays for companies, and the luxury sector is no exception. Of course, even in this case the actions taken by the company must be decisive and concrete, to avoid falling into a kind of greenwashing and thereby losing the trust of local communities and beyond. As an example of support for local communities we can mention in the first instance the kindergarten, already cited in the previous paragraphs, that Moncler has provided for the children of its employees in the production facility opened in recent years in Romania, contributing to the improvement of local communities. Along the same lines, the issue of education and training of employees' children is one of the best examples of giving back to local communities, as well as supporting employees. Another example, is the one of Gucci, belonging to the Kering group, which as highlighted above is at the forefront of sustainability policies. In the following section, the work of the Gucci Foundation, will be analyzed, along with various initiatives put in place by luxury bigwigs, such as Prada and Luxottica, to support local communities.

2.3.4.1. The Gucci Foundation

The nonprofit organization Gucci Foundation was established to fight the problem of child sexual molestation. As the foundation's website shows, 1 in 4 girls and 1 in 6 boys worldwide experience sexual

violence before they turn 18. An apex figure in this foundation is Alexandra Zarini - a direct descendant of Guccio Gucci - who in recent years has reported violence suffered by her mother's second husband from the age of 6 to 22 (F.Q., 2020). The foundation's mission is clearly visible on its official website: Gucci Foundation was born to "*free all children from sexual abuse*". To achieve its goals, the foundation collaborates with numerous partners, especially government institutions, to put in place concrete initiatives to protect local communities, especially children. For example, the foundation provides financial and other support to the various partners involved in these initiatives, including associations or nonprofit foundations active in the field. The foundation moves in various areas to achieve its goals:

Awareness and Policy: initiatives are planned to raise people's awareness of the issue and to give a voice to victims of abuse. The foundation also takes the lead in fostering the intervention of political institutions on the issue.

Education: fighting child abuse also involves educating children and adults on the issue. The foundation directly supports and subsidizes the use of the most effective educational methods to ensure adequate education on the subject for those involved. It is also worth mentioning that this knowledge can be crucial, in extreme cases, to protect the very life of the eventual victim of violence.

Medical Research: the topic of sexual violence is linked to psychophysical disorders from which victims may suffer in the years following the violence. Gucci Foundation is personally committed to raising funds to facilitate medical studies on the topic and to ensure concrete help and assistance, both psychological and practical, for victims of abuse. There is a section on the website called "support us" with which you can immediately get in touch with the foundation to provide the necessary support.

Societal Research: the goal of this type of research is to collect and analyze data necessary to better understand and raise awareness of the extent of child sexual molestation. Emphasis is also placed on the consequences these abuses have on the individual, society, and the 'economy.

Technology: with the goal of tracking, documenting, reducing, and eliminating child abuse, Gucci Foundation is committed to working with partners to use the newest, most effective and efficient technologies available.

Speak up: the foundation provides opportunities for those affected to speak openly about their traumatic experiences due to sexual violence.

Gucci Foundation also appears to have a strong social presence: it is possible to contact the foundation via Instagram, Facebook, LinkedIn or Twitter. (GucciFoundation,2022)

2.3.4.2 Kering and collaborations with universities

Research and training turn out to be critical success factors for the Kering group in the area of sustainability. The company, as shown on its official website, is at the forefront of training the designers of tomorrow: through partnerships and agreements with various universities Kering provides training programs for students interested in the field of sustainability. Training can be carried out through conferences, for example, Kering has carried out these activities in China, at Tsinghua University, and in the United States of America at the Fashion Institute of Technology in New York. An important partnership was ratified with the London College of Fashion: initially open-access courses were offered on fashion and sustainability issues, and later, given the success of these courses, a cutting-edge training program was launched on the subject of fashion and sustainability. By offering people, especially young people, the opportunity to train in a professional and qualified way, the Kering group goes on to better fit into the local communities affected by its business activities. (Kering, Preservare l'Artigianalità,2022)

2.3.4.3. Moncler's support to local communities

Moncler has been active in supporting local communities for many years. (Moncler, Give Back,2022) The company promotes initiatives and projects that involve supporting local communities through direct donations of money or material goods and through collaborations with nonprofit associations active in social work. The group is mainly engaged in the areas of scientific research and prevention, social development and poverty, and support to populations in emergency situations. Specific support activities are also carried out for local communities living near the company's headquarters. To facilitate these activities, Moncler has for years carried on a sincere and collaborative dialogue with both institutions and representatives of local communities. Of course, in times of pandemic, Moncler has provided support to communities to counter the spread and infection of Covid-19. Moncler's total investment over the past year in supporting local communities has been calculated at 3.6 million euros. Getting more specific, from Moncler's official website it is possible to deduce more precisely the type of initiative, contribution, and scope of intervention. In terms of the type of initiative, 85% of aid is direct investments in communities. As for donations, on the other hand, they stand at 8%, while the remaining 7% of aids is represented by commercial investments with social impact (Figure 9). Analyzing the type of contribution, we see that 90% of contributions are financial, 4% of the contributions are related to operating costs for the organization of volunteer activities performed by employees during working hours, and 3% is represented by tangible assets and 3% is represented by the monetary value of volunteer hours worked by Moncler Group employees during working hours (Figure 10). With respect to the scope of intervention, 48% of the initiatives relates to natural disasters and emergency areas, 17% dealt with the area of scientific research, 12% for art and culture, and 6% of the initiatives are derecognized as "other." The remaining 17 are related to fostering the social development of local communities (Figure 11). The Moncler Group's activities involve for the 68% supporting local communities in Italy and 32% is devoted to the other countries in the rest of the world (Figure 12).

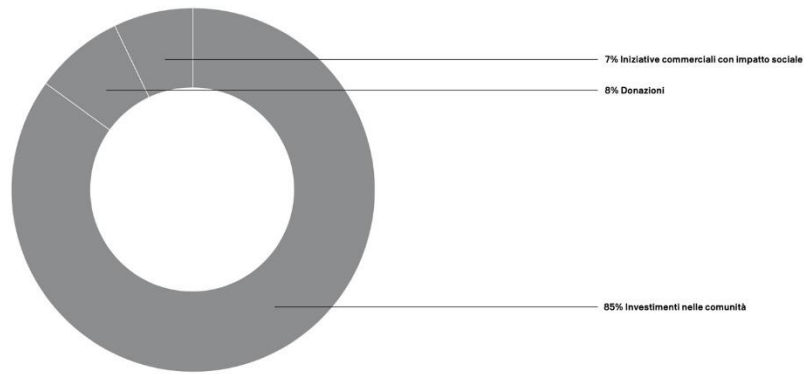


Figure 9. Type of initiative undertaken by Moncler Source <https://www.monclergroup.com/it/sostenibilita/give-back/supporto-alla-comunita>

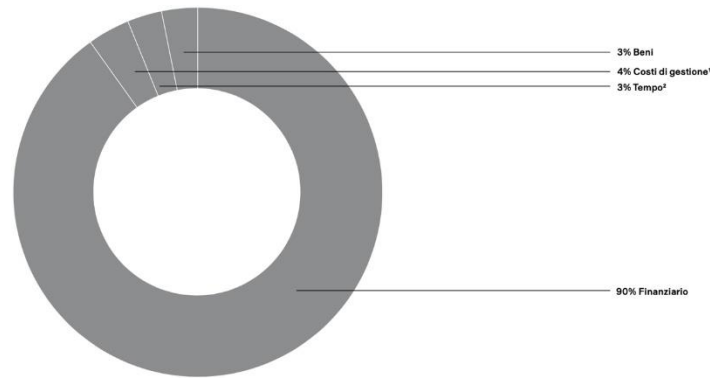


Figure 10. Type of contribution given by Moncler Source <https://www.monclergroup.com/it/sostenibilita/give-back/supporto-alla-comunita>

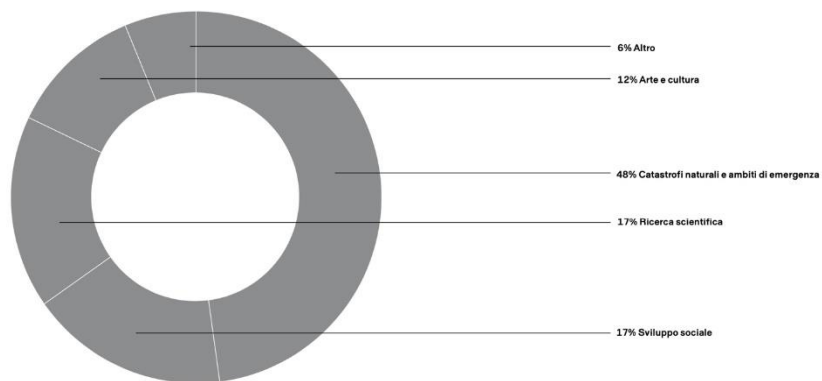


Figure 11. Scope of intervention of actions undertaken by Moncler Source: <https://www.monclergroup.com/it/sostenibilita/give-back/supporto-alla-comunita>

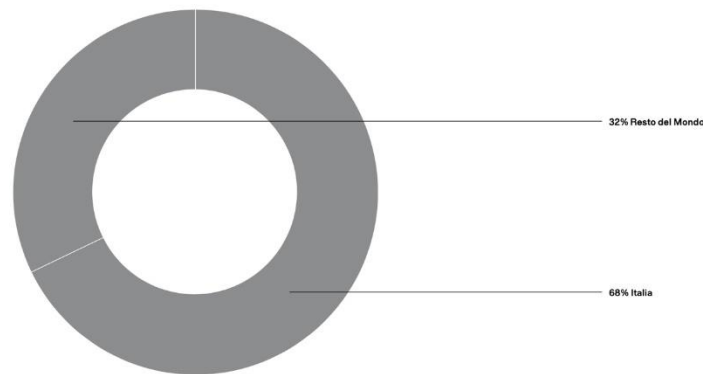


Figure 12. Intervention by geographic area Source: <https://www.monclergroup.com/it/sostenibilita/give-back/supporto-alla-comunita>

2.3.4.4. Hermes and the Hermes APS Onlus association

In 2010, French luxury brand Hermes launched a nonprofit association to help people with disabilities. In creating this association, Hermes enlisted the cooperation of the parents of people with disabilities to provide them with appropriate assistance and to help disabled children to better integrate into the community. Among the various goals of the non-profit organization, as shown on its official website, is to promote the protection of the rights and social equality of people with disabilities. The association promotes socio-educational employment paths to help disabled children overcome problems such as social isolation and lack of integration within the society in which they live. Hermes' goal is to provide continuous and effective assistance to these people over time. It turns out to be possible to collaborate personally with the association through direct donations or by contacting the non-profit directly to become a volunteer or to report the presence of any social situations at risk for which intervention by the non-profit is needed. Among the group's various activities is the "Doggy Slurp," carried out in collaboration with other non-profit organizations and various partners aimed at fostering the social inclusion of children with disabilities. The project involved the creation of a line of dog cookies, and all phases of the product's creation saw boys with disabilities at the forefront. To order the product, the association and partners involved in the project can be contacted by phone or email. From November 2020 to November 2021, the project "*Oggi e Domani anche per Noi*" was carried out, now in its second year, with the aim of carrying out social support and aggregation activities for young adults with disabilities, regardless of the type and degree of disability. Another interesting project is "*La Casa di Marco*", a co-housing project aimed at young adults with severe disabilities. The goal of the project is to foster the independence of these young people through targeted and innovative interventions. *La Casa di Marco* is based in Rome and here young adults with disabilities find an environment characterized by sharing and mutual help. Inside the building, young people carry out various activities in order to prepare themselves for independent living. *La Casa di Marco* represents an important training ground for these people and the project is divided into two phases: the first phase, called *Durante Noi*, is about building a solid foundation to support people with disabilities in the initial stages; the second

phase, called *Dopo di Noi*, is aimed at the integration in the persons' community in which their rights will be respected and their needs will be met. In 2020, the Hermes Association won the fourth edition of the Roma Best Practice Award "*MAMMA ROMA E I SUOI FIGLI MIGLIORI 2020*" competition with the "*Rome Gives Taste*" project. Thanks to the prize won, which consisted of a voucher for the purchase of kitchen equipment, the association implemented a free course in local artisanal gastronomy for young adults with disabilities from June to December 2020. (Hermès, Giving Back,2022)

2.3.4.5. Prada and the SEA BEYOND project

Starting in 2019 and in collaboration with UNESCO's Intergovernmental Oceanographic Commission, the Italian brand Prada has promoted the *SEA BEYOND* educational program, aimed at a number of international secondary schools scattered across Europe, Africa, Asia and North America, with the goal of educating young students about the protection and respect of the sea. As shown on the brand's official website, proceeds from the sales of the Re-Nylon collection, born in 2019 with products made of reclaimed Nylon, were used to fund the project. With this project, the company underscores its adherence to the Fashion Pact and its being in line and in tune with the goals of the United Nations' Agenda 2030. The first edition of the award was won by the Portuguese school "*Agrupamento de Escolas de Vialonga di Vialonga*" located in Lisbon with a short cartoon related to the consequences of plastic pollution in the seas and the impact of said pollution on the entire marine ecosystem. The topics covered during the project were those of ocean literacy, and despite the difficulties due to the pandemic that forced students to distance learning, the project is considered a success and has continued in the following years. To date, the program has reached about 300 international secondary school children and is officially linked since January 2021 to the United Nations Decade of Marine Science for Sustainable Development. The second edition of the project was presented on June 8, 2021 on World Ocean Day and was attended by schools from 10 different countries. The program included webinars conducted by ocean literacy experts for teachers and students from participating schools starting in October 2021. Students were asked to analyze the challenges and goals humanity will face in the coming years to protect the sea, oceans, and aquatic and other ecosystems on our planet. (Prada, Sea Beyond,2022)

2.3.4.6. Chanel and its foundation

Beginning in 2011, as reflected on its official website, the Chanel company launched a foundation with the aim of helping women and girls around the world improve their socioeconomic status. To do so, Chanel has used and is still using a multi-year technical and financial aid plan in collaboration with institutional and private partners to consolidate women's position in society. Among the various projects undertaken by Chanel, it is possible to mention for example the one carried out during the period from 2014 to 2018 in Tanzania, East Africa, in collaboration with UNICEF. As reported on the foundation's website, Tanzania is one of the poorest states in the world and half of its population is under 18. 40% of young women become mothers before the age of 18, which, in a difficult socioeconomic context like Tanzania's, leads these girls to

interrupt their schooling to pay attention to their own health and that of their child. The project was carried out in collaboration with UNICEF and saw the creation of Radio Sara, a radio program for children between the ages of 10 and 14, with educational and entertainment purposes. Radio Sara communicates to its listeners through a school-age female character who addresses topics such as children's rights, water pollution and purification, sex education, and issues related to food and its scarcity in certain areas of the world, such as Tanzania. The project also included direct meetings with local students to stimulate dialogue and discussion around these topics. Over the years, the project has reached more than 60 thousand children in Tanzania and more than 200 schools scattered mainly in the Iringa district in the center of the country. Another very interesting project has targeted indigenous women scattered around the world. The theme of exclusion and social marginalization is common to many indigenous women: according to the Chanel Foundation's official website, 150 million women distributed in 90 countries suffer from problems of social marginalization that translate into violence, discrimination, and lack of access to medical care. The project, carried out in collaboration with the nonprofit organization En Terre Indigène, began in 2018 and aims to give voice to these indigenous women by creating video-graphic and photographic capsules to be included in an online platform to preserve and share the memory of these people for future generations. Thus, the project involves the creation of a future online historical memory related to the customs and traditions of these indigenous people scattered around the world, to ensure that this is not lost with the passing of decades and generations. An additional giving back project is being implemented during the period from 2020 to 2022 in Madagascar, in Southeast Africa. In the island country, women often lack proper sex education and are often forced by societal taboos to have many children from a young age, as evidenced by data reported by Chanel on the foundation's website. In Madagascar, 25% of women have an unmet need for contraception and 1 in 3 girls become pregnant before the age of 18, finding themselves forced to drop out of school and limiting their future opportunities for personal and professional fulfillment. The project is implemented in collaboration with MSI Reproductive Choices, a global leader in ensuring access to health services related to sexual and reproductive issues. The project involved training professional teams of doctors and health units that acted throughout the country, especially in the most remote areas of the African island. The goal is to reach about 25,000 girls at least throughout Madagascar, and by providing them with proper health services and sex education, Chanel wants to bring down the maternal and infant mortality rate as well as the number of unwanted pregnancies and unsafe abortions in the African country. Together with partner MSI Reproductive Choices, direct aid has also been planned for some public facilities already in operation in the island country. The Chanel Foundation's projects are active, as mentioned above, all over the world, and South America is no exception: between 2019 and 2021 Chanel has undertaken, together with the nongovernmental organization Plan International, a series of initiatives in Brazil with the aim of raising awareness on issues such as access to health care for women and gender equality. The project involves using soccer, the most beloved sport in Brazil and beyond, as a tool for the social, professional, and family integration of young

Brazilian girls. The project also aims to encourage the girls involved in becoming role models for their home communities. To date, as reported on the Chanel Foundation website, 354 adolescent girls have received life skills training, 49 of them have participated in a leadership and entrepreneurship program, and more than 450 thousand people have been involved in a gender equality campaign. During the period from 2018 to 2021, Chanel has launched a variety of initiatives in India, especially in the poorest and most rural areas of the country. One of these projects is called Girl First-KGBV and is implemented in partnership with CorStone, an organization that develops and distributes evidence-based personal resilience programs to improve the mental and physical health of young boys and girls around the world. CorStone's main focus is young adolescent girls, and between India and Kenya these types of programs have reached about 50 thousand people. The project consists of a 6-month program based on resilience and health issues and is aimed at marginalized and socially disadvantaged middle school girls in the state of Bihar, located in the northeastern part of the country. The program aims to help girls improve their physical and mental health by providing them with all the training tools they need to achieve the goal. Among the topics covered is clearly that of education, which is often denied to women for various unjustifiable reasons in these areas, as well as that of rejecting marriage imposed by one's family in accordance with the traditions of certain communities. The goal, therefore, is to provide all-round health care for these young girls so that they can have a bright future in which they succeed in fulfilling themselves as a person. To date, Chanel's program has reached 18163 girls in India who have received leadership and life skills support and 268 teachers who have been trained on the subject. (ChanelFoundation,2022)

2.3.4.7. Armani and support during the Covid-19 pandemic

In the early stages of the expansion of the Covid-19 pandemic in Europe, Italy found itself on the front lines fighting the virus and was one of the European countries most harmed by the new coronavirus. In March and April 2020, the situation in Italian hospitals was quite critical, and big names in the fashion world did not hesitate to help defeat the pandemic. As a prime example, it is possible to cite Armani, with company leader Giorgio Armani at the forefront, which made multi-million euros donations to Italian hospitals and repurposed its production at Italian sites by starting to produce disposable medical suits needed by nurses to fight the pandemic by reducing the risk of being infected by coming into contact with a positive patient. As noted on the Armani brand's official website, donations were given to the Civil Defense and various Italian hospitals such as San Raffaele and Sacco in Milan. Other donations were made to the Spallanzani Institute in Rome and hospitals in Bergamo, a city symbolic of the pandemic, Piacenza and the Versilia sub-region located in Tuscany. In addition to these donations, the Olimpia Milano basketball team, owned by Giorgio Armani, in April 2020 donated part of the basketball players' and technical staff's salaries to hospitals in Lombardy fighting Covid-19. In addition, the basketball company also made a direct donation to fight the pandemic in favor of some Italian hospitals and Civil Defense. As can be seen from Armani's official website, the company has been carrying out for about a decade in collaboration with L'Oréal an important

project called Acqua for life, which is inspired by the principles of the United Nations resolution that in 2010 recognized access to drinking water and sanitation as a human right. The project managed to reach over 195 thousand people spread across 3 continents. This required an investment of nearly 8 million euros. The project consists of installing water access points, toilets, rainwater harvesting tanks, and purification and filtration systems for areas where there is little or no drinking water. A second phase of the project also includes education for the communities involved in the project to educate them about water and water use and to encourage the enactment of health regulations to maximize the efficiency of the benefits of responsible water use. Education for local communities also covers aspects such as the management and maintenance of water sources once the project has come to an end, to still ensure lasting future prosperity for these people. As partners, in addition to the aforementioned L'Oréal, Armani is joined in this project by UNICEF USA, Green Cross International and Water Aid, international organizations active in social and other fields. The Armani group is also active from a cultural point of view: it has been supporting the Pinacoteca di Brera for years now and has been part of the "I 200 del FAI" group since the group was founded. The group is made up of various patrons who make donations to restore and protect Italian beauties. In particular, the Armani Group has played an active role in the restoration of San Fruttuoso Abbey in Genoa and Villa Necchi Campiglio in Milan. (Armani,2022)

2.3.4.8. Luxottica and the support to OneSight

OneSight is an independent nonprofit organization dedicated to providing eye care, treatment, and eyewear to underserved communities around the world. As reported on Luxottica's website, in the section dedicated to its partnership with OneSight, more than one billion people worldwide lack adequate eye care and suffer from problems related to this lack of care. Since 1988, OneSight has collaborated with numerous international and institutional partners to help these people, and to date more than 9 million individuals spread across 46 different nations have been reached. Luxottica is OneSight's lead partner and provides financial assistance and operational support to the nonprofit organization's initiatives each year. Nearly 24 thousand Luxottica doctors and employees are working on the front lines to defeat this problem that affects 1 billion people on our planet. The initiatives carried out by OneSight and Luxottica are of various types: through temporary clinics and mobile clinics, eye care and eyeglasses are provided to those in need; in-store programs and awareness campaigns have been carried out; and medical research has been conducted on the most prevalent eye diseases on a global scale. Scholarships and education programs are also provided for the next generation who are interested in working in this field in the future. OneSight's initiatives are characterized by sustainable development models that aim to ensure continued and long-term care for the neediest people and communities in every part of the world. Looking more specifically at the contribution of Luxottica and its brands to support OneSight in its initiatives, we note that each year more than a thousand Luxottica employees collaborate with OneSight by traveling the world to provide their expertise in support of local communities. Another thousand employees produce and prepare eyewear while also supporting the

various outreach programs dedicated to the local communities involved in the project. Local events are also organized to raise funds for these communities in need, and several thousand Luxottica employees each year voluntarily donate, in agreement with Luxottica, a day of their salary to OneSight and its charitable initiatives. (Luxottica, OneSight, 2022)

2.3.5. Generating long term value for shareholders

To carry out its activities, a company clearly needs more or less capital to finance its investments. Shareholders are the people who make their money available to the company and, beyond that, ensure that the company is able to produce the goods and provide the services that are then sold in the marketplace. Underlying the concept of long-term shareholder value creation, then, is a financially sound company that is able to raise the necessary capital to finance its operations and redistribute the proceeds, in the right and established proportions, to shareholders. With this in mind, it seems useful to cite the aforementioned Accenture article, "Shaping the Sustainable Organization," which discusses the sustainable DNA that companies must have in order to act in accordance with the principles of sustainability. Among the various principles mentioned, reference is made to the so-called open dialogue, a dialogue that Accenture calls consultative and listening by default. This type of dialogue is based on clear and constant communication between the company and its shareholders: shareholders or members kept in the dark about some of the company's decisions may lose confidence in the company and decide to sell their shares or units to other parties. The constant turnover of a company's shareholders may be seen by the market as a symptom of poor corporate stability, both at the managerial and financial levels. A company that is seen as unstable will have quite a bit of difficulty in the market to raise the necessary capital to finance its productive activity: investors are unlikely to choose to invest in a company where there is a turbulent climate even in top management and where there is no shared vision by all shareholders for the long term. As Business Roundtable points out on its official website, very often the top management of large companies, face short-term problems and issues, losing focus on the long term. Attention to the long term is often lost because of too much focus on short-term profits, which are more palatable in the immediate term, and on achieving analysts' forecasts. By focusing on short-term profits, attention is lost on the strategic investments that must be planned and implemented to create long-term value and grow the entire enterprise (Business Roundtable, 2022). The goal of long-term investments must be to create shared value not only within the company but also, and above all, with a view to sustainability, with the environment and local communities present in the places where the company conducts its activities. Reconnecting with the discourse made in the previous lines, regarding the theme of open dialogue between the company and shareholders, the theme of transparency of information can also be introduced: not only is it necessary to have an open dialogue between the company and stakeholders on issues of common interest, but it is also necessary for this information to be usable and freely accessible at all times for all shareholders and corporate stakeholders, who must have the opportunity to inform themselves about a company in the ways and at the times they deem most appropriate for the

protection of their interests. The issue of corporate disclosure is therefore central to the creation of a lasting relationship with shareholders that can foster the company's long-term stability and the achievement of excellent financial performance in the marketplace that creates long-term value for the company and its shareholders. Luxury companies turn out to be as involved as companies in other industries in the discourse just mentioned. Issues such as transparency of information and open dialogue are crucial nowadays for companies that want to be leaders in the luxury sector, especially if they are publicly traded and thus seek financing for their businesses from a wide audience of investors. The next chapter will propose an analysis of the financial performance of the major luxury giants, namely the Kering Group and the LVMH Group, and the Prada Group, a company that is very active in terms of sustainability. The analysis aims to relate corporate sustainability and actions taken by luxury companies in this regard to the companies' financial performance. The goal is to show that there is a positive correlation between organizational design, corporate sustainability, and financial performance. Over the years, the corporate engagement of the 3 luxury giants mentioned above in sustainability actions has steadily increased, and each year new projects and initiatives are launched as we have seen in the previous chapters. We will proceed by analyzing the quantitative and qualitative data available in the company reports for the year 2021 and continue the analysis by describing what the data relate to.

3. Analysis of Three Major Luxury Company

The objective of the chapter is to highlight a positive correlation between a company's performance in the marketplace and its corporate sustainability policies, with all the organizational changes that result. It is intended to bring out the fact that, in the luxury sector, sustainability is an asset for companies that by pursuing this path go on to gain direct or indirect benefits. The analysis is not intended to take into account only purely economic results: the success of a company is also evaluated on the basis of other factors such as the internal climate of the working environment and the wellbeing of employees, and each action put in place by those involved in the operation of the company can be seen as a small brick that is added to the others already present to create and consolidate a sustainable DNA that constitutes an asset and an important tool for the company itself. As will be seen, it is the executives of large luxury groups themselves who recognize sustainability as a founding value as well as an important strategic asset for businesses. The benefits a company derives from sustainability are not always calculable in purely economic terms and are often related to each other, in a kind of virtuous circle that nurtures the company in a positive way. As highlighted in the previous chapters, corporate sustainability is a very current issue: more and more consumers, even in the luxury market, are orienting their purchasing choices by taking into consideration factors related to the issue of corporate sustainability such as respect for the environment and minorities. Corporate sustainability also covers a wide variety of issues, including the topic related to the work environment and the topic of using recyclable materials: a dynamic work environment in which there is strong horizontal communication fosters the wellbeing of employees and from this can result in an increase in their productivity; the use of recyclable materials lowers costs in the supply chain and allows those resources to be invested differently, and so on. In support of this thesis, we quote data provided by Accenture in which a positive correlation between ESG metrics (also known as Environmental, Social and Economics metrics) and corporate performance is shown (Accenture, 2022). Over the period from 2013 to 2020, Accenture found that companies with consistently high ESG scores performed about 2.6 times higher than companies with average ESG scores. The correlation between high ESG scores and corporate performance is thus positive, enabling companies to perform better than their competitors. Accenture's analysis also highlights the fact that, as of January 2022, only 1095 companies worldwide had set clear emission reduction targets by following the Science Based Target initiative, a joint program developed since 2015 by government institutions, international organizations and companies to protect the environment and reduce harmful emissions in line with the 2015 Paris Climate Accords. (Science Based Target, 2022). The number of companies is reported to be growing in Accenture's report, which also points out that the consumer market is unlikely to forget those who fall behind. This thesis of Accenture about the growth in the number of companies choosing to act sustainably by following the Science Based Target initiative also turns out to be true: as of the day of writing this paragraph, i.e., May 20, 2022, there are 3063 companies that have decided to take a stand and follow this initiative. The figure is taken directly from the aforementioned site

sciencebasedtargets.org and is constantly being updated: the more time passes, the more companies realize the importance of such issues not only for a matter of image but also to achieve improvements in business performance at the economic level.

3.1. Development of the analysis

In the development of the analysis, the two largest luxury groups, namely LVMH and Kering, and the Prada Group, a dynamic luxury hub in the global market, will be taken as reference, as anticipated in Chapter 2. The analysis will take as its starting point the reports published by the same companies, and quantitative and qualitative data will be analyzed to better understand how sustainability has helped these companies achieve their results, both in economic and non-economic terms. The positive correlation intended to be demonstrated between sustainability and a company's results aims to highlight how sustainable business models represent the present and future of the luxury market. Economic and image returns, savings on production and procurement costs, savings on personnel costs and more constitute the benefits that result from sustainable business action, as will be seen in the following paragraphs.

3.2. LVMH

The luxury giant LVMH annually produces a detailed report regarding its activities during the year under review. The latest available report turns out to be, for obvious timing reasons, the one for the year 2021. Through the 2021 Annual Report, it is possible to analyze in depth the activities carried out by the group over the past year, and in addition to the aforementioned report, it is also possible to consult the Social and Environmental Responsibility Report also prepared annually by the French group. The Annual Report has a more economic and organizational focus, the Social and Environmental Responsibility Report analyzes more aspects related to business ethics and Corporate Social Responsibility, with a reminder of the initiatives carried out during the year in terms of sustainability and beyond. In the second report mentioned there is a statement by Bernard Arnault, Chairman and CEO of the group, which is very interesting to begin the analysis on the LVMH group:

“LVMH’s record results in 2021 underline the solidity of our business model, which is built on the desirability of our products and our ability to make people dream. Yet our success is only worthwhile if it is also a virtuous one. This is a strength because it benefits everyone. It also concerns our non-financial performance—it creates jobs and strengthens the economic and social fabric of our communities. It brings our culture, and all it represents, to the entire world—our concept of art de vivre, our values, our unique savoir-faire, our commitments and more”. (LVMH, Social and Environmental Responsibility Report, 2021)

The LVMH CEO highlights, in citing the group's record-breaking financial results achieved in 2021, a fundamental aspect of value creation: creating value is not just about making money but is about creating a benefit for everyone involved in the value creation process. LVMH's achievements are not only important from a financial point of view but are also important because they help strengthen the social economic fabric

that surrounds the corporate group and with which the group constantly relates in carrying out its activities. In the speech published in the Sustainability Report Monsieur Arnault also stresses that "*Protecting nature is an imperative*" for the LVMH group, which is at the forefront of protecting biodiversity and ecosystems through initiatives and programs such as LIFE 360. Monsieur Arnault's words confirm that sustainability is an integral part of LVMH's business model, a model that is solid and successful in the market with strong financial performance, LVMH being the world's leading luxury group. The solidity of LVMH's business model is based on 6 fundamental pillars, mentioned in the Annual Report:

- 1. Decentralized Organization:** Such a structure guarantees each Maison that is part of the group independence and responsiveness in the market. Thanks to this type of organizational approach LVMH manages both to be as close as possible to its consumers and to involve employees more closely, motivating them and helping to develop their entrepreneurial spirit. Such a structure turns out to be in line with what has been stated in the previous chapters: an organization that is too centralized is not conducive to horizontal and open dialogue between the parties as it turns out to be too hierarchical and closed at the top. A more decentralized organization provides more freedom for both individual brands and the people working in the companies. The right conditions are thus created to develop and maintain the sustainable DNA of the company in an atmosphere of mutual cooperation among the people involved. Such a company will more easily be able to transmit its mission and values in its employees, whether executives or ordinary employees, and pursue its goals with this "Animated Purpose" (Shook et al., 2021) as an integral part of its sustainable DNA.
- 2. Vertical Integration:** Vertical integration, both upstream and downstream, allows the group to maintain control over the value chain in every part. LVMH in this way controls and protects the image of its Maisons. As highlighted in the previous chapter, LVMH has a Code of Conduct for suppliers who must abide by the rules set out in the Code in order to do business with the French group. Image protection turns out to be a key issue, as already highlighted, in the luxury market nowadays as consumers, especially younger ones, are increasingly careful to direct their purchasing choices by taking into account factors such as the reputation and image of the company from which they decide to buy the good they need. Moreover, the company, by establishing solid and lasting relationships with its suppliers, also goes on to secure those economic advantages that come from relationships of this kind in that the supply chain will certainly be more efficient and organized than one in which actors are involved who do not relate often and who do not regulate their working relationship adequately.
- 3. Sustaining Savoir-Faire:** To preserve the distinctive features of its brands and their level of excellence, LVMH launches several initiatives each year to train and frame the future professionals who will make their products in the working world. The protection of its brand identity also passes

through such initiatives: consumers lose confidence in a brand if they notice a deterioration in the quality and craftsmanship of its products, and a group like LVMH cannot afford, even for reputational reasons, to fall into this trap.

4. **Organic Growth:** It is one of the cornerstones of the LVMH Group's corporate mentality. The company promotes growth initiatives and projects for individual Maisons by placing employees at the its center: it is the company's job to train and professionally develop its employees. In such an organization it is easy to develop a Culture of Learning that can prepare people for the future of their work through targeted learning and development. Appropriate professional growth paths and incentives to improve one's performance contribute to employee confidence and can be important factors in motivating these people to give their all and excel in their work, consequently pushing the company to improve its performance.
5. **Creating synergies:** The creation of synergies within the group proves to be very useful as the combined strength of the brands can be used to the benefit of the individual Maisons: by interacting with each otherMaisons while remaining autonomous and independent, share problems and find solutions together and foster the creation of an open and positive dialogue that can be leveraged to generate value.
6. **Balance across business segments and geographies:** The group manages to maintain a balance between the investments made in the various areas of the world in which it operates. Such a balance turns out to be critical to sustaining organic growth and achieving ever greater results. Acting in various very different areas of the world, the group deals with stakeholders of all kinds, and it is important to be able to relate as well as possible to all kinds of stakeholders. (LVMH, Annual Report,2021)

Thus, as highlighted by the group's CEO himself, the LVMH group's economic performance comes from the interaction and functioning of each of these 6 pillars and the continuous interaction that takes place between the group and the various stakeholders with whom it relates. Among the stakeholders, mention should obviously be made of the local communities with whom the group comes into contact and develops projects on issues such as social inclusion and respect for the environment, receiving in return benefits in terms of image and reputation. The group's commitment appears to be very concrete on sustainability issues, as announced in the previous chapter, and the financial performance benefits from this. Figure 13, shows the LVMH group's sales revenue figures for the year just ended.

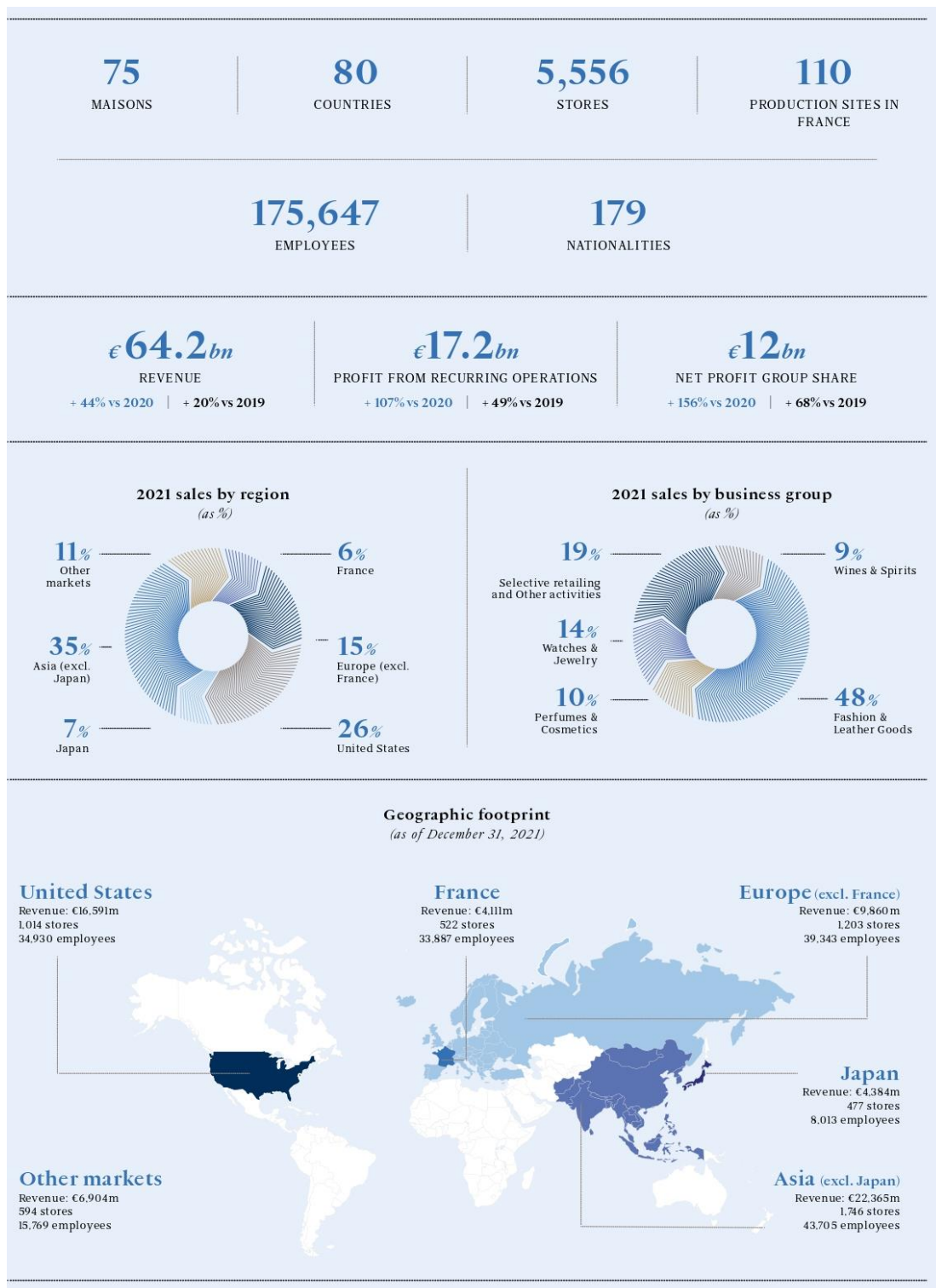


Figure 13. LVMH financial data 2021 Source: <https://r.lvmh-static.com/uploads/2022/04/2021-social-and-environmental-responsibility-report.pdf>

The size of the LVMH group is that of a large industrial conglomerate, as is normal for the leading luxury company. In fact, the group has 75 Maisons within it and is present in 80 countries scattered around the world. There are more than 5,000 stores, the group's employees' number is more than 175,000 and come from 179 different countries, confirming the group's internationality and its policy of tolerance and valuing

diversity. LVMH has maintained strong ties with France over the years, in line with the group's values and traditions: there are as many as 110 production sites scattered across the territory of the French state. During 2021, the group confirmed its strong growth that has occurred in recent years, as evidenced by data available in Figure 14. The "Revenues" figure stands at 64.2 billion euros, up 44% from 2020 and 20% from 2019. The big difference with 2020 is related to the problems that arose during the harshest phase of the Covid-19 pandemic, mentioned in the first chapter, that caused very serious problems not only to the luxury market but to humanity in general. In any case, the difference between the revenues of the year 2019 and those of the year 2021 remains remarkable. The latter are higher to the extent of one-fifth than those of two years earlier, which confirms the steady growth of the LVMH giant. LVMH's business model also stands out in front of the financial data as a virtuous model of a company that acts with the concept of sustainability in mind: value is created and redistributed at the various stages of the value chain, fueling a virtuous circle that allows all stakeholders involved to benefit from this. The "Profit from Recurring Operations" figure is also up from previous years and stands at 17.2 billion euros. The figure is 107% higher than in 2020, and this is attributable as with the "Revenues" figure to the Covid-19 issues and 49% higher than in 2019. Again, the steady growth of the group's financial performances can be seen. As for the "Net Profit Group Share" figure, the trend exposed in the two previously analyzed figures is again confirmed: the figure turns out to be 12 billion euros, up 156% compared to 2020 and 68% compared to 2019.

3.2.1. Business Group analysis

In Figure 13, a pie chart shows the sales divided by business groups realized by the LVMH group in 2021. As can be seen, almost half of the sales are related to the "Fashion & Leather Goods" segment with a 48% share. This segment thus confirms itself as the most profitable for the French giant. In second place, with a percentage of 19 percent, is "Selective Retailing and Other Activities," and in third place with 14% is "Watches & Jewelry." With a similar percentage of 10%, Figure 13 also shows the sales figure for "Perfumes & Cosmetics," which is one percentage point higher than the last category in the figure namely the "Wine & Spirits" category that makes up 9% of the LVMH group's total sales.

3.2.2. Geographical analysis

As shown in Figure 13, the group has sales all over the world, but there are differences between geographic areas in the total purchases of goods and services belonging to the LVMH group. LVMH's presence in markets scattered all over the globe testifies to how the key drivers of globalization and that of the democratization of luxury, mentioned in the first chapter, are current: luxury consumers are now spread all over the world and not only in areas such as Europe and the U.S., which have always been the core of this market. Access to the luxury market by new consumers has not resulted in vulgarization or loss of value for brands, and this has been a great advantage; the consumer base is much broader than in past decades and the various brands still remain synonymous with exclusivity and quality. 6% of total sales were made in France, the group's country of origin. This testifies to a strong presence of the group in the French territory and a

strong connection of French consumers with the group's brands. 6% of sales may not seem like too high a percentage, but when compared to the percentage of sales that took place in the rest of Europe, the argument will seem clearer. If in fact 6 % of sales were made in France, 15% of the total was made in the rest of the European continent. Markets such as Germany, France, Italy, and so on had more than double the sales volume of France, but it should be kept in mind that Europe is a continent, moreover, richer than others, and France is only one nation. Shifting the focus overseas, in the United States of America the LVMH group reported sales of 16.591 billion euros, or 26% of the total. The percentage turns out to be very high but is soon understandable. The U.S. is one of the richest countries in the world and its population has always been attentive to the luxury market. The increase in people's purchasing power, another important key driver mentioned in the first chapter, is one of the reasons for the LVMH group's sales growth around the world, and it ties in with the other key driver which is the entry on the scene of new consumers from markets such as India and China to introduce the economic results achieved by the giant led by Bernard Arnault in Asian markets. In Japan, the LVMH group achieved 7% of total sales, surpassing its French motherland in this ranking by one percentage point. In the rest of Asia, the group realized 35% of sales, achieving revenues of 22.365 billion euros. The Asian continent goes on to account for more than 40% of the group's total sales, and the growth of the Chinese and Indian markets testifies to the fact that luxury is now a global phenomenon and no longer limited to a few people in certain parts of the world. The Asian luxury market appears to have been expanding for several years, and more and more consumers, especially from India and China, are now an integral part of the luxury market. In recalling the fundamental key drivers of the luxury market, the last one should also be mentioned again, namely communication. In fact, nowadays it is crucial for a brand to be able to connect with its consumers in as many ways as possible. As pointed out in the first chapter, the luxury market in the coming years will be invaded by Generation Alpha and Generation Z consumers who already constitute an interesting segment for the market. These two generations of consumers are often identified as social and sustainable: they are increasingly aware of sustainability issues in general and live constantly interconnected with the rest of the world through tools such as smartphones and tablets. This generation of consumers is increasingly orienting their purchasing choices with factors such as brand ethics in mind, and the LVMH group is leading the way here as well. As highlighted in the previous chapter, the French giant is very active in the area of sustainability, and this translates into a clear advantage for the image of the group itself: if a company is viewed optimally by its consumers and potential consumers, it will be easier to achieve excellent economic performance in the market. In this aspect, too, therefore, the positive link between sustainability and results emerges; in a market that is increasingly steeped in consumers who are sensitive to the issue, it is clearly advantageous to be ready on corporate sustainability policies. Continuing the economic analysis of the LVMH group's sales, we see that in the remaining luxury markets in the world, classified under "Other," the group achieved 11% of its sales, again confirming its widespread presence worldwide.

3.2.3. Corporate Governance analysis

LVMH's Social and Environmental Responsibility Report refers to aspects related to the group's corporate governance.

“LVMH’s Board of Directors is the strategic body of the Company that is primarily responsible for driving long term value creation and protecting its corporate interests, focusing in particular on the social and environmental issues facing its business”.

As can be seen from the words above (LVMH Social and Environmental Responsibility Report, 2021), the role played by the LVMH Group's Board of Directors is of primary importance to the group. Indeed, the directors are tasked with creating value and protecting their company's interests while maintaining a constant focus on issues related to the environment and social development. Thus, LVMH's commitment to sustainability is once again clear in this statement and, as we shall see in Figure 14, the structure of the Board of Directors confirms these statements.



Figure 14. LVMH Board of Directors Source: <https://r.lvmh-static.com/uploads/2022/04/2021-social-and-environmental-responsibility-report.pdf>

As can be seen, out of 16 board members directors 7 are women and, as reported in the reports already mentioned, 65% of managerial positions in the LVMH group are held by women. Even in less apex positions there are plenty of women of all ages and roles in the LVMH group: out of the group's 175,647 employees, 71% of the workforce is represented by women, and 74% of those hired are women. The LVMH group's policy of inclusivity and non-discrimination thus finds practical application in the composition of the group's governing body, as the issue of gender discrimination in the workplace turns out to be very topical, as highlighted in Chapter 2 with the Federconsumatori's analysis of the Gender Pay Gap. It is also noted that LVMH achieved a score of 92 out of 100 in 2021, a slight increase from past years, on the French Government Gender Equality Index. The group also emphasizes in its report the central role of directors in spreading ethics, values, and corporate culture throughout the group's Maisons to contribute to the development of the entire corporate conglomerate. To achieve this goal, the group has created various groups and communities to coordinate the actions of the various Maisons and to promote shared initiatives in terms of social and environmental responsibility. This approach once again shows the close link between sustainability and financial performance: a company that works using a particular business model will have less difficulty than another in coordinating the work of the various business units and companies that are part of the group. The creation of working groups and dialogue between different Maisons encourages open dialogue and the sharing of those ethical values that are fundamental to the group. The theme of dynamic ethics is very fitting here: dynamic ethics refers to a systematic approach to business issues that supports and enhances corporate ethics, with a view to the continued growth of the company's sustainable DNA (Shook et al., 2021)

3.2.4. Employee's Well Being analysis

This dynamic ethics mentioned in the previous paragraph is a theme that also recurs when analyzing the relationship between LVMH and its employees: the group is personally committed to supporting the wellbeing and safety of all its employees. Figure 15, shows some useful data to continue with the analysis.

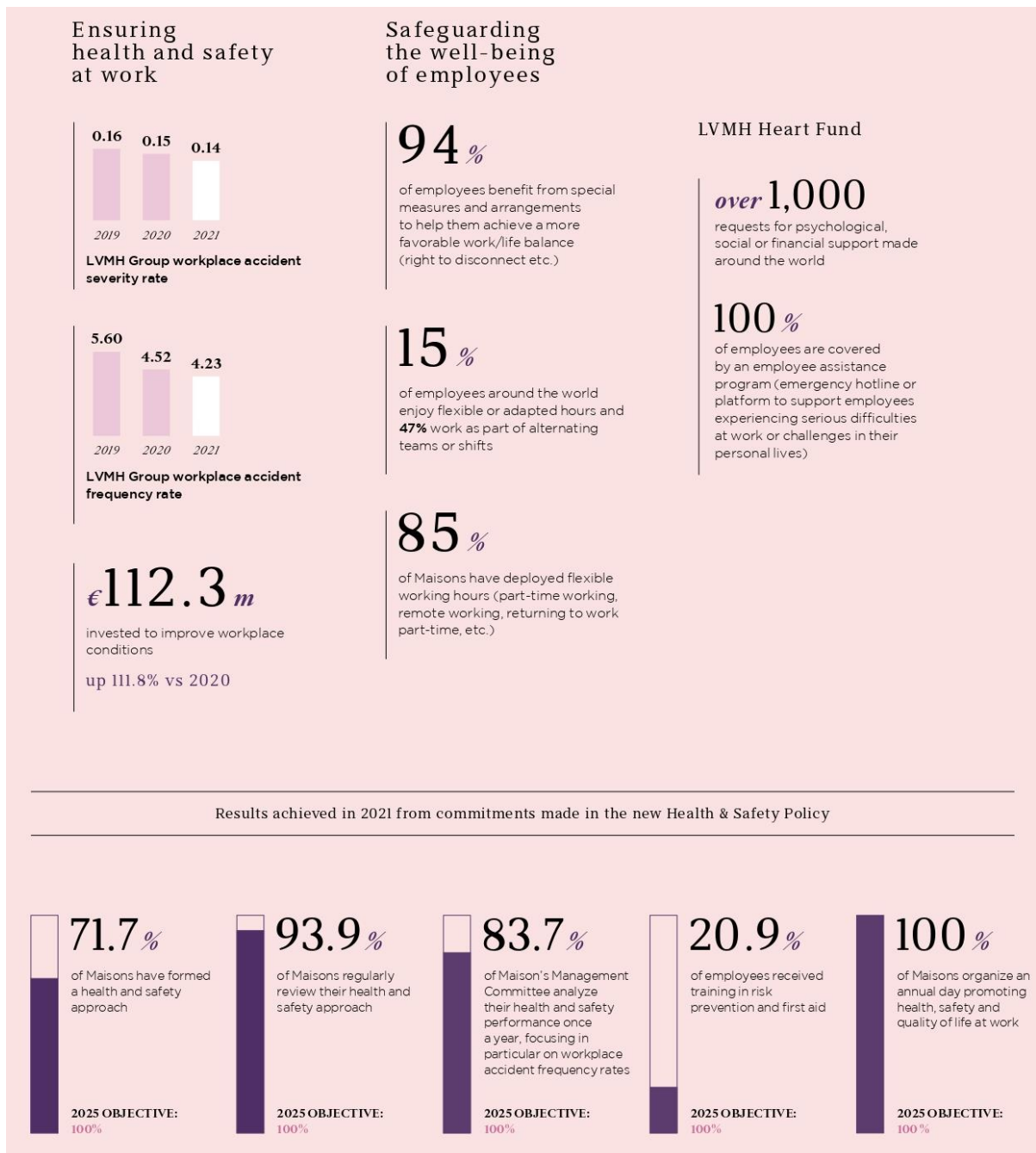


Figure 15. LVMH support to safety and wellbeing of employees Source: <https://r.lvmh-static.com/uploads/2022/04/2021-social-and-environmental-responsibility-report.pdf>

LVMH has made an investment of more than 100 million euros to support the improvement of working conditions for its employees in the workplace. The investment is 111.8% higher than in 2020. Also shown are two graphs related to the issue of workplace safety that again testify to how LVMH's business model is a working model that should be taken as a positive example in both economic and sustainability terms. The first graph refers to the LVMH group's workplace accident severity rate, which stands at a value of 0.14, down from both 2020 and 2019. As for the second graph, it refers to the frequency of workplace accidents in the LVMH group. The figure for 2019 stands at a value of 5.6; for 2020 it stands at a value of 4.52, and in

2021 it stands, steadily declining, at a value of 4.23. Turning now to the issue of employee wellbeing, we see that 94% of the group's employees have benefited from measures and arrangements to improve their work-life balance and that issues such as work flexibility are central to LVMH's policy. The work of the LVMH Heart Fund, an international assistance program aimed at employees of the French giant, proves important in this regard. The fund has received more than 1,000 requests for assistance from employees for health, personal and work-related issues. The importance of programs such as this is also clear from an economic perspective as the company itself benefits financially from the wellbeing of its employees. The giant Johnson & Johnson provides an obvious example to support our thesis (Berry et al., 2010). The company has been launching wellbeing pathways for its employees for several years now, including courses on health and prevention. Data analyzed showed that since 1995, the percentage of smoking employees at J&J has decreased by more than 2/3; by more than half, the number of employees with high blood pressure or physically inactive employees has decreased. This allowed J&J leaders to estimate that employee wellness programs saved the company US\$250 million over the decade under review. Over the period from 2002 to 2008, the return for every dollar spent on employee wellness programs was 2.71. It thus emerges that "*a comprehensive, strategically designed investment in employees' social, mental, and physical health pays off*" (HBR, 2010). The issue of employee wellbeing also relates to the issue of productivity: employees on sick leave will for obvious reasons be less productive than others, and while justified and absolutely correct, an employee's absence due to sickness therefore generates a loss for the company. Another factor to be considered in this view is the low performance of workers in the workplace due to stress or other illnesses. This is referred to, in the Harvard Business Review article cited earlier, as presenteeism (Berry et al., 2010). The Harvard Business Review article points to some practical examples related to these issues that will be commented on in the following lines. Thus, the quantitative data here do not refer to the LVMH group but still support the thesis of the paper as will be seen. The Harvard Business Review article (Berry et al., 2010) first points out that "*Research consistently shows that the costs to employers from health-related lost productivity dwarf those of health insurance*". A study done by Ronald Loeppke, current CEO of US Preventive Medicine, a firm active in the field of health management, is cited in support of this (Berry et al., 2010). The aforementioned study was conducted in 2009, covering 50 thousand employees from 10 different companies, which showed that the costs resulting from an employee's loss of productivity are 2.3 times higher than the medical and pharmaceutical costs associated with workplace illnesses and injuries. A study by the Dow Chemical company was concerned with estimating the average annual health care costs of a company employee (Berry et al., 2010). These costs are broken down as follows:

-69.5% of them, or \$6721 at that time, are attributable to attendance as defined above.

-23.6% of them, or \$2278, are attributable to direct health care.

-6.8% of them are related to absenteeism.

The article also argues that several studies have linked, and the rationale seems obvious, greater drops in productivity in employees subject to conditions such as depression, anxiety, migraines, and back and neck problems.

3.2.5. LIFE 360 Program and its results

Launched in 2021, the LIFE 360 program is described as an alliance between nature and creativity. LVMH's goal is to act increasingly symbiotically with the environment and its surroundings by following, as reported by LVMH's official reports on the topic, 4 strategic priorities:

- *Creative circularity*
- *Transparency*
- *Biodiversity*
- *Climate*

Figure 16 shows data on the results achieved in 2021 with the above program by the LVMH group.

The LIFE 360 program

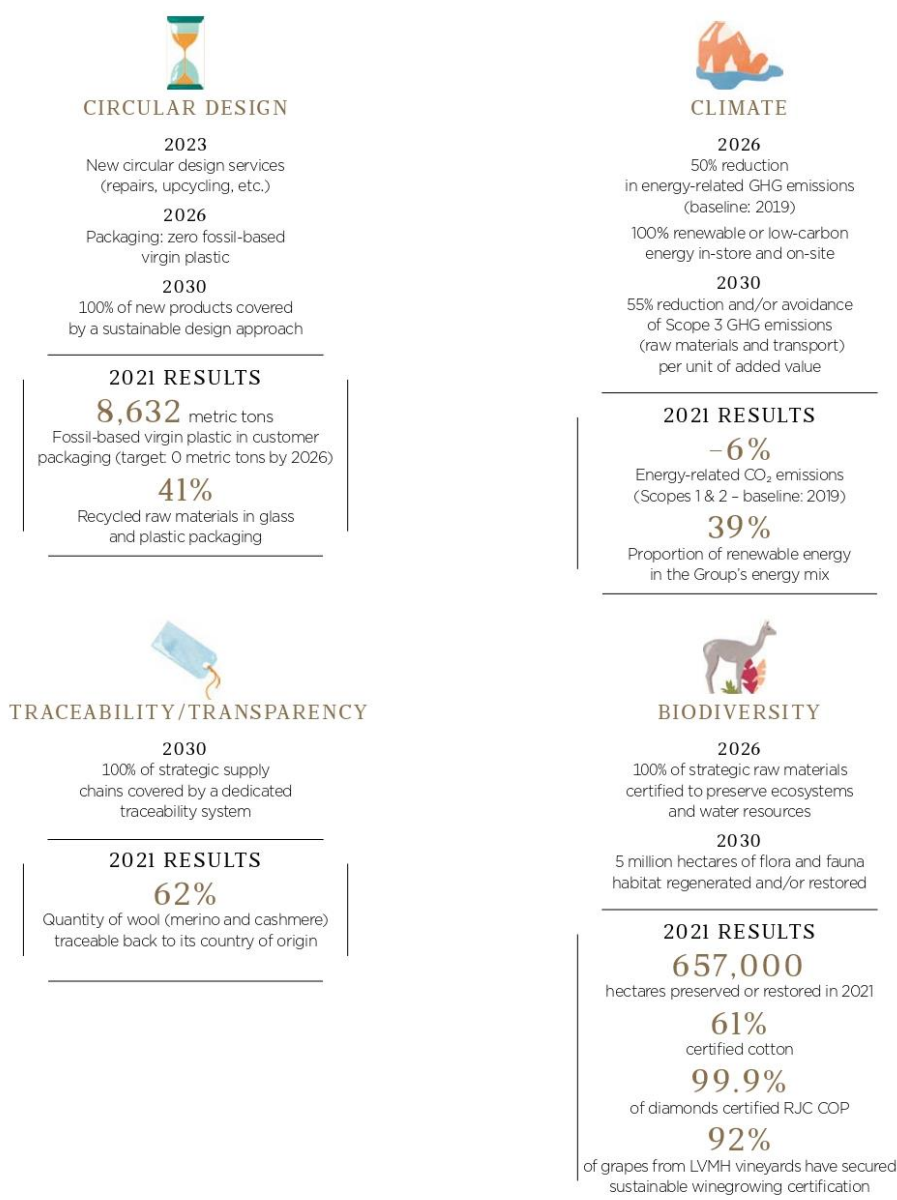


Figure 16. 360 PROGRAM Source: https://r.lvmh-static.com/uploads/2022/03/lvmh_rapport-annuel-2021-va.pdf

The LIFE 360 program sets important goals in terms of sustainability, and important results have already been achieved in 2021, which should be seen as a starting point for continued improvement.

With regard to the first of the four strategic priorities, namely creative circularity, it is noted that the group has set out to achieve 3 main goals in the coming years:

- by 2023 new circular design services related to topics such as repairs and upcycling are to be implemented.

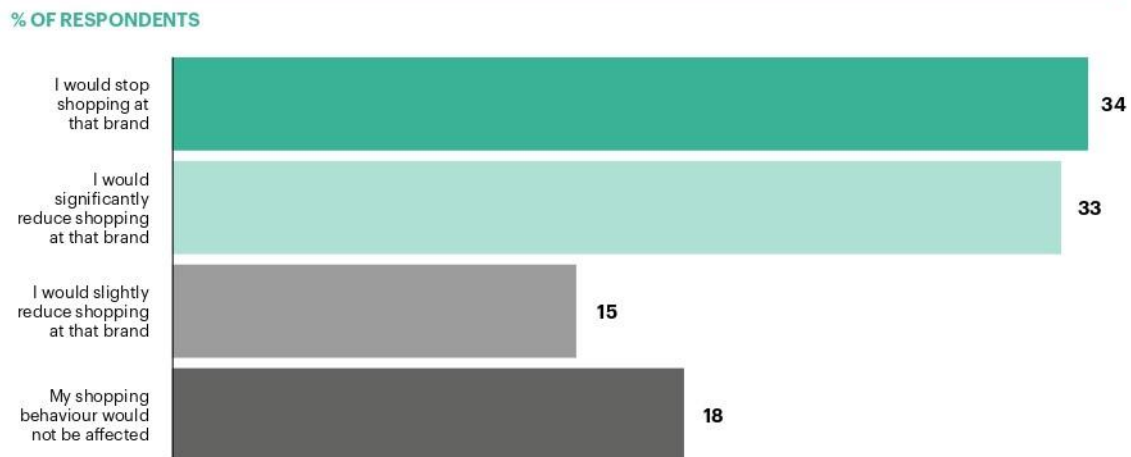
- by 2026 with regard to the packaging of manufactured goods will be made without the use of plastics derived from virgin fossil oil.
- by 2030 all new products from the LVMH group will result from eco-design, a sustainable approach that aims to have zero environmental impact. (LVMH, LIFE360, 2022)

The results achieved in 2021 were significant and constitute a competitive advantage in both reputational and economic terms for LVMH. 8,632 tons of virgin plastic were used in packaging in 2021, in line with the target set for 2026, and 41% recyclable materials were used in glass and plastic packaging, providing the company with strong economic savings in this area. LVMH implements its sustainable DNA here by using so-called "Deep Metrics" (REF), indicating a careful measurement of inputs, impacts and risks along various time horizons for each action taken. To have a sustainable DNA, one needs to consider deeply and accurately the consequences of one's choices, and one needs to be clear about the goals to be achieved. Of note, in terms of circularity, in the French territory, the Maisons of the LVMH group, including Sephora since 2010 and Louis Vuitton since 2011, collaborate with the CEDRE platform to sort, recycle and recover all the waste from the various stages of the product life cycle such as distribution, sales, packaging and production. (LVMH Social and Environmental Responsibility Report, 2021) Applying circular economy principles to one's business model brings various benefits: circular economy *"implements strategies that extend the life and use of raw materials, products, different components and waste"* (ESG news, 2022b). Such an approach requires that as early as in the design phase of a good, it goes into the idea that its different components can be reused in the future, and thus waste is seen as *"a resource to be used as an initial input to a new production cycle"* (ESGnews, 2022b). The benefits of the circular economy certainly include economic benefits due to savings from recycling raw materials as well as benefits from reduced pollution and greenhouse gas emissions. Regarding the issue of waste mentioned earlier, it is pointed out that the European Union in the first place is in dialogue with the largest luxury players to encourage a transition to circularity that would eliminate or reduce waste: on average a European citizen throws away 11kg of textiles per year and globally one truckload of clothing per second is incinerated or taken to landfill (ESGnews, 2022b). Considering also that between 2000 and 2015 textile production almost doubled and that by 2030 clothing and footwear consumption is expected to grow by 63 percent, an increasingly rapid transition to circularity appears necessary. It should also be noted that the topic of recycling and the issue of second hand luxury, which is also related to waste reduction, are very topical for European consumers: a survey conducted by the European Commission found that 74% of Europeans want to promote more second hand clothing and that 77% of Europeans want to wear clothes made only of recycled or recyclable materials (ESGnews,2022a).

The second strategic priority to be analyzed is that related to issues of transparency and traceability. To ensure responsible management of the business, it is necessary to have the means to trace and track the path

that each material used in the manufacture of the group's goods follows in its life cycle. As shown in Figure 16, by 2030 LVMH's goal is to integrate the entirety of the group strategic supply chain with a dedicated traceability system. By 2021, 62% of the wool, merino, and cashmere, used by the LVMH group is fully traced. In addition, the group reports that it wants to achieve another very ambitious goal in 2026: traceability must become an integral part of the customer experience. To do this by 2026, all new products will be made together with an information system dedicated to them. Transparency turns out to be, as highlighted earlier, a critical success factor in the market in general and in the luxury market in particular, taking into account the new industry trends and the new consumption habits of luxury consumers listed in the previous chapters. New generations of consumers, such as Generation Z, are increasingly sensitive to sustainability issues and direct their purchasing choices by taking into account the commitment to sustainable activities of various brands (McKinsey, 2021). It should be remembered that Generation Z will make up 40% of global consumers in the coming years, so intercepting their preferences will be a critical success factor for businesses (McKinsey, 2021). Continuing with the analysis on issues that span transparency and traceability, McKinsey's report provides additional useful information that helps to understand the economic impact that sustainability policies have on a business. Research conducted by Kantar Monitor points out that 54% of consumers believe brands *"have an important role to play in social conversations about issues like #MeToo and race relations"* (McKinsey, 2021). The report also points out that consumers are at the forefront of reporting or pointing out any behavior deemed as inappropriate by brands and are also ready to accuse brands of hypocrisy in the case of behavior that can be traced back to the concept of greenwashing exposed in the previous chapters. The issue of transparency and traceability certainly affects the supply chain, as already highlighted, and an interview with Michael Burke, Chief Executive of Louis Vuitton, who stresses the importance of small suppliers to the luxury industry, is useful: *"Our ecosystem is absolutely dependent on suppliers and small, upcoming houses that change and disrupt. If we start losing too many small brands and if we start losing too many suppliers, it's going to weaken the entire ecosystem"*. It is clear from this statement the centrality that small suppliers have in the luxury sector and their importance to the functioning of the entire ecosystem. Long-lasting relationships based on values such as fairness and credibility underpin the functioning of the supply chain, which, nowadays, has entered the interest of consumers who demand brands to maintain appropriate behavior not only with employees but also with suppliers. As shown in Figure 17, consumers' buying habits also change according to the type of relationship there is between the company and suppliers.

Two-thirds of consumers indicate they would stop or significantly reduce their spend with brands who mistreat their employees or suppliers



SOURCE: MCKINSEY FASHION SCENARIOS: CONSUMER SURVEY IN GERMANY, UK AND SPAIN, AUGUST 2020

Figure 17. Consumer buying habits Source: [The State of Fashion 2021 \(mckinsey.com\)](#)

Two-thirds of consumers say they are ready to reduce their spending at brands that treat employees and suppliers poorly (Fig.17). 34% of respondents say they are ready to stop shopping at a brand in the event of poor conduct toward workers and suppliers, and 33% say they are ready to significantly reduce their purchases at the same brand if the conditions listed above occur. Together, these two groups of consumers make up more than two-thirds of the market, so the economic damage to a brand would be evident. 50% of respondents say they are ready to reduce their purchases to a lesser extent toward a brand that behaves unethically with employees and suppliers, and only 18% of respondents report they are unwilling to change their purchasing habits even in the face of unethical conduct of brands with employees and suppliers. The importance of sustainability for a business once again emerges: no one could afford to lose two-thirds of their customers without suffering obvious consequences from an economic point of view. For example, considering LVMH's Revenue in the year 2021 of \$64.2 billion and assuming a 66% reduction, this would result in a value of \$21.8 billion with over \$40 billion in lost revenue.

The third strategic priority relates to biodiversity and its protection. The group works in symbiosis with nature, and the protection of biodiversity is central to LVMH's corporate policies. The group has set two main goals regarding the aforementioned issue:

- by 2026 use only certified strategic raw materials to protect ecosystems and, in particular, water resources.
- by 2030 regenerate and/or restore 5 million hectares of natural habitats to sustain present flora and fauna.

The project to protect and regenerate hectares of natural habitat has already achieved significant results: 657 thousand hectares of land have been regenerated and/or restored by 2021. As for the 2026 target, in 2021 the cotton used by the group was 61% of the total certified. The percentages rise to 92% for grape viticulture: the LVMH group's vineyards are an excellence in sustainable viticulture and have obtained, in the above percentage, a certification attesting to their sustainability. Finally, 99.9% of the diamonds used by the LVMH group are found to hold the RJC COP, a certification attesting to the high degree of sustainability of the French giant's jewelry.

The last strategic priority concerns climate and related global warming issues. LVMH has set several goals in this area:

- by 2026 50% reduction in energy related GHG emissions, compared to 2019.
- by 2026 use 100% renewable or low-carbon energy in-store and on-site.
- by 2030 the target is 55% reduction and/or avoidance of Scope 3 GHG emissions per unit of added value.

In 2021 it reduced energy-related CO2 emissions by 6% compared to 2019, and 39% renewable energy is used in the Group's energy mix.

Concluding the discussion of the LVMH Group's commitment and the positive returns in economic terms that sustainability brings to the company, Figure 18 summarizes the Group's areas of action and its direct or indirect contribution to the achievement of its goals.

	01 – No poverty	02 – Zero hunger	03 – Good health and well-being	04 – Quality education	05 – Gender equality	06 – Clean water and sanitation	07 – Affordable and clean energy	08 – Decent work and economic growth	09 – Industry, innovation and infrastructure	10 – Reduced inequalities	11 – Sustainable cities and communities	12 – Responsible consumption and production	13 – Climate action	14 – Life below water	15 – Life on land	16 – Peace, justice and strong institutions	17 – Partnerships for the goals
<p>● Major direct contribution to the goal (Group-related) ○ Other contribution to the goal (indirect or voluntary)</p>																	
Respecting each one's dignity and individuality																	
Promoting diversity and guaranteeing inclusion			●		●			●	●	●	●						●
Achieving gender equality	○		●	○	●			●		●	●	●				○	○
Promoting employment and expanding opportunities for people with disabilities	○		●	○	○			●		●	●	●				○	○
Supporting employment of people with disabilities																	
Ensuring health and safety at work			●	○				●	○	○		●				○	○
Safeguarding the well-being of employees			●					●	○	○	●	●				○	○
Listening to employees and driving progress			●	○	○			●	○	○	●	●				●	●
Transmitting our world heritage's savoir-faire																	
Shaping the future of the Group	○		○	●	○			○	●	○							●
Contributing to the continuity of savoir-faire	○		○	●	○			○	●	○		●					●
Developing employee skills	○		○	●	○			●	●	○		●					●
Committing to a better society																	
Supporting employment, entrepreneurship and local development	●		○	○	○			○	●	●	●	●				○	●
Facilitating professional integration and access to education	●		○	○	○			○	○	●	●	●				○	●
Supporting underserved populations	●	○	○	○	○			○	○	●	●	●				○	●
Making the circular economy desirable																	
Drawing inspiration from materials to stimulate creativity		○	○			○	○	○			○	○	○	○			○
Extending ecodesign to packaging and stores								○			○						
Harnessing innovative circular services to give products a second lease of life								○			○						
Protecting biodiversity																	
Transforming our relationship with the living world	○		●			○	○	○		○		○	○	○	○		○
Avoiding and mitigating the impact on biodiversity			●			○	○					○	○	○	○		○
Protecting ecosystems	○				○	○	○	○	○			○	○	○	○		○
Contributing to the fight against climate change																	
Aligning the Group's trajectory with the 1.5°C target						○	○		○	○	○	○	○	○	○		○
Setting an example at sites and in stores			○			○	○	○	○	○	○	○	○	○	○		○
Making significant progress in sustainable transportation							○	○	○	○	○	○	○				
Refining traceability and engaging everyone																	
Striving for excellence in traceability and product safety	○		●	○		○		○			○	○	○	○	○		
Integrating innovative tools to boost transparency	○		○			○		○			○	○	○				○
Sharing knowledge and evangelizings						○	○				○			○			○

Figure 18. LVMH CSR Strategy and Sustainable Development Goals Source: <https://r.lvmh-static.com/uploads/2022/04/2021-social-and-environmental-responsibility-report.pdf>

Figure 18 summarizes the group's commitment and the action appears to be cross-cutting and aimed at various areas such as combating climate change and protecting employee health. The 17 Sustainable Development Goals supported by LVMH were established by the United Nations in 2015 and represent "a global call to action to be achieved by 2030 in an effort to reduce inequality, make the world a better place

for future generations, particularly by developing solutions to address climate change, and ensure that all human beings are able to live in peace and prosperity" (LVMH Sustainability and Environmental Responsibility Report, 2021).

3.2.6. Shareholders' Dividends

It is also useful to mention the aspect related to dividends, a symbol of value creation for a company's shareholders. As can be seen from the data presented below and taken directly from LVMH's official website, in 2021 a dividend of 10€ per share was distributed to shareholders. In the year 2020 the figure stood at 6€ per share and in 2019 it was 4.8€ per share. 6€ per share returns in 2018, 1€ more than in the year 2017 when the dividend was 5€ per share. In 2016, dividends worth 4€ per share were distributed, and in 2015 the value of the dividend was 3.55€ per share. The value was 3.2€ per share in 2014, and in the previous year it was 3.1€ per share. In 2012, the dividend distributed was worth 2.9€ per share (LVMH official website).

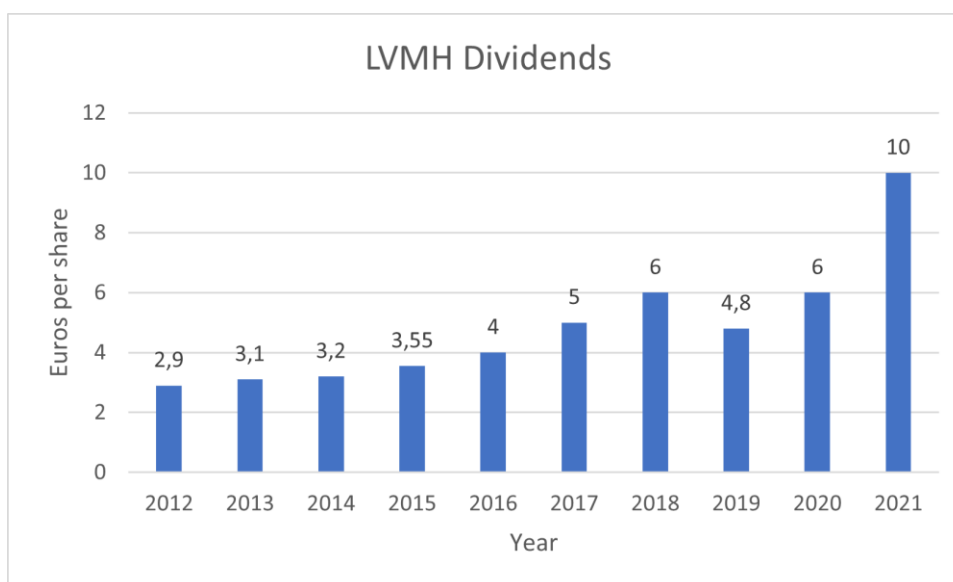


Figure 19. LVMH Dividends 2012-2021 Source: LVMH official website for the data used in the graph

Figure 19 summarizes what has been said in the previous lines in relation to the LVMH Group's dividend policy. The figures refer to the decade between 2012 and 2021, with the value of 2.9 referring to the year 2012 and the value of 10 referring to the year 2021, and it shows a strong growth in dividends over the period. The only year in which there has been a decrease in the group's shareholder dividend compared to previous years is 2019, which still shows a higher value than all dividends from 2012 to 2016. Dividend growth for shareholders can be seen as synonymous with the stability and growth of the entire enterprise, and this confirms the thesis of the paper: as we have already pointed out, the LVMH group's business model

is based on six founding pillars which demonstrate a strong sustainable footprint of the enterprise in terms of both production-related aspects and more managerial and internal group issues. Such a model proves to be successful in the market, as evidenced by the economic performance exhibited, and the integration of sustainability and business strategy has benefited the LVMH group as it continues to establish itself as a world leader in the luxury sector. There is still a long way to go for sustainability: the topic is a recent one and its benefits will continue to be seen over the years to an increasing extent.

3.3. KERING

The Kering group, as well as its competitor LVMH, produces annual reports through which it is possible to derive information on the company's performance, its business model, and its achievements in terms of sustainability. In particular, the group prepares a document, called Environmental Profit & Loss, defined as an "Environmental Profit and Loss Account" by the group itself on its official website. This environmental profit and loss account represents a method, invented by Kering itself, useful for calculating the environmental impact of any business activity or any activity related to the supply chain by also calculating its monetary value. Kering's goal is to better understand its environmental impact in order to develop conscientious decision making, to define a responsible business strategy, to better manage risks and strengthen its business, and to be transparent with stakeholders. Thus, the sustainability issues set out in the previous paragraphs and chapters also return here. This type of income statement helps the company, as reported again on Kering's website, to understand its ecological footprint by analyzing variables such as CO₂ emissions, water and air pollution as well as water consumption and the amount of waste produced during the company's operations. These factors are analyzed through the Kering Group's value chain, which also calculates their economic value using this methodology. This type of more holistic approach to sustainability allows Kering to compare its environmental performance so as to understand where there is the most urgency to take action, so as to provide more accurate information to stakeholders and shareholders, and so as to minimize its ecological footprint. The group's analysis starts with its strategy and governance model, which, as will be seen, testify to how sustainability is now an integral part of Kering and its business model, contributing to the company's economic performance.

3.3.1. Corporate Governance Analysis

“Our governance structure is aligned with best practice. As well as ensuring that strategic decisions are taken and implemented effectively, it ensures a genuine balance of powers.”

With these words, the Kering group describes its governance structure, immediately highlighting some important aspects. The theme of balance of powers is highlighted, to emphasize how the group pursues the achievement of its results in a genuine way, fostering a climate of dialogue and cohesion in both the most apical positions of the company and the less apical ones. As reported by the group's Universal Registration Document, the board of directors is composed of 13 people from 5 different nationalities. Women make up

55% of the group's directors. Such a board of directors, rich in diversity both in terms of gender and geographic origin, fosters an open dialogue ready to look at every issue from different perspectives, in line with the principles of a company's sustainable DNA (Shook et al, 2021). As a testament to Kering's commitment to corporate sustainability and the importance of these issues for a company, the Board of Directors is supported by various committees among which the Sustainability Committee stands out, which is in charge of working alongside the directors on decisions related to the topic of sustainability.

3.3.2. Strategy Analysis

The ambition of the Kering group is to be "*the world's most influential Luxury group in terms of creativity, sustainability and long-term economic performance*" (Kering, Universal Registration Document 2021), and to make this happen, the company adopts the strategy described in Figure 20.



Figure 20. Kering's strategy Source: https://www.kering.com/assets/front/documents/Kering_2021_Universal_Registration_Document.pdf

Figure 20 brings out at first glance some key aspects of the group's strategy: at the core of it all are in fact three elements, namely Creativity, Sustainability and Long Term Financial Performance, which represent the core of the corporate strategy. The value of the group in the market turns out to be the combination of those three central factors, which are complemented by other positive factors such as the strength of the group, the entrepreneurial culture, and the synergies there are among the various companies in the group. Kering in its aforementioned report emphasizes the importance of its business model in achieving the goals set and also supports its leading position, again thanks to the business model used, in the race to benefit from the new trends that are driving the luxury market. The trends, already set out above, are emphasized by the company itself in the document cited above and are:

- a shift in distribution toward an increasingly exclusive model. the digitalization of the luxury goods industry.

- the evolving expectations of clients, who are looking for creativity and an ever more personalized experience.
- the emergence of a new generation of consumers who are increasingly connected and conscious of social and environmental issues.
- sustained appetite and demanding requirements among traditional luxury goods consumers. (Kering, Universal Registration Document, 2021).

The strategy adopted by the group fits well with its business model, defined by Kering itself as "*A multi-brand model built on a long-term approach and creative autonomy for our Houses*". Central aspects of this business model turn out to be:

- Agility, to be always ready and responsive in the market both at the group level and at the level of individual brands.
- Balance, useful for acting efficiently and effectively in markets and throughout the value chain.
- Responsibility, in that all actions taken by the group are based on a responsible economic model.

Kering's comprehensive and sustainable approach represents, as argued by the group itself, a structural competitive advantage for the large conglomerate (Kering, Universal Registration Document, 2021).

We are again faced with a positive correlation between sustainability and results: the company would not have achieved the same results without its business model and strategy. As argued by the Kering group itself, sustainability turns out to be a central theme for the company and goes to constitute a structural competitive advantage for the group, which, like its rival LVMH, thus turns out to be at the forefront of both economic performance and corporate sustainability issues and initiatives.

3.3.3. Economic analysis

Figure 21 shows the main economic results achieved in the year 2021 by the Kering group.



Figure 21. Key figures for 2021 for Kering Source:

https://www.kering.com/assets/front/documents/Kering_2021_Universal_Registration_Document.pdf

The first variable that is useful to analyze is revenues, which were 17.645 billion euros in 2021. The figure confirms the group's growth, both with respect to 2020 and with respect to the year 2019. In percentage terms, revenue growth was more than 30% more than in 2020 and 13.4% more than in 2019. The higher growth over 2020 is related to the general downturn in the luxury market but not only in the year 2020 due to the Covid-19 pandemic and related restrictions. Like all companies, whether large or small, independent, or conglomerate, Kering suffered from the pandemic but quickly found a way to bounce back, achieving better results year after year. The recurring operating income variance is also up from the year 2020: in 2021 the figure was 5.017 billion euros, up 60% from the previous year. To continue the analysis on revenues, Figure 22 shows the geographic analysis.

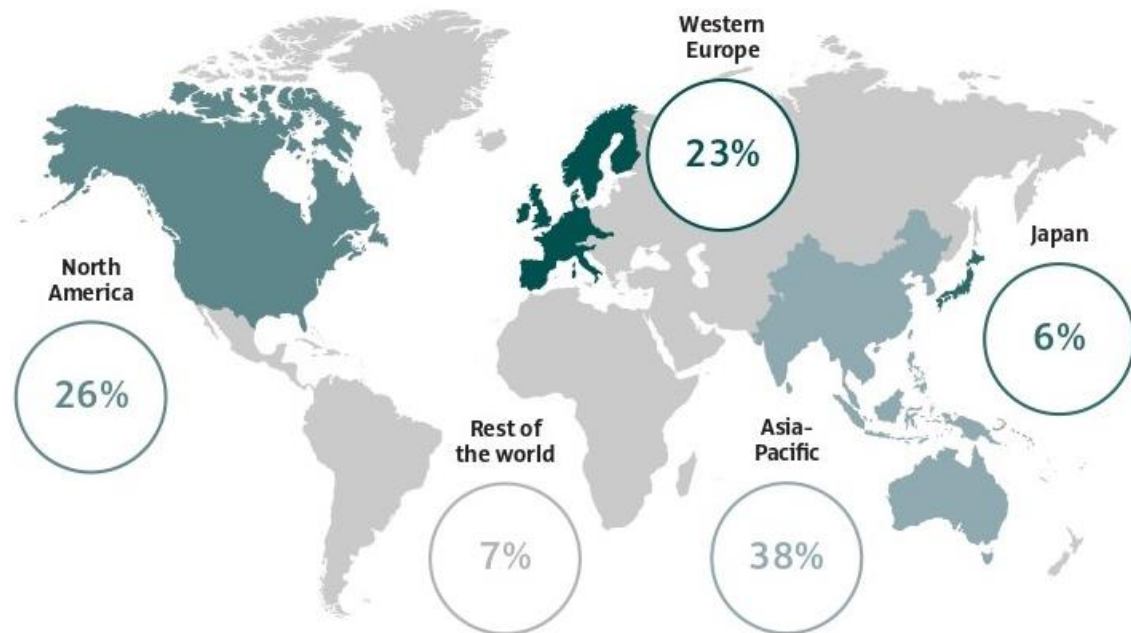


Figure 22. Kering's revenue breakdown by region Source:

https://www.kering.com/assets/front/documents/Kering_2021_Universal_Registration_Document.pdf

3.3.4. Geographical analysis

As shown in Figure 22, the Asian market represents for Kering, as well as for LVMH, the largest slice of the revenue pie. Indeed, as much as 38% of total revenues come from territories in the Asia-Pacific region, while for the LVMH group the percentage stood at 35 percent. Including Japan in the Asian market analysis, it appears that more than 40% of the group's revenues come from that market. The percentage of the group's revenues attributable to Japan is 6%, in line with its competitor LVMH, meaning that the Kering group realizes 44% of its revenues on the Asian continent. In the preceding paragraphs and chapters, the consumption habits and preferences of the new luxury consumers, i.e., mainly people from India and China, have been exposed, and Kering like LVMH has also not been unprepared by intercepting their preferences by implementing its digital strategy enabling consumers to live a complete omnichannel digital experience. Analyzing the e-commerce data for the year 2021, it is possible to see that sales revenue in this sector exceeded 2 billion euros. Relative to the financial year 2021, there is a 55% increase in revenues from the previous year. Kering's penetration in the online market is more than doubled in the last two years, and this is evidenced by the percentage growth that revenues due to e-commerce have recorded in relation to the total retail sales made by the group. In 2019, the aforementioned percentage was 7% before rising to 13% in the year of the Covid-19 pandemic and finally to stand at 15% of retail sales in 2021. From a geographical perspective, North America and Europe are the two continents where the percentage of e-commerce revenue is higher than the total retail sales. In North America the percentage is 23% and in Western Europe it is 26%. Percentages of 7% and 5% are achieved in the Asia Pacific and Japanese markets, respectively. A summary is shown in Figure 23.

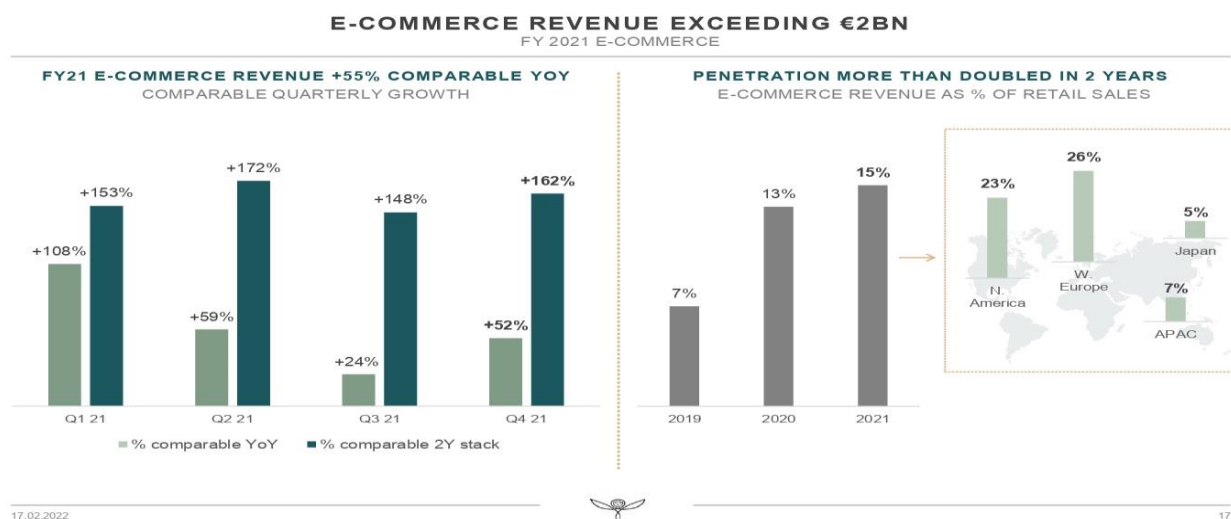


Figure 23. E-commerce revenues 2021 Kering Source: https://www.kering.com/assets/front/documents/Kering_Presentation_2021%20FY%20Results_17022022.pdf

Among the issues dear to the new luxury consumers is undoubtedly, as highlighted earlier, sustainability, and Kering has certainly not lagged behind in this regard. The North American market accounts for 26% of the company's total revenues, confirming that, thanks mainly to U.S. consumers, North American consumers are an important asset for the luxury market in general. A similar percentage of 23% is reported for revenues from the Western European market, in line with the 21% figure recorded by LVMH in the same geographic areas. The remaining 7% of luxury market revenues for Kering are derived from the rest of the world, which constitutes a market in some ways not yet fully explored by luxury companies. (Kering, Full Year Results Report, 2021)

3.3.5. Environmental Profit & Loss

Kering has been preparing what is known as an Environmental Profit and Loss Account since 2012 to better measure its environmental impact in economic terms. Using the definition provided by the group itself in its 2021 Environmental Profit & Loss report, we note that "An *Environmental Profit and Loss (EP&L) account is a business management tool providing an in-depth analysis of the resulting impacts a company's activities have on the environment, which also helps decision makers consider this valuable information alongside traditional financial metrics*". With this special income statement, Kering is able to measure in economic terms the impact of each action throughout the value chain and is able to better understand in which areas more action is needed. The document also helps the group to be more transparent with its stakeholders and shareholders and allows the group to have a clearer and long-term vision so that it can begin to properly plan its next investments and market choices. So as far as the year 2021 is concerned, Kering's 2021 Group EP&L is estimated to be € 562M. Also included in this value is the impact of product use by consumers as well as

the costs associated with product end-of-life, worth about € 40M (Kering, Environmental Profit&Loss, 2021). To better understand the economic impact that sustainability has on a company, a comparison is proposed between the group's EP&L in 2021 and the group's EP&L in 2019, avoiding comparisons with 2020 because of the consequences of the Covid-19 pandemic on markets and the world at large. In the analysis proposed by Kering, costs related to the use and end-of-life of a product are not taken into account, and therefore the group's EP&L is 522 million euros for 2021, a reduction of 11% compared to the year 2019 taken as a reference that once again testifies to Kering's strong commitment to sustainability. The decrease recorded is in line with previous years, and it should be noted that from 2015 to 2021 Kering has reduced its EP&L by 41%, ahead of the target goal of 40% by 2025. Figure 24 shows the weight of EP&L on group revenues during the period from 2015 to 2021.

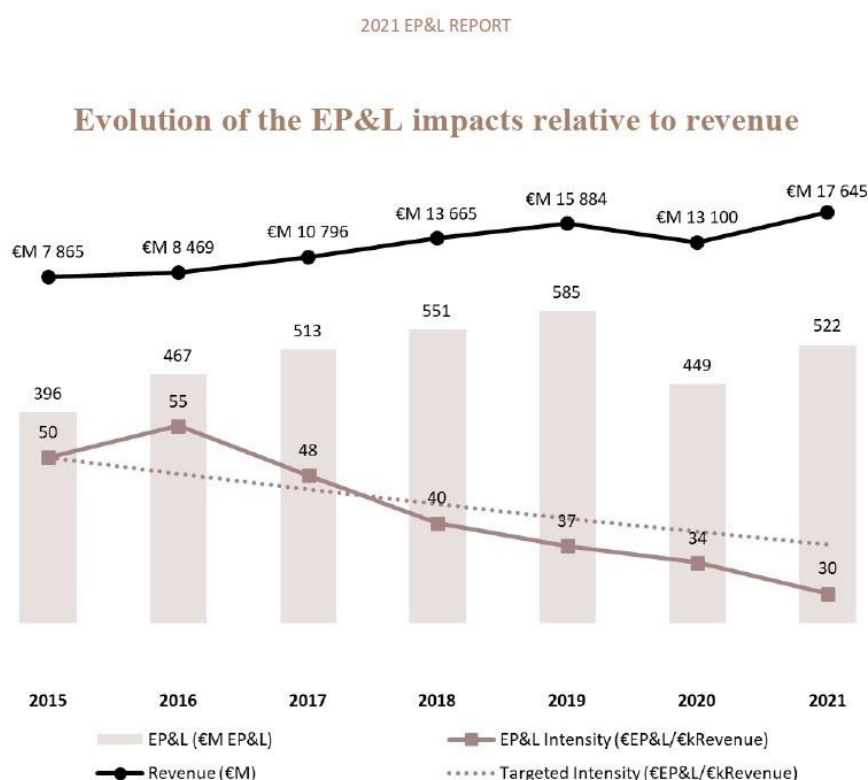


Figure 24. Evolution of EP&L proforma, revenue, and target from 2015 to 2021 Source: <https://keringcorporate.dam.kering.com/m/5edba9133d460b06/original/Kering-Environmental-Profit-and-Loss-Report-2021-EN-Only.pdf>

The weight of EP&L to group revenues (Figure 24, black line) has decreased continuously over the years since 2016. Over the years, the group's revenue growth has been greater than the growth in EP&L, and the group has reached its targeted intensity, measured as the ratio of EP&L to revenue, 4 years ahead of schedule as shown above. Analyzing the value chain, 14% of the costs are related to the group's direct operations, carried out in the warehouses and offices, and only 7% of the expenses are related to the

utilization and end-of-life phases of the product; the greatest impact appears to be that of the supply chain phases, which amounts to 79% of the total costs. As much as 37% of Kering's EP&L footprint is due to Greenhouse Gas (GHG) emissions and 31% of the same footprint is due to land use. In 2021 these two variables amounted to 2,381,991 tons of carbon dioxide and 299,673 hectares of land. Proceeding the comparison with the year 2019, Figure 25 clearly exposes in which stages of the value chain Kering has achieved improvements over 2019 in EP&L footprint.

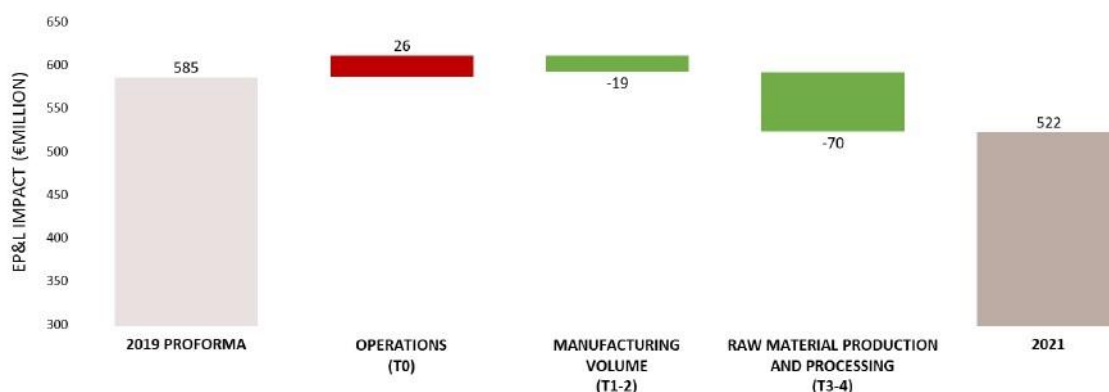


Figure 25. Changes in EP&L results 2019 vs 2021 Source: <https://keringcorporate.dam.kering.com/m/5edba9133d460b06/original/Kering-Environmental-Profit-and-Loss-Report-2021-EN-Only.pdf>

The reduction compared to 2019 in the EP&L footprint can be analyzed by taking into account the various stages of the value chain, as follows:

Operations: compared to 2019, in this stage of the value chain, the Kering group produced an increase in EP&L footprint costs. The increase, amounting to 25.5 million euros, is due to corporate investments as well as the opening of new stores.

Manufacturing: in this area of the value chain Kering realized savings quantified at 19.1 million euros in 2021. The results were also achieved thanks to Kering's programs aimed at supporting the group's suppliers toward solutions with a lower environmental impact. Programs include Clean by Design, which will be analyzed below.

Raw materials production and processing: this area of the value chain reports the most significant reduction in Kering's EP&L footprint, amounting to 69.6 million euros. The total volume of raw materials used in 2021 is stable compared to that of 2019, highlighting the strong economic impact of sustainability, which translates into savings of nearly 70 million euros.

Regarding raw materials specifically, we can see that leather has a greater impact than the other types of raw materials used by the Kering group, which in 2021 greatly reduced the impact of leather on the supply chain

by achieving the results listed above. Figure 26 shows data on EP&L contribution of major groups of raw materials and quantity of consumption.

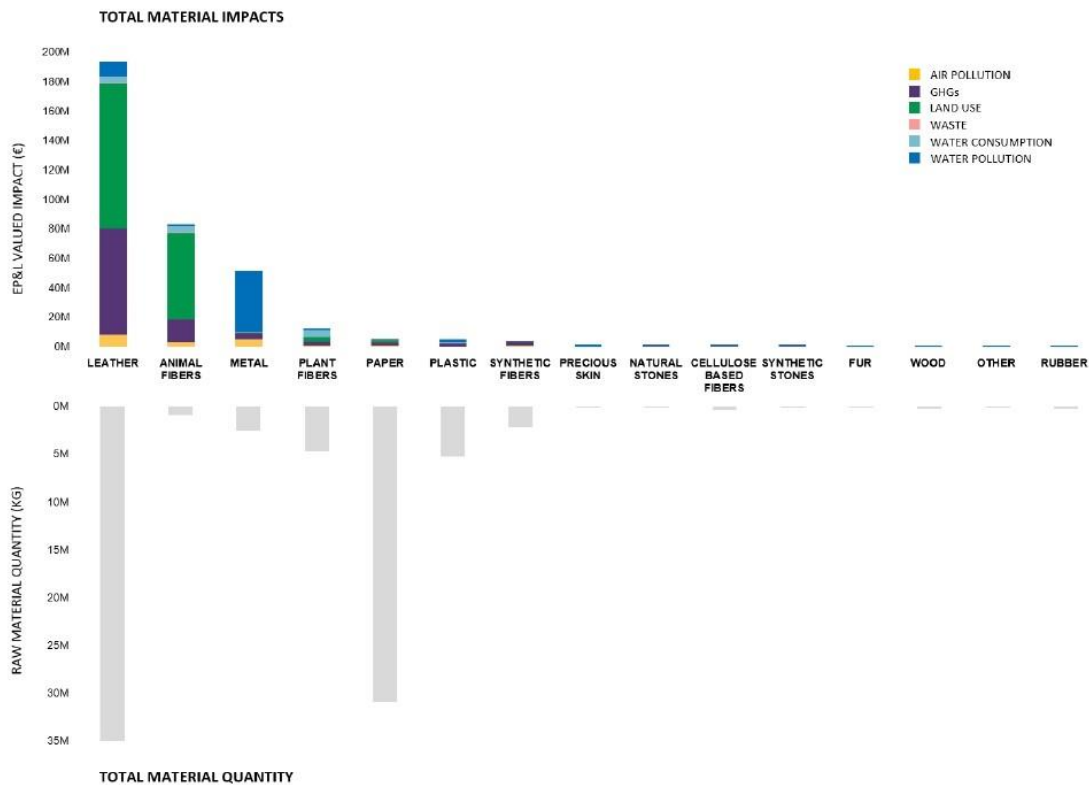


Figure 26. 2021 EP&L impacts and quantity of consumption by raw material group Source: <https://keringcorporate.dam.kering.com/m/5edba9133d460b06/original/Kering-Environmental-Profit-and-Loss-Report-2021-EN-Only.pdf>

Leather represents by far the most widely used raw material with the greatest impact in terms of EP&L. Animal fibers are in second place but the difference with the impact of leather is stark: while for the former the value is between 100 and 80 million euros, for leather the impact is quantified in a range of 180 to 200 million euros. In third place is metal, which produces an impact in terms of EP&L of between 40 and 60 million euros. Metals such as brass and gold offer important opportunities for reducing EP&L impact: small-scale changes to the procurement stage can bring long-term benefits and real economic savings. Figure 27 refers to changes in raw material impacts in the supply chain since 2019. As will be seen, again the biggest impact, but this time in a positive way, is related to leather.

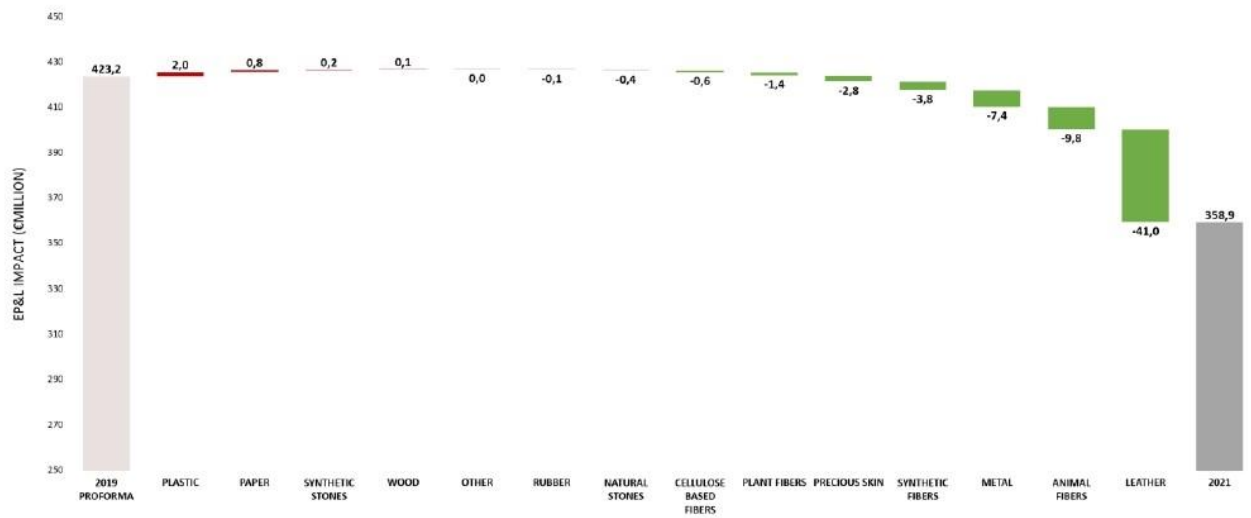


Figure 27. Changes in raw material impacts in the supply chain since 2019 proforma results Source: <https://keringcorporate.dam.kering.com/m/5edba9133d460b06/original/Kering-Environmental-Profit-and-Loss-Report-2021-EN-Only.pdf>

The strong reduction in the impact of leather throughout Kering's supply chain is a testament to the group's great work in terms of sustainability, and from this, as we have seen above, the group has derived an economic benefit. However, the benefits are not only for the large industrial conglomerate; Kering collaborates with its suppliers with a view to an active and constant dialogue aimed at achieving the best possible performance, and the suppliers themselves benefit from this strategy. As we will see in the next section, the Clean by Design program, in particular, is a proper example of mutual benefit for both the company and the suppliers, while respecting the canons of sustainability.

3.3.6. Clean by Design

As reported by Kering in the document dedicated to this program "*Clean by Design is a campaign dedicated to the efficiency of textile plants, aimed at reducing their consumption of energy, water and where possible chemicals*" (Kering, Clean by Design in Italy, 2017). The program was initiated in 2009 in collaboration with the National Resources Defense Council of the United States of America, a very important U.S. organization concerned with environmental protection. The program involves not only the Kering group but also its suppliers: Kering finances the energy and water diagnosis of the supplier plant, which then implements on a practical level the implementation measures of its plant in agreement with the Kering group thanks to an agreed plan. In Kering's report mentioned already in this paragraph, it is emphasized that the key aspect of the program is the desire to change the mindset and way of thinking of several textile manufacturing plant owners: reducing water and electricity consumption will definitely bring a financial return and more generally by increasing the efficiency of one's plant it will be easier to manage and carry out one's activities. Kering therefore also wants to achieve a change of mindset on the part of its suppliers, in line with the values set out in the group's Supplier Code of Conduct discussed in Chapter 2. Also included in

the change of mindset is a greater awareness regarding plant consumption and maintenance of auxiliary systems. With regard to plant, Kering points out that energy goes to make up 10-20% of a textile plant's turnover, reaching 30% in dyehouses; with regard to auxiliary systems, Kering points out that there is a lack of systems for monitoring and quantifying compressed air system leaks, and that when surveys on the subject were carried out in a few cases, it was found that plant leaks reached values of 80% of production.

3.3.7. The 10 Best Practices

Before analyzing the results in economic terms, it seems useful to highlight the 10 Best Practices on which the Clean by Design program is based:

- 1) Measure consumption identify leaks:** in most cases only a monthly measurement of consumption is taken without a clear understanding of which parts of the system should be ascribed to which.
- 2) Collect and recover condensates in steam networks:** as the Kering report dedicated to the Clean by Design program reports, "*when steam condenses back to a liquid state, it is very pure and already hot water, lending itself excellently to being returned to the boiler to produce steam again*".
- 3) Reuse cooling water:** a very common practice in Italy, perhaps too much so since it is abused by trying to recover dye baths once the process is over as quickly as possible. Kering suggests a zero-cost operational improvement: slowing down the post-dyeing cooling process in dyehouses will result in a slower process in which less cooling water will be used at a higher temperature, and in this way less water will be recovered that will be more easily converted and usable since it will have a higher temperature.
- 4) Reuse process water and gray water:** the goal is both to avoid waste and to increase the efficiency of the entire plant.
- 5) Recover heat from hot water:** this is an excellent energy-saving practice.
- 6) Increase the efficiency of boilers:** just replacing the current system with a new one already in itself can be considered as a competitive advantage since often in Italy the systems are obsolete and inefficient. Further improvements can be achieved by installing an economizer on the flue that can recover heat from the flue gases generated. This increases the efficiency of the plant by about 5%. Another improvement concerns steam systems and involves improving the quality of water entering the boiler and optimizing purging. In this way it is possible, thanks to the osmotized water used instead of the more common softened water, to achieve a reduction to the extent of 10 in purges and energy savings of 5-10% on gas.
- 7) Maintain condensate drains and steam system:** as Kering reports, rarely does a plant have a preventive maintenance program of replacing condensate drains, resulting in significant amounts of steam being wasted. This leads to process inefficiencies and large energy losses, quantified as 5% of steam consumption.

8) Improve insulation: this concerns the insulation of the plant's various steam lines and condensate return circuits, for example. As reported by Kering "*In these situations, the most effective intervention is to insulate with demountable insulation cushions, as these points are the ones where maintenance and modifications are most often carried out, and fixed insulation systems end up being dismantled and not re-installed at the end of the work*". The measure under consideration turns out to be one of those with the shortest payback times, maximum about 6 months, and one of those requiring the smallest investments.

9) Recover heat from chimneys and thermal oil: again, the goal is to increase plant efficiency by avoiding waste.

10) Optimize compressed air: as seen above, these plants often experience losses of 80% of production, which is a problem for the plants.

3.3.8. Program results

Kering has adopted a methodology for monitoring and verifying results that consists of several steps:

- monthly telephone contact with the corporate contact person to monitor the status of interventions.
- collection in electronic form of documents useful for carrying out the above activities.
- visit to the site to get a clearer view of the situation.

After these first 3 steps, savings are determined in different ways according to the type of intervention, and Kering proposes 4 methodologies, quoted verbatim from the previously mentioned report related to the project being written about, set out in descending order of accuracy.

- comparing the consumption measured before and after the intervention and normalized to take into account different climatic or production conditions in different years; this solution can only be adopted if a consumption monitoring system is installed or if the intervention concerns the entire consumption of a carrier.
- estimate the difference in consumption based on the installed power before and after the intervention and the number of hours of use declared by the company.
- make analytical calculations based on spot measurements made in the field and data declared by the company.
- estimate consumption based on installed power and estimated hours of operation and apply typical savings percentages from literature to calculate savings.

Once the savings for electricity, natural gas and other fuels have been calculated, primary energy savings and avoided greenhouse gas emissions are calculated, considering conversion and emission factors derived from qualified national and international sources. For the calculation of economic savings, the energy price declared by the company or taken from the relevant bills is used as the basis.

As of December 2016, the more than 120 interventions realized by Kering have produced the following results:

- Total reduction of climate-altering emissions by 5.7% from 65,300 tons of CO2 per year. Specifically, each company recorded a reduction of between 1% and 26%. Better performance of small and medium-sized companies compared to larger ones is reported.
- The interventions suggested by Kering to its suppliers brought annual savings of €940,000 against a total investment of €2.2 million.
- On average, leaving out the 26 more onerous interventions that also involved other parts of the production facilities at the initiative of the suppliers themselves and outside the scope of the Clean by Design program, each plant saved 39 thousand euros against a median investment of 91 thousand euros.

An important issue when it comes to sustainability is payback time, which is the time it takes to recover the funds invested in a given project. As shown in Figure 28, interventions to improve the day-to-day operation of facilities, interventions on steam systems, compressed air systems, and interventions on lighting represent the largest category of interventions. The Kering report also indicates that the lowest investments, often zero even, are required for management improvement interventions and management and maintenance interventions on compressed air systems. The interventions with the highest payback time are those related to heat recovery, HVAC (i.e., heating, ventilation and air conditioning) systems, and lighting systems.

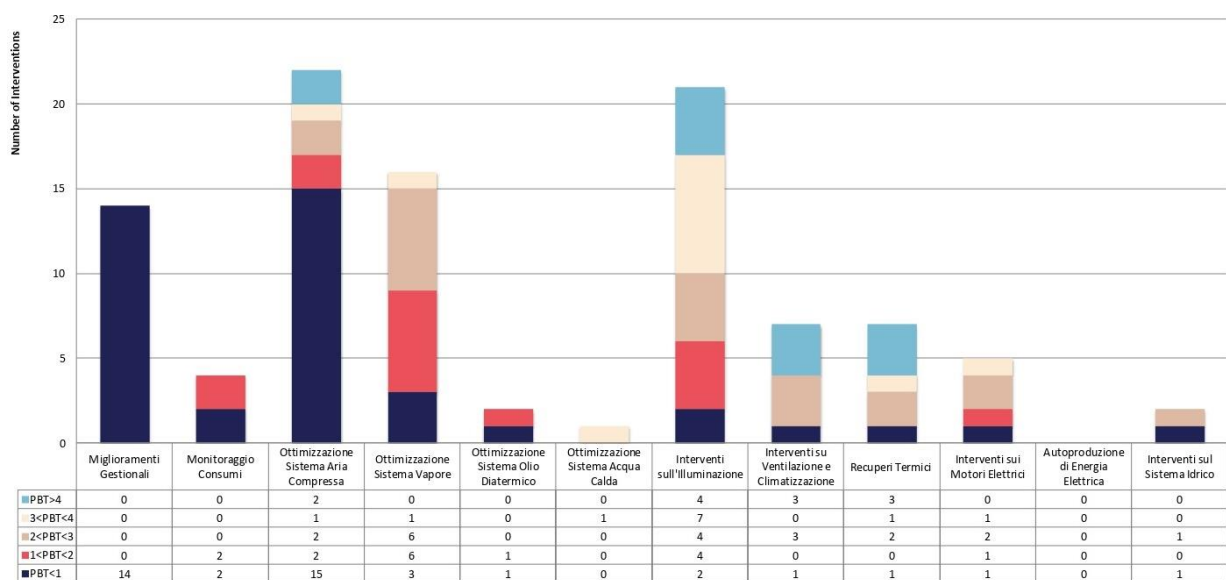


Figure 28. Payback times analysis of investments by category of intervention (by the end of 2016) Source: https://keringcorporate.dam.kering.com/m/72d97f5b565bd9dc/original/kering_FR_developpementdurable_clean_by_design-pdf.pdf

Figure 28 shows that all interventions related to management improvements have a payback time of less than one year. As for interventions related to consumption monitoring, it is noted that the payback time is less

than a year in 50% of the cases and between 1 and 2 years in the remaining half of the interventions. A similar situation applies to diathermic oil system optimization interventions. The highest payback time of more than 4 years concerns compressed air system optimization interventions, interventions on lighting systems, interventions on air conditioning and ventilation systems, and thermal recoveries. Between 3- and 4-years payback time we find interventions of various types: optimization of compressed air systems, steam systems, and hot water systems primarily but also interventions on the lighting system, interventions on electric motors, and heat recovery interventions. Water system interventions have a payback time of between 2 and 3 years in 50% of the cases, and in the remaining half of the cases the payback time value is less than one year. A payback time between 2 and 3 years also concerns the optimization of steam and compressed air systems, as well as thermal recoveries interventions on electric motors, lighting, ventilation, and air conditioning systems. It therefore seems useful to understand these aspects in order to highlight that investments in sustainability sometimes present an immediate return for the company and not, as has long been thought, a return that is only potential and far in the future.

To summarize what has been said about Kering's Clean by Design project, it should first be noted that the 24 companies involved in the project at the end of 2016 had carried out 127 efficiency measures through which they had avoided CO₂ emissions into the atmosphere of more than 3,700 tons per year. Reductions of this kind mean lower costs for the company and a not inconsiderable return on image, which also translates into an economic advantage in the market. Many maintenance interventions have involved the replacement of obsolete lamps with LED lamps, which have enabled companies to reduce energy consumption by about 60%, achieving a not inconsiderable economic and energy return. Other interventions have involved the installation of inverters on ventilation systems and have provided savings ranging from 20 to 50 percent. The investments made, as seen above, have payback times a few times greater than 4 years and therefore confirm that sustainability even in the short term brings benefits to businesses: these are not investments with an uncertain and distant return; they are targeted investments that ensure a return in both the short and medium to long term. The return is both economic, thanks to increased efficiency of production facilities and savings due to reductions in consumption, and image, and as highlighted earlier, the reputational issue is increasingly central to consumers in their purchasing choices. Kering also derives additional benefits from this: by establishing long and profitable relationships with its suppliers, the group secures a not insignificant competitive advantage by taking advantage of the benefits of dealing with long-standing partners with whom a healthy relationship has been established. This minimizes the risks associated with the misbehavior of its suppliers, who are made to sign a Code of Conduct as already highlighted in Chapter 2, and ensures that the corporate group has an effective and efficient supply chain based on dialogue and interaction with suppliers to improve together with a common goal.

3.4. Prada Group

"I believe it is essential pursue a more sustainable business, capable of responding with agility and consistency to the challenges increasingly complex of the coming years, thanks also to the indispensable involvement of our key stakeholders" (Prada S.p.A, Social Responsibility Report.2021).

With these words Lorenzo Bertelli, Head of Corporate Social Responsibility of the Prada Group, emphasizes the centrality of sustainability in the Prada Group's business model. These words show how sustainability is considered a must-have by the group to respond promptly to the complexities that the market will present in the near future. The group, as well as LVMH and Kering, is at the forefront of sustainability issues, and its ongoing commitment is evidenced over the years by projects such as Sea Beyond, discussed in Chapter 2. Prada's business model supports the group in achieving its goals: in particular, Prada wants to be the "driver of changes," a protagonist of change and at the forefront of protecting the environment, workers, and so on.

3.4.1. Economic Analysis

Like all brands in the luxury sector, the Prada group faced the crisis from Covid-19 by suffering a sharp reduction in revenues in the year 2020, due to the anti-pandemic measures that reduced the volume of markets in the year mentioned in the previous lines. In 2021, however, the group achieved excellent results, surpassing both the 2020 and 2019 results, the last pre-Covid year. As reported by IISole24Ore in the article "Prada's run: revenues up 41% on 2020 and 8% on pre Covid" in 2022, the group recorded revenues of 3.4 billion euros in the year 2021. This is 41% higher than the year 2020, but as already pointed out this big difference is attributable to the pandemic due to the new Coronavirus, and 8% higher than 2019 (Redazione Moda, 2022). As shown in Figure 29, the 2021 Sustainability Report contains information about the group's economic performance taking into account the sustainability issues mentioned in the paper.

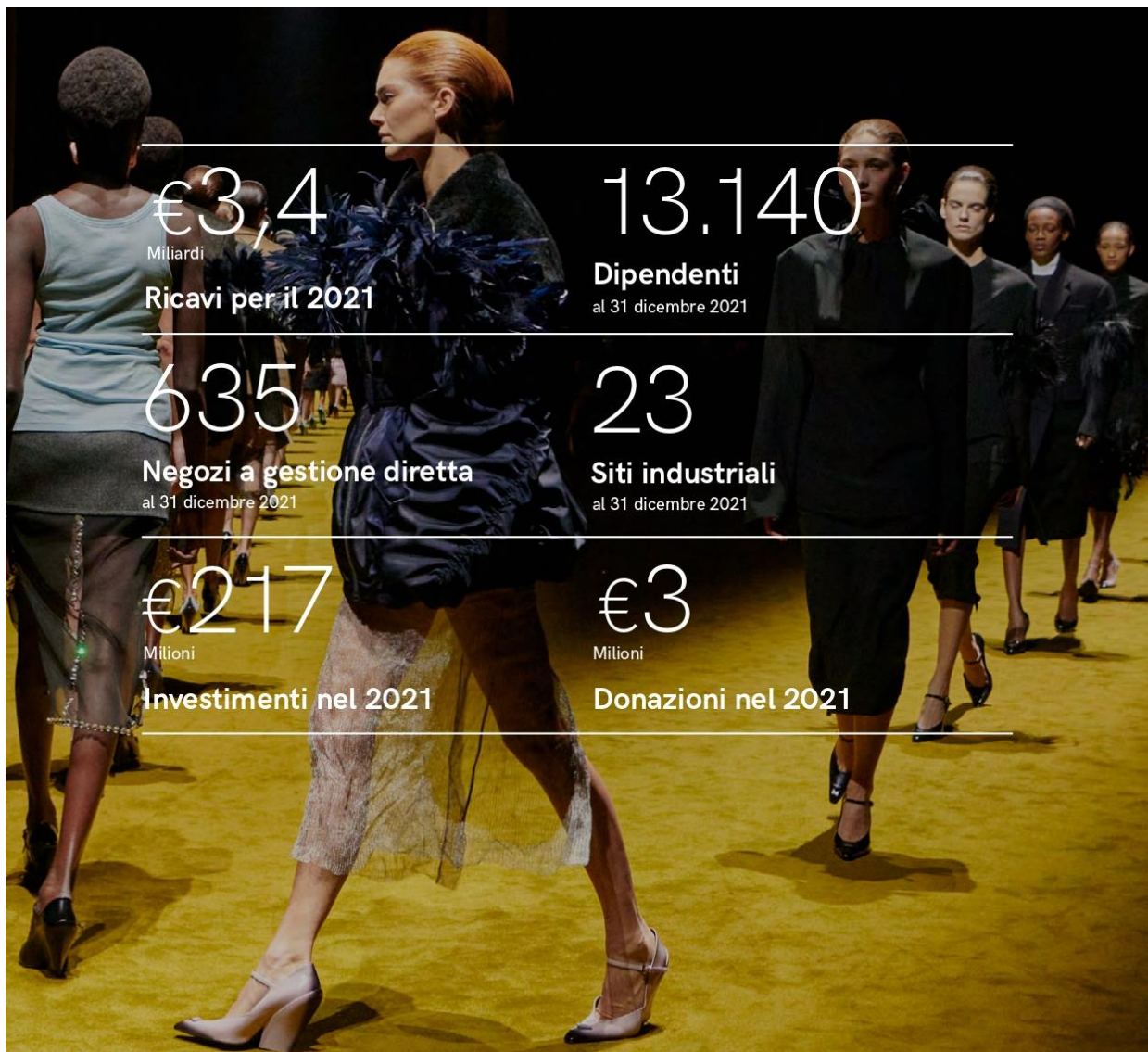


Figure 28. Prada Highlights 2021 Source: https://www.pradagroup.com/content/dam/pradagroup/documents/Responsabilita_sociale/2022/it-Report%20di%20Sostenibilita%202021.pdf

The year 2021 was an important year financially for Prada: the Luna Rossa brand became part of the group, and significant investments were made to ensure an increasingly rosy future for the group. As the Sustainability Report points out, as of December 2021, the group's products are sold in 70 countries around the world through a network of 635 directly operated stores and a select network of retailers, franchise stores, and luxury department stores. With 88% of its consolidated sales in 2021 coming from the retail channel and 12% from the wholesale channel, the group, with a view to long-term, sustainable growth, has implemented initiatives to improve its customer-focused approach. Themes such as omnichannel, digitization of shopping, and enrichment of the in-store experience represent the focus of Prada's actions regarding its distribution channels. Customer engagement and the personalization of the relationship between company and consumer are other very central themes in Prada's business model: such an approach testifies to the brand's attention to its consumers and translates into a competitive advantage: the brand

acquires an increasingly positive reputation among consumers, and image returns often translate into positive economic returns as customers are more likely to buy from a brand of which they have a good image than one of which they know little or nothing or of which they have a less than positive opinion. Innovation, creativity, and craftsmanship are some of the basic principles on which the group's entire work is based, and the functioning of the group's supply chain and production chain are a testament to this: products are made at the group's 23 proprietary production sites through a select network of *façonists* who are supplied with certified raw materials from suppliers with whom Prada has established solid and profitable relationships over the years. Again, Prada's business model testifies to the centrality of sustainability in the company's choices, and this turns into a positive return: as highlighted earlier, healthy, and lasting relationships with its suppliers allow the company to have greater efficiency throughout the production chain. Sustainability often brings benefits that cannot be easily quantified numerically, but it is easy to grasp the benefits of strong and lasting relationships with suppliers. The aforementioned benefits not only concern aspects related to effectiveness and efficiency of production facilities but also issues such as trust, which is fundamental in human relationships and is increasingly central to business strategies nowadays. The theme of trust also recurs in the relationship between the group and its lenders: it will be easier to obtain the financing needed to develop its business activities if the company is considered healthy and reliable in the market and if it has established a constant and open dialogue with stakeholders and shareholders. There are also sometimes financial instruments available that present facilities for companies that achieve certain sustainability targets and objectives, as we will see in the next section.

3.4.2. Sustainability linked loans

As can be seen from the Prada Group's official website, Prada S.p.A was the first company in the luxury sector to use so-called sustainability-linked loans. This type of financial instrument is based on a mechanism whereby the interest rate is reduced when quantitative sustainability targets are reached. The correlation between sustainability and economic benefits again seems clear, as a reduction in the interest rate constitutes a not inconsiderable saving for a company. In addition to direct economic benefits, indirect ones must be added, resulting from improved relations with its lenders and the improvement in reputation and image that a brand achieves by acting responsibly. The Prada Group has signed three such agreements, in particular one with Crèdit Agricole Group, one with the Japanese bank Mizuho, and one with Unicredit Bank. The agreement with Crèdit Agricole includes a five-year loan of 50 million euros, the interest rate of which is reduced if targets related to:

- number of outlets with LEED gold or platinum certification.
- number of training hours for employees.
- use of Prada Re-Nylon, or regenerated nylon, in production processes.

The €75 million loan received from the Japanese bank Mizuho in 2020 has a similar structure to the loan just outlined, while the one with Unicredit still decreases the interest rate upon the achievement of other goals, again, in terms of sustainability. Indeed, in February 2021, the Unicredit bank and the Prada Group signed an agreement that provides for a 5-year loan worth 90 million euros, with the following KPIs:

- *Regeneration and reconversion of production waste*: the Prada group has recently invested in reducing production-related waste and managing its collection and disposal in an effective and efficient manner. The group's commitment is to transfer these waste materials to third parties for input into other production cycles, regenerating them or converting them into fertilizer or energy.
- *Increasing the share of self-generated energy*: the investment plan for the construction of photovoltaic systems at the group's sites is proceeding with the aim of increasing production each year in the period from 2021 to 2025. The Levanella locations in Tuscany are particularly involved in the project. (Prada, Esg loans,2022)

The importance of these financial instruments for the group is underscored by the statement of Alessandra Cozzani, CFO of Prada S.p.A whose words are taken from the Prada Group's 2020 Social Responsibility Report.

“There is an increasing demand in the capital market to underwrite financial instruments that can contribute positively to promoting the transition to a sustainable economy. We are pleased to be able to respond promptly to this demand and to be considered a benchmark counterparty in this regard. The decision to introduce new targets compared to previous operations underscores the broadening scope of our commitment and an increasingly strong link between finance and sustainability” (Prada S.pA., Social Responsibility Report,2020)

As Prada's CFO pointed out, it is the market itself that is calling for financial instruments of this type, which represent a significant asset for companies that can more easily pursue long-term growth objectives from both economic and social-environmental perspectives with these instruments.

3.4.3. Corporate Governance Analysis

Analyzing the Prada Group's corporate governance model, the centrality that the issue of sustainability has in the group's strategic decisions emerges. Alongside various committees present, which flank and support the Board of Directors in its decisions, there is a Sustainability Committee. Its task is, as reflected in Prada's 2021 Social Responsibility Report mentioned earlier, to support the BoD with propositional and advisory functions. The support concerns the definition of the strategic guidelines to be followed as well as the drafting and review of the annual Sustainability Report that the group presents regularly.

3.4.4. Re-Nylon Project

The analysis on the Prada Group now proceeds with a description of the Re-Nylon project, carried out in collaboration with Acquafil, an Italian company active in the production of synthetic fibers. Through a production process that will be described later, Prada and Acquafil make a particular type of regenerated nylon that can be recycled indefinitely without losing the quality of the material. The name of this type of nylon is ECONIL® and it is obtained from plastic waste originally destined for landfills around the world or recovered directly from the bottom of seas and oceans. The production process consists of 3 steps:

- *Recollection of waste materials*: items such as fishing nets and industrial waste are cleaned to maximize the amount of recoverable nylon.
- *Regeneration and Purification*: nylon undergoes a chemical depolymerization process that allows the material to return to its original purity.
- In the plants located in Ljubljana and Arco, the material is transformed back into polymers through a polymerization process.

Taking into account the data reported on Prada's official website, it is estimated that for every 10 thousand tons of ECONIL® produced, they save 70 thousand barrels of oil. This also leads to a reduction in CO2 emissions of 65100 tons and has a 90% reduced impact on global warming compared to oil-fueled nylon production. (Prada, Re-Nylon,2022)

Recall that the use of Re-nylon is one of the conditions set for the financing contracted with Crèdit Agricole and that the issue of regeneration and reconversion of waste from production is one of the founding KPIs of the agreement between Prada and Unicredit for the other financing discussed above. In this case, we are faced with a situation in which sustainability is in a twofold way an advantage for the company: achieving certain results in terms of sustainability allows Prada to access financing with facilities related to the decrease in the interest rate, and in addition, by producing the goods to be marketed in a sustainable way Prada obtains economic savings related to the non-use of oil barrels in production. In addition, the image gain that Prada achieves through these initiatives should also be mentioned: in the paper, the buying habits of consumers in the luxury market were discussed, and it was pointed out that consumers are increasingly reluctant and reluctant to make purchases from companies that are considered to be unsustainable, and how, on the other hand, they are increasingly inclined to purchase goods from a particular brand in case they recognize the brand's great commitment and attention to sustainability issues.

Conclusions

In the course of the paper, as a starting point in the first chapter, the topic of sustainability was introduced and its growing importance for companies was emphasized, as they increasingly recognize its value and importance in strategic decisions. The analysis then covered an introduction of the luxury sector, highlighting its main trends as well as the impact that the Covid-19 pandemic has had on it. In the trend analysis, a strong consumer focus on issues related to sustainability emerged: most luxury consumers nowadays are willing to forego making purchases from a company if it engages in questionable behavior throughout its value chain. The topic of sustainability over the years has expanded greatly and thus no longer concerns only purely green practices aimed at environmental protection but also issues such as inclusiveness, respect for differences in the workplace as well as respect for the local communities with which a company relates in carrying out its business.

The second chapter introduced the sustainability revolution, that transition to a business model that fully respects the canons and principles of corporate sustainability. The analysis in the second chapter looked at how companies in the luxury sector are addressing this sustainability revolution by going step by step to implement their own sustainable DNA. Sustainability issues relate to the relationship with suppliers, consumers, employees as well as shareholders and local communities, and the various luxury companies have not been unprepared: various initiatives have been launched to support local communities, employee assistance programs have been created, supplier codes of conduct have been drafted, and much more, as highlighted in the paper. In the third chapter, taking the two largest luxury groups, namely LVMH and Kering, and the Prada Group, as a reference, the benefits that result from corporate sustainability were highlighted more prominently. These benefits can be more or less easily determined from an economic point of view: the Kering group's EP&L program provides an immediate understanding of the economic return associated with sustainability policies, but in the analysis one should not stop there. Additional benefits of sustainability are related to employee productivity, supply chain efficiency, and the seriousness and transparency of relationships between the company and stakeholders. All this translates into economic benefit, albeit indirectly: as highlighted by the executives themselves of the 3 luxury giants analyzed in chapter 3, the business models of the 3 luxury groups understand sustainability as an integral part of them and recognize its strategic importance as well as the fact that it constitutes a competitive advantage. The importance of sustainability in strategic decisions is growing steadily as more and more companies understand its benefits: an employee who works in a healthy and open work environment will be more productive than one who is in a disorganized work environment where there is little dialogue. The issue of employee health and wellbeing is also very important in terms of corporate sustainability: an employee's loss of productivity is mainly related to conditions such as anxiety, stress, and various illnesses, and the resulting

costs to the company are more than 2 times greater than those associated with direct health care by the company for its employee, as highlighted in Chapter Three. The benefits of sustainability also affect access to the resources needed to keep the company going: the sustainability linked loans of the Prada group discussed in chapter three are a perfect example in this regard. The importance of sustainability has grown, is growing and will grow in the future as it represents a profitable asset for companies, not only in the luxury sector. The revolution has begun, companies are taking action, and the organizational and strategic changes that have taken place, as well as the financial results of the luxury giants analyzed in this paper, testify to how the path laid out is the right one.

References:

Accenture (2022) Measuring Sustainability, creating value. Accenture , Strategy & Consulting <https://www.accenture.com/us-en/insights/strategy/measuring-sustainability-creating-value>

American Management Association. (2007). Creating a sustainable future: A global study of current trends and possibilities 2007-2017. BusinessPro collection American Management Association

Armani. (2022) Corporate Social Responsibility. <https://www.armani.com/en-us/experience/corporate/social-responsibility/social-responsibility-community>

Berry L. L., Mirabito, A. M., Baun W. B., (2010) What's the Hard Return on Employee Wellness Programs? Harvard Business Review <https://hbr.org/2010/12/whats-the-hard-return-on-employee-wellness-programs>

Business Roundtable (2022) <https://www.businessroundtable.org/>

Ceresi, P. (2017). Le cinque fasi vincenti per un'azienda sostenibile IlSole24Ore <https://www.ilsole24ore.com/art/le-cinque-fasi-vincenti-un-azienda-sostenibile-AE5VO5e>

Chanel Foundation (2022) https://www.foundationchanel.org/en/partners-supported/?p_keywords=&p_regions%5B%5D=AE

Crivelli, G. (2021) Beni di lusso ai livelli pre crisi, nel 2022 crescerà la redditività IlSole24Ore <https://www.ilsole24ore.com/art/beni-lusso-livelli-pre-crisi-2022-crescera-redditivita-AEW3SKw>

D'arpizzo C., Levato, F. (2021). Luxury is back...to the future. Luxury Goods Worldwide Market Study. Fall 2021 – 20th Edition. Bain & Altagamma <https://altagamma.it/media/source/Altagamma%20-%20Bain%20Luxury%20Market%20Monitor%202021.pdf>

Davis-Peccoud, J., van den Branden, J. C., Brahm, C., Mattios, G. Montgolfier J. (2020) Sustainability Is the Next Digital, Bain & Company <https://www.bain.com/insights/sustainability-is-the-next-digital/>

Deloitte (2020) Deloitte Global Powers of Luxury Goods 2020. The new era of Fashion & Luxury. Deloitte <https://www2.deloitte.com/it/it/pages/consumer-business/articles/deloitte-global-powers-of-luxury-goods-2020---deloitte-italy---c.html>

Deloitte (2021) Deloitte Global Powers of Luxury Goods 2021. Breakthrough luxury. Deloitte. <https://www2.deloitte.com/it/it/pages/consumer-business/articles/global-powers-of-luxury-goods-2021---deloitte-italy---consumer.html>

Enciclopedia Treccani. Definition of sustainability

ESG News (2022a) Commissione Ue, le proposte per rendere più sostenibile il settore tessile. EGS News <https://esgnews.it/regulator/commissione-ue-le-proposte-per-rendere-piu-sostenibile-il-settore-tessile/>

ESG News (2022b) Economia Circolare: Definizione, benefici ed esempi https://esgnews.it/environmental/economia-circolare-esempi/#Quali_sono_i_benefici_dell8217economia_circolare

European Commission (2020) Occupazione ed economia durante la pandemia di coronavirus. European Commission. https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/jobs-and-economy-during-coronavirus-pandemic_it

Federconsumatori (2021) Gender Gap: in Italia le donne devono fare i conti con stipendi più bassi e prodotti più cari. Federconsumatori [https://www.federconsumatori.it/gender-gap-in-italia-le-donne-devono-fare-i-conti-con-stipendi-piu-bassi-e-prodotti-piu-cari/#:~:text=Nelle%20ultime%20rilevazioni%20\(relative%20al,l'anno%20pi%C3%B9%20delle%20donne.](https://www.federconsumatori.it/gender-gap-in-italia-le-donne-devono-fare-i-conti-con-stipendi-piu-bassi-e-prodotti-piu-cari/#:~:text=Nelle%20ultime%20rilevazioni%20(relative%20al,l'anno%20pi%C3%B9%20delle%20donne.)

GucciFoundation <https://www.guccifoundation.org/>

Hermes giving back <https://www.hermes.com/it/it/story/189651-le-comunita/>
<https://www.ilfattoquotidiano.it/2020/09/11/alexandra-zarini-lerede-dei-gucci-accusa-io-molestata-dal-mio-patrigno-dai-6-ai-22-anni-mia-mamma-era-complice/5927949/> F.Q., IlFattoQuotidiano,(2020)

Kering clean by design https://keringcorporate.dam.kering.com/m/72d97f5b565bd9dc/original/kering_FR_developpementdurable_clean_by_design-pdf.pdf

Kering clean by design 2 <https://www.kering.com/it/news/clean-by-design-2017>

Kering Code of Ethics 2019 https://keringcorporate.dam.kering.com/m/33a7ab2485a5e2ed/original/Kering_CodeEthique2019_DEF-A4-English.pdf

Kering EP&L report <https://keringcorporate.dam.kering.com/m/5edba9133d460b06/original/Kering-Environmental-Profit-and-Loss-Report-2021-EN-Only.pdf>

Kering full year results 2021

https://www.kering.com/assets/front/documents/Kering_Presentation_2021%20FY%20Results_17022022.pdf

Kering, Preservare l'artigianalità <https://www.kering.com/it/sostenibilita/le-persone-della-nostra-supply-chain/preservare-l-artigianalita/>

Kering Supply Chain <https://www.kering.com/it/sostenibilita/le-persone-della-nostra-supply-chain/i-diritti-umani-nella-supply-chain/>

Kering Universal registration document 2021

https://www.kering.com/assets/front/documents/Kering_2021_Universal_Registration_Document.pdf

La Scola, M., (2011) Organization Design: A Vehicle to Embed Sustainability, Thunderbird School of Global Management. <https://thunderbird.asu.edu/thought-leadership/insights/organization-design-vehicle-embed-sustainability>

Lazzaroni, S., Pianon, N., Seara, J., Bianchi, F., Willersdorf, S., Ricci, G., Prini, F. (2021). True-Luxury Global Consumer Insight 8th Edition. Boston Consulting Group & Altagamma <https://www.bcg.com/it-it/press/17june2021-altagamma-consumer-insight-2021>

LIFE 360 LVMH https://r.lvmh-static.com/uploads/2021/05/life_360_en_externe_def.pdf

LVMH annual report 2021 https://r.lvmh-static.com/uploads/2022/03/lvmh_rapport-annuel-2021-va.pdf

LVMH suppliers code of conduct [lvmh-supplier-code-of-conduct-april-2022.pdf](https://r.lvmh-static.com/uploads/2022/03/lvmh_supplier-code-of-conduct-april-2022.pdf) (lvmh-static.com)

LVMH code of conduct 2021 <https://r.lvmh-static.com/uploads/2021/09/cdc-italian.pdf>

LVMH social and environmental responsibility report 2021 <https://r.lvmh-static.com/uploads/2022/04/2021-social-and-environmental-responsibility-report.pdf>

Luxottica Onesight <https://www.luxottica.com/it/onesight/esperienza-onesight>

Moncler gestione e sviluppo <https://www.monclergroup.com/it/sostenibilita/nurture-uniqueness/gestione-e-sviluppo>

Moncler sustainability client experience <https://www.monclergroup.com/it/sostenibilita/be-fair/client-experience-2-0>

Moncler sustainability local communities <https://www.monclergroup.com/it/sostenibilita/give-back/iniziativa-per-lo-sviluppo-delle-comunita>

Moncler Supply Chain <https://www.monclergroup.com/it/sostenibilita/be-fair/profilo-della-catena-di-fornitura>

Moncler supplier's code https://www.monclergroup.com/wp-content/uploads/2016/07/Aggiornamento-febbraio-2021_Codice-di-Condotta-Fornitori_ITA.pdf

Prada esg loans <https://www.pradagroup.com/it/sustainability/environment-csr/esg-loan.html>

Prada Re-nylon <https://www.pradagroup.com/it/sustainability/environment-csr/prada-re-nylon.html>

Prada Sea beyond sustainability <https://www.pradagroup.com/it/sustainability/cultural-csr/prada-re-nylon-sea-beyond-unesco.html>

Prada sustainability report 2020

https://www.pradagroup.com/content/dam/pradagroup/documents/Responsabilita_sociale/2021/Relazione-sulla-Responsabilita-Sociale-2020.pdf

Prada sustainability report 2021

https://www.pradagroup.com/content/dam/pradagroup/documents/Responsabilita_sociale/2022/it-Report%20di%20Sostenibilita%202021.pdf

Redazione Moda (2022), La corsa di Prada: ricavi in crescita del 41% sul 2020 e dell'8% sul pre Covid
IlSole24Ore <https://www.ilsole24ore.com/art/la-corsa-prada-ricavi-crescita-41percento-2020-e-dell-8percento-pre-covid-AEZzi5JB>

Science Based site <https://sciencebasedtargets.org/>

Shook E., Lacy P., Monck A., Rademacher J. (2021) Shaping the sustainable organization. Accenture
<https://www.accenture.com/us-en/insights/sustainability/sustainable-organization>

The Fashion Pact (2022) <https://www.thefashionpact.org/?lang=it>

The state of fashion report Mckinsey 2021 [The State of Fashion 2021 \(mckinsey.com\)](https://www.mckinsey.com/industries/fashion-and-luxury-goods/articles-insights/the-state-of-fashion-2021)

Summary

The topic of sustainability has increasingly become the focus of attention of companies, which in recent years have increased their investments in this direction, convinced that they can achieve a financial return as well as a 'greener' image in the eyes of consumers. But what is sustainability? Using an encyclopedic definition from Treccani Encyclopedia, sustainability can be defined as "*a condition of development that ensures that the needs of the present generation are met without compromising the ability of future generations to meet their own needs*". The topic has gained increasing importance over the years for companies, which are increasingly integrating sustainability into their business model. How can a company be defined as sustainable? To define a company as sustainable, as reported by IlSole24Ore (Ceresi, P., 2017), it is not enough to define a company as attentive and motivated by ethical principles that redistributes part of the value it creates to charity. The sustainable company is that company which, in addition these characteristics, manages to secure a competitive position with stable returns over time. The analysis of the sustainable company also includes defining the key factors required to maintain this competitive stability over time. The key factors for achieving these results are the creation of a shared value to be distributed to all company stakeholders, a careful measurement of company decisions that takes into account the various impacts, economic and otherwise, that each decision has and, finally, adequate communication aimed at all stakeholders in order to inform them of the company's actions (Ceresi, P., 2017). Furthermore, it is possible to identify the existence of some common characteristics among companies that can be defined as sustainable today. The first characteristic is the long-term vision, namely, that the company does not look to immediate returns - a characteristic common to many family-run businesses that have a long-term vision, defined as multi-generational. The second characteristic relates to the relationship with stakeholders: the company must know its stakeholders in order to well define the relationships with all the actors in the environment: suppliers, employees, customers and institutions must have a healthy and sincere relationship with the company, and to make this happen, efficient mechanisms for reporting and monitoring the company's performance in creating value for stakeholders are necessary. The third characteristic is related to the quantification of the level of stakeholder satisfaction, which must be used as a

starting point to evaluate the performance of the company management. The fourth characteristic of a company that can already be defined as sustainable refers to the involvement of stakeholders in the company's decision-making processes, in order to make decisions that are convenient for the company and the entire environment. Involving stakeholders in the decision-making process makes it possible to manage the trade-off between the short-term vision of the shareholder, aimed at immediate value maximization, and the medium- to long-term vision of the stakeholders. The fifth characteristic is linked to the theme of corporate culture: the creation of value for stakeholders must be the company's mission, the purpose for which the company operates. Linked to this are the concepts of cross-functionality and co-responsibility in stakeholder management and the impact the company has on them, whether we are talking about relations with suppliers, institutions, or consumers. The issue of sustainability is also becoming increasingly central in guiding the purchasing choices of consumers, who are increasingly taking sustainability issues into account when making their purchasing decisions. The paper will focus on the luxury sector and aims to demonstrate a positive correlation between corporate sustainability and related organizational changes and the company's bottom line.

The luxury sector: Taking the luxury sector, and the fashion world in particular, as a point of reference, it is possible to notice that many players, such as the LVMH group and the Kering group, have long embarked on a corporate path aimed at increasingly the integration of sustainability into their corporate policy. The sector presents as very concentrated, due to the presence of large French and Swiss conglomerates flanked by small and medium-sized players. On the other hand, the fashion sector, which presents blurred boundaries with the luxury sector, is less concentrated with the presence of Maisons still managed by their founder or descendants. The main players in the luxury market are the Kering group and the LVMH group, which include well-known brands such as Gucci and Louis Vuitton in their portfolio. Other important players are the Moncler group, Luxottica and independent brands such as Chanel and Hermès. The sector has certain characteristics that distinguish it from other sectors of the market: luxury products are hardly identified as 'best performers' by consumers and very often are not even perfect to meet their needs. Generally, a given product aims to reach the widest possible segment of consumers in the market. This does not apply to luxury products that do not aim to have too many consumers. A luxury product that is too 'common' would in fact lose the characteristics of exclusivity and uniqueness that are typical of products in this sector. It is therefore risky for such a product to satisfy the entire market demand precisely because of the above-mentioned characteristics of luxury goods. Another distinctive feature of luxury products is related to the place and

manner of purchase. Buying such a product does not have to be too easy for the consumer; even from the distribution point of view, there are in fact rules to be followed to distinguish luxury products from other goods such as, for example, the golden rule of flagship shops that requires at least 100-150 km distance between one shop and another of the same brand. Another characteristic of this sector is the 'protection' that is given to regular customers who spend more, as opposed to consumers who spend less on luxury goods and only buy these products occasionally. This is done in order to build the loyalty of wealthier, spendthrift customers, who appreciate feeling pampered and protected by the companies from which they purchase the desired luxury products.

Luxury consumers and trends: Within the market, it is possible to make a division between the various categories of consumers, who have grown considerably in number in recent years, also thanks to the entry of Chinese and Indian consumers into the market, as well as the growing interest of Generation Z and Generation Alpha in luxury products. It is possible to divide the luxury market into 3 macro areas, the so-called 3 A's of luxury. At the top of the pyramid we find the so-called 'Absolute Luxury', synonymous with elite, tradition and uniqueness that includes brands such as Hermès and Ferrerri. In the middle of the pyramid we find 'Aspirational Luxury', synonymous with aspiration and social differentiation for consumers. The last segment, which includes brands such as Tiffany and Burberry, is defined as 'Accessible Luxury'. It is seen as the gateway to the world of luxury and consumers tend to affirm their social status by making purchases of this type in order to feel part of this world as well. These 3 major macro-areas of luxury form the heart of the global market that generated \$281 billion in sales in 2019, according to Deloitte's report (2020). The new luxury lover lives in a digitized world and is able to use technological tools such as smartphones and tablets without problems. Generation Alpha is also the first generation born at the beginning of the 21st century and this links to two other characteristics of the new luxury consumer. The Gen-Alpha luxury customer is defined as 'social' by the Deloitte report due to the continuous use of social networks by this new generation who, through modern social media such as Instagram and Tik Tok, come into contact with modern influencers able to guide the purchase choices of these consumers. A further characteristic of the Alpha Generation consumer is that of being 'sustainable'. Indeed, the new generations are increasingly sensitive to issues such as global warming and climate change. This also has implications when choosing which brand to buy from, as is already known, and indeed it is possible to assume an increasing importance of sustainability in the future purchasing choices of the Alpha Generation. (Lazzaroni et al., 2021) New and emerging trends in the sector include second-hand luxury and brand collaborations, as keep growing trends we find luxury casualwear, sustainability as well as issues such as omnichannel and virtualization of luxury.

Economic analysis of the sector: Like almost all industries, the sector faced challenges related to the Covid-19 pandemic, which led to a general market contraction in FY2020. The market contraction affected both large groups such as LVMH and independent brands such as Chanel and Hermès.

Sustainability challenge: In recent years, the theme of sustainability has become increasingly central in every field. The challenge for companies to become sustainable is not easy and is increasingly being compared to the challenge of digitalization faced by companies from the 1990s onwards (Davis-Peccoud et al., 2020). Just as in the digital revolution, continuous technological advances have made changes in businesses necessary and affordable, increasing pressures from larger and larger groups of stakeholders and new discoveries in green technology will lead an increasing number of companies over the next few years to pursue the path of sustainability. Just as with the digital revolution, each industry sector will follow this revolution at different speeds and the degree of disruption will also differ from sector to sector (Davis-Peccoud et al., 2020). As Bain further highlights, the sustainability revolution will leave no company untouched and those who move first will benefit from the first mover advantages.

All the major four groups involved in the sustainability challenge are taking steps to try to facilitate this sustainable revolution and, by interacting with each other in a collaborative dialogue, better and better results are being achieved. Consumers, employees, investors, and institutions are increasingly taking sustainability issues to heart and businesses cannot ignore this change.

The Business Roundtable Organization: A virtuous example of an organization that is very active from the point of view of sustainability is represented by Business Roundtable, an association founded in 1978 of the CEOs of major U.S. companies that promotes the U.S. economy by guaranteeing all Americans greater opportunities through sound public policy. The organization defines guidelines for a company to act in a sustainable manner, which are set out below:

1. Delivering value to our customers: reference is made to issues such as omnichannel and assistance in the pre- and post-purchase phases, as carried out by Moncler with Client Expérience 2.0.
2. Investing in our employees: companies such as LVMH, Kering and Moncler provide personal and professional growth and development paths for their employees as well as fair and well-defined remuneration plans. Investing in their employees also means creating a healthy environment in which there is dialogue between employees and top management.
3. Dealing fairly and ethically with our suppliers: it is worth mentioning that luxury companies are increasingly adopting codes of ethics and conduct to regulate their relationship with suppliers. The aim of these documents is to lay the foundations for a healthy and lasting relationship between company and supplier so as to derive mutual benefits. The relationship between a company and a supplier entails obligations of moral and ethical integrity for the latter in the performance of its

activities: supply chain scandals such as child labour can have a devastating impact on the reputation of brands, as well as being morally deplorable regardless of the economic impact they may have.

4. Supporting the communities in which we work: activities of various kinds that create shared value between the company and the communities affected by its production activities. Examples include the Gucci Foundation, which cares for girls who are victims of sexual violence, or the Armani brand, which is at the forefront in helping Italian communities affected by the Covid-19 pandemic. Examples of giving back also include Prada's SEA Beyond project, in collaboration with UNESCO, aimed at raising awareness among girls and boys on the issue of marine pollution. Giving back initiatives also concern the construction of school buildings, as done by Moncler in Romania with a kindergarten for its employees' children, as well as support for people with disabilities, as done by Hermès with the Hermès APS Onlus Association.
5. Generating long term value for shareholders: concerns the creation of long-term value for shareholders. The results achieved by LVMH, Kering and the Prada Group show how sustainability is an important strategic asset for luxury companies.

Analysis: The objective of the chapter is to highlight a positive correlation between a company's performance in the marketplace and its corporate sustainability policies, with all the organizational changes that result. It is intended to bring out that, in the luxury sector, sustainability is an asset for companies that can gain direct or indirect benefits out of it. The analysis is not intended to take into account only purely economic results: the success of a company is also evaluated on the basis of other factors such as the internal climate of the working environment and the wellbeing of employees, and each action put in place by those involved in the operation of the company can be seen as a small brick that is added to the others already present to create and consolidate a sustainable DNA that constitutes an asset and an important tool for the company itself. The executives of large luxury groups recognize sustainability as a founding value, as well as an important strategic asset for businesses. The benefits a company derives from sustainability are not always calculable in purely economic terms and are often related to each other, in a kind of virtuous circle that nurtures the company in a positive way. As highlighted in the previous chapters, corporate sustainability is a very current issue: more and more consumers, even in the luxury market, are orienting their purchasing choices by taking into consideration factors related to the issue of corporate sustainability such as respect for the environment and minorities. Corporate sustainability also covers a wide variety of issues, including the topic related to the work environment and the topic of using recyclable materials: a dynamic work environment in which there is strong horizontal communication fosters the wellbeing of employees and from this can result in an increase in their productivity; the use of recyclable materials lowers costs in the supply chain and allows those resources to be invested differently. In support of this thesis, it is possible to quote

data provided by Accenture in which a positive correlation between ESG metrics (also known as Environmental, Social and Economics metrics) and corporate performance is shown (Accenture, 2022). Over the period from 2013 to 2020, Accenture found that companies with consistently high ESG scores performed about 2.6 times higher than companies with average ESG scores. The correlation between high ESG scores and corporate performance is thus positive, enabling companies to perform better than their competitors.

The three brands performed better in 2021 than in 2020, the year in which the pandemic had its most devastating effects, and even compared to 2019, the last year before the pandemic. The business models of the three groups, albeit with some differences, confirm the centrality of sustainability in business decisions. LVMH's model, for example, is based on six pillars that trace back to corporate sustainability:

- Decentralized organization.
- Vertical integration.
- Sustaining Savoir-faire.
- Organic Growth. Creating synergies.
- Balance across business segments and geographies.

Going into specifics, all three groups have launched specific action programs in terms of sustainability:

LIFE 360: this LVMH program is structured around 4 main strategic priorities: i., circular design; ii., climate; iii., traceability/transparency; iv., biodiversity

The aim of the program is to reduce the environmental impact of the LVMH group. In this way, the group obtains a double return, both in terms of as well as in financial terms, thanks to the reduction of waste at the various stages of the production chain by using, for example, recycled materials.

As far as the Kering group is concerned, special mention must be made of the EP&L accounts and the clean by design program. Both initiatives aim to reduce the environmental impact of the group and its suppliers. The EP&L is a special profit and loss account that is well suited to a company that wants to act sustainably. With this special profit and loss account, Kering is able to measure in economic terms the impact of each action along the entire value chain and better understand in which areas more action is needed. The document also helps the group to be more transparent towards its stakeholders and shareholders and allows the group to have a clearer, long-term vision, so that it can start planning its next investments and market choices correctly. As for Clean by Design, it can be said that it *“is a campaign dedicated to the efficiency of textile plants, aimed at reducing their consumption of energy, water and, where possible, chemicals”* (Kering, Clean by Design in Italy, 2017). The Group directly supports its suppliers with maintenance and replacement interventions in production plants to increase their effectiveness and efficiency. As of

December 2016, the program being a few years old, the more than 120 interventions carried out by Kering have produced the following results:

- Total reduction of climate-altering emissions by 5.7% from 65,300 tons of CO₂ per year. Specifically, each company recorded a reduction of between 1% and 26%. Better performance of small and medium-sized companies compared to larger ones is reported.
- The interventions suggested by Kering to its suppliers brought annual savings of €940,000 against a total investment of €2.2 million.
- On average, leaving out the 26 more onerous interventions that also involved other parts of the production facilities at the initiative of the suppliers themselves and outside the scope of the Clean by Design program, each plant saved 39 thousand euros against a median investment of 91 thousand euros.

As far as the Prada Group is concerned, a mention must be made of sustainability linked loans. This type of financial instrument is based on a mechanism whereby the interest rate is reduced when quantitative sustainability targets are reached. The correlation between sustainability and economic benefits again seems clear, as a reduction in the interest rate constitutes a not inconsiderable saving for a company. In addition to direct economic benefits, indirect ones must be added, resulting from improved relations with its lenders and the improvement in reputation and image that a brand achieves by acting responsibly. The Prada Group has signed three such agreements, in particular one with Crèdit Agricole Group, one with the Japanese bank Mizuho, and one with Unicredit Bank. The agreement with Crèdit Agricole includes a five-year loan of 50 million euros, the interest rate of which is reduced if targets related to:

- number of outlets with LEED gold or platinum certification.
- number of training hours for employees.
- use of Prada Re-Nylon, or regenerated nylon, in production processes.

The €75 million loan received from the Japanese bank Mizuho in 2020 has a similar structure to the loan just outlined, while the one with Unicredit still decreases the interest rate upon the achievement of other goals, again, in terms of sustainability. Indeed, in February 2021, the Unicredit bank and the Prada Group signed an agreement that provides for a 5-year loan worth 90 million euros, with the following KPIs:

- *Regeneration and reconversion of production waste*: the Prada group has recently invested in reducing production-related waste and managing its collection and disposal in an effective and efficient manner. The group's commitment is to transfer these waste materials to third parties for input into other production cycles, regenerating them or converting them into fertilizer or energy.

- *Increasing the share of self-generated energy*: the investment plan for the construction of photovoltaic systems at the group's sites is proceeding with the aim of increasing production each year in the period from 2021 to 2025. The Levanella locations in Tuscany are particularly involved in the project. (Prada, Esg loans,2022)

The Re-Nylon mentioned above refers to the group's Re-Nylon project, another initiative testifying to the benefits of sustainability: through a production process that will be described later, Prada and Acquafil make a particular type of regenerated nylon that can be recycled indefinitely without losing the quality of the material. The name of this type of nylon is ECONIL® and it is obtained from plastic waste originally destined for landfills around the world or recovered directly from the bottom of seas and oceans. The production process consists of 3 steps:

- *Recollection of waste materials*: items such as fishing nets and industrial waste are cleaned to maximize the amount of recoverable nylon.
- *Regeneration and Purification*: nylon undergoes a chemical depolymerization process that allows the material to return to its original purity.
- In the plants located in Ljubljana and Arco, the material is transformed back into polymers through a polymerization process.

Taking into account the data reported on Prada's official website, it is estimated that for every 10 thousand tons of ECONIL® produced, they save 70 thousand barrels of oil. This also leads to a reduction in CO2 emissions of 65100 tons and has a 90% reduced impact on global warming compared to oil-fueled nylon production. (Prada, Re-Nylon,2022).

Conclusions: In the course of the paper, as a starting point in the first chapter, the topic of sustainability was introduced and its growing importance for companies was emphasized, as they increasingly recognize its value and importance in strategic decisions. The analysis then covered an introduction of the luxury sector, highlighting its main trends as well as the impact that the Covid-19 pandemic has had on it. In the trend analysis, a strong consumer focus on issues related to sustainability emerged: most luxury consumers nowadays are willing to forego making purchases from a company if it engages in questionable behavior throughout its value chain. The topic of sustainability over the years has expanded greatly and thus no longer concerns only purely green practices aimed at environmental protection but also issues such as inclusiveness, respect for differences in the workplace as well as respect for the local communities with which a company relates in carrying out its business. The second chapter introduced the sustainability revolution, that transition to a business model that fully respects the canons and principles of corporate sustainability. The analysis in the second chapter looked at how companies in the luxury sector are addressing this sustainability revolution by going step by step to implement their own sustainable DNA. In the third part of the paper, we

saw how three luxury giants are gaining economic benefits from sustainability policies: as we have seen, the business model of these companies includes sustainability as a founding element and through various business initiatives the companies have managed to increase their revenues by exploiting the benefits of sustainability. The theme of recycling waste, the theme of creating value for communities as well as the theme of protecting the environment and biodiversity are now central themes for companies that want to succeed in the luxury sector, even if there is still a long way to go and it will not be easy to continue to be at the forefront in this situation.