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# Global Political Winds May Change, But Beauty Focus On Impact And Sustainability Is Here To Stay

by Ryan Nelson

Whether it's called ESG, impact and sustainability, or any other name, the relationship between beauty brands and the people and planet affected by their products and operations is a serious consideration for a coveted class of young consumers. "I don't think political pressure against the term ESG can counteract a 15-year-old on TikTok," says attorney and Source Beauty founder Maggie Spicer.

The beauty industry has a long history of charitable causes, social responsibility, and environmental stewardship.

The namesake of Revlon's Elizabeth Arden brand is said to have handed out red lipstick to marching suffragettes in the 1910s, and Revlon says it was the first beauty company to feature an African-American model in advertising, Naomi Sims, in 1970.

The Personal Care Products Council's Look Good Feel Better program, which teaches beauty techniques to people with cancer to help them manage the appearance-related side effects of treatment, launched in 1989. (Also see "*CTFA expanding "Look Good...Feel Better" program to target teenagers.*" - HBW Insight, 11 Mar, 1996.)

In 1996 Unilever partnered with the World Wildlife Fund to help ensure the sustainability of global fish stocks and the integrity of the marine ecosystem.

L'Oreal created an eco-toxicology laboratory in 1995 to measure and model the impact of products on ecosystems and biodiversity and has been reducing the $CO_2$ emissions of its plants and distribution centers since 2005, with a 91% decrease achieved by 2020, according to its

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website.

Such activities have accelerated in the Internet era, particularly with the dawning of social media, as consumers with greater access to information demand more from brands to protect the health and prosperity of people and the environment.

At the same time, new regulations are mounting around the globe to address the environmental impacts of beauty and personal-care ingredients – eg, bans on chemical UV filters, microplastic, and per- and polyfluoroalkyl substances (PFAS) – as well as product packaging. (Also see "*US State Laws To Address Packaging Waste Are Cosmetics Industry's Newest Patchwork Problem*" - HBW Insight, 29 Nov, 2023.)

Beginning in 2026, companies doing business in California and the EU will be subject to climate-related reporting requirements, and the US Securities and Exchange Commission is looking to finalize related rulemaking it proposed in 2022 for financial disclosures. (Also see "*New US, EU Climate-Related Disclosure Requirements Will Have Ripple Effects Through Value Chains*" - HBW Insight, 2 Jan, 2024.)

*HBW Insight* spoke with Maggie Spicer, an attorney and founder of Source Beauty, which provides beauty brands with legal and ESG consulting, about today's ESG climate, returns on ESG investments, competitive implications, and the different impact journeys she undertakes with clients of varying sizes, aims and experience.

The 30 January interview that follows has been edited lightly for length and clarity.

MAGGIE SPICER, ATTORNEY AND PRINCIPAL, A

**HBW Insight: You launched Source Beauty legal and ESG consulting in May 2022. Prior to this, your background was in Big Law and Big Tech. How did you end up where you are now, "helping innovative brands in the beauty and personal care sector maximize their potential by embedding sustainability and human rights principles into the fabric of their brands"?**

Maggie Spicer: I was working in international trade at a corporate law firm called White & Case, and I was doing a lot of work on supply chain – due diligence, working with these global manufacturing companies to understand what went into their products, how do we develop more robust sourcing standards, and I did a lot of compliance training. So I was going into the business and talking to Procurement and talking to Product and getting the language for translating legal compliance into operational language. And then I was recruited to go in-house at Amazon to do supply chain regulatory compliance.

**A** So I built up almost a decade of legal experience, which was very much in tech and manufacturing. I didn't work for beauty clients, but at the same time my non-legal creative outlet was always in beauty. I'd written about beauty for a long time, blogged for a long time. I am a certified skin-care formulator, so I formulated skin care for myself, and I did some private labeling for brands that I knew. So I had been embedded in that industry from a creative perspective. And when I decided it was time to take a step back from my corporate legal career, I wanted to explore what the intersection of those two pieces could look like.

**Q** **HBW: It seems like the right moment for someone with credentials in law, tech, supply chain…**

**A** Spicer: I had a lot of people in the beauty and personal care industry who were saying we know all these big issues exist in the supply chain world, but we have no way to access them. We either don't have the language or the sophistication to engage in these topics with our suppliers, with our designers, with our procurement team. We don't really know what the implications are, and we don't know how to embed them in our company as we scale. So I was hearing that in all these different conversations, and I just decided to explore what it looked like. I very quickly ended up taking on a few clients who were tech companies supplying services in beauty and personal care. Companies like Provenance, Novi, Good Face Project – so, you know, bigger tech companies who are really focusing on how do we create a tech solution. Whether it's verifying impact claims or getting more traceability and visibility into ingredient supply chains, they're taking very specific pieces of supply chain and applying tech to them. So that was the starting point, and now I do legal and consulting work for retailers, tech, brands, incubators, portfolio companies, and then I do some advising for venture capital and private equity when they're assessing beauty and personal-care companies in their portfolios.

**Q HBW Insight: Environmental, Social and Governance (ESG) consulting is a focus for Source Beauty. While environmental and social impact have long been considerations for the beauty industry, you've noted that they used to fall in the "nice to have" category. (Also see "*Beauty In 2024: Driving Industry Growth And Innovation In An Increasingly Regulated World*" - HBW Insight, 18 Jan, 2024.) These days they've become much more essential to competing in the beauty space, and soon environmental-related disclosures will be required by law. How are companies responding to these rapid changes, and how do ESG opportunities and challenges vary based on company size and other factors?**

**A** Spicer: It does vary based on the company's size and the resources that they have and are willing to devote to this, but then also how it aligns with their purpose. Because you can have a very small company that is heavily invested in impact and sustainability. They're thinking about it from their product lineup, from their marketing, their approach to business. And then on the flip side, you could have bigger companies who are just starting to evaluate these topics, and they want to figure out how to get the ball rolling. So it's not always about scale; it's figuring out where is your brand, or your company, where in that journey are you? And how invested are you? Because if you're just responding to investor pressure, it might just be a box-checking exercise for some companies – they're really not trying to innovate, they're really not trying to move the needle much, they're really just trying to make sure they've got their baseline covered. And that's fine, that's the starting place for a lot of companies. For any size company, I think that tends to be the biggest challenge – where do we start? And what resources do we have available? Because if you are a profit-driven company and you're not profitable, if you're not financially sustainable as a company, it doesn't make sense to bring on board those impact initiatives or they're the first thing to get kicked to the curb. That's a wasted exercise.

**Q** **HBW Insight: So let's say you're in a sturdy place financially where you can begin to explore ESG initiatives. What next?**

**A** Spicer: It's figuring out, what's the brand's North Star? Who are its target customers? What are your plans for growth? For example, if you're trying to scale up to a big retail partnership – you've got your eye on Target or on Sephora, that's really great to know. Because then what we might do is develop a sustainability plan or an impact plan that aligns with those retailer credential requirements. Target is going to be looking for very specific things on packaging, and Credo, or Ulta, is going to be looking for different things. For example, Sephora now has Beauty (Re)Purposed where they have Pact bins for specialty recycling. So you have a shampoo bottle, the main part of the shampoo bottle can be curbside recycled for the most part, but the top piece usually can't, it's too small. So these Pact bins offer an opportunity for customers to come into the store, bring those small components or things that are hard to be recycled, and Pact will recycle them. Major retailers are doing these initiatives that are customer-facing to get people in the store. But then they're also setting standards on packaging for the products they carry.

**A** So if you already have that idea in your mind – I want to be on Sephora or Target shelves – you need to work backwards from that, because you can't go in and say, 'Oh, we're going to redo our packaging to meet your packaging criteria'; they're going to kick you out of the room. And then if you're targeting a Gen Z consumer, or you're targeting a 60+ consumer, impact and sustainability are going to resonate very differently with those two customers. So knowing who you are as a brand, who you're positioned to serve, that's the critical piece, because everything needs to flow up to that.

**Q** **HBW: What about brands aiming to be the next direct-to-consumer sensation, how might you tackle impact and sustainability with them?**

**A** Spicer: For those brands, it's really about shoring up their marketing claims and ensuring that their outward-facing customer communications are as tight as possible. Because those brands tend to skew to a slightly younger audience, which is great because those customers are spending a lot of money and they're very trend-driven. But they're also incredibly skeptical of sustainability claims. So they will push back on unsubstantiated claims or something that they think is greenwashing. In that case, it might just be going in and saying let's look at your product lineup, let's pull all the data around your packaging, maybe we can get a lifecycle assessment or some third-party data to back up these claims so we feel really good that when we go into the market you have all those boxes checked and you can pull as much value as possible from the sustainability credentials you already have.

**Q HBW: Are smaller companies coming to you for help with their carbon footprint, or is that mainly the big multinationals' problem?**

A Spicer: It's everybody's problem. I don't do the accounting myself, but it is really interesting to see how brands are starting to realize that they can get a competitive advantage in the marketplace if they have that kind of data available. Especially if they have bigger customers in their supply chain, those customers are going to be asking them for that data. Because even if smaller companies don't have the reporting requirements, the bigger companies do, so they have to look upstream in their supply chains. So it used to be, 'We're not directly in scope for these reporting requirements, we're fine.' And now companies are saying, 'Oh, I actually might have an advantage as a vendor to a bigger company if I can bring them all this data on a silver platter and say, Look, we're beading up right into your carbon commitments or the kind of reporting that you have to do – we're making your life easier.' That's a huge advantage in the marketplace right now.

**Q HBW: Can you afford to be a beauty startup these days without having ESG baked into your business at least to some degree from day one?**

A Spicer: Frankly, if you if you want to stay small, if you don't plan on going outside of the US, if you're not really trying to aim for a retailer, you could get away with not doing very much on ESG. But I think what's really interesting is seeing how brands are finding opportunity [for ESG], no matter if they're a new brand or they've been on the market for 10 years. I work with some smaller brands who really want to do robust ingredient sourcing, and they're focused on creating these strong partnerships with cooperatives and with women-owned farms throughout the world. So even if you're small, you can find those specific areas within ESG to make investments – even if it's not financial investments, even if it's just the time it takes to seek out a supply chain for an ethically sourced material rather than just, I got it from a wholesaler. That's a way to really make an impact without feeling like you have to address every single issue in the full ESG picture. So I think brands can certainly get started no matter where they are in their brand journey. But it has to make sense for them as a company. It does feel very inauthentic sometimes when you see brands who kind of exist in the more conventional marketplace, and then they tack on, 'Now it's sustainable' – you're not driving any value. And you're probably just raising your risk profile by sticking your neck out in a way that you really can't back up. So that's where being strategic is so important, because if you're going to spend the resources, financial or otherwise, you want to make sure you're doing it in the right way.

**Q HBW: Are beauty companies seeing meaningful returns on such investments, and how quickly?**

**A** Spicer: It depends on where in the value chain you sit. If you're a supplier of packaging materials, for example, you're probably going to see that cost recouped very quickly, because this is a hugely in-demand area where people want sustainable materials. If you have that material on the market, and you have data to back it up, you have a customer base. One of the biggest problems we have right now is that we don't have enough recycled materials on the market to meet the demand. So if you're on the material side, absolutely.

**A** If you're on the brand side, that is where there's a little bit more of a complicated answer, because it has to be tied to what you're selling. Are you selling a sustainably marketed product to a sustainably focused consumer base? Are you trying to sell a sustainable product to a consumer base that doesn't care? If I go to my dermatologist, for example, the products they're selling are typically med spa-focused, they're all developed by dermatologists – I'm really not thinking about sustainability, I want something that's been developed for efficacy. But then there are other products that we use around our house everyday where I'm thinking, I want something that's refillable, because I buy this in bulk, I make repeat purchases throughout the year, so I know that my environmental impact will be lowered by using refill pouches rather than one-off plastic jugs. So again, you need to really assess where you sit in terms of who your consumers are, the product they're coming to you for, and how you're marketing it to them. And if all those factors align, you're probably going to be able to recoup the investment you spend on building those sustainability credentials. If, however, that's kind of inauthentic to where you sit in the marketplace, it's going to be a little bit more of an uphill battle. It has to make sense for your brand, rather than, 'I know other brands are doing this, so I should do it too.' Because that can lead you down the wrong path very quickly and then you end up wasting resources.

**Q HBW: You mentioned the competitive advantage companies can wield in today's marketplace by having data on their carbon profiles and other environmental impacts. Would you go further to say companies without such data are at risk of being cut out of supply chains?**

**A** Spicer: Right now, it's more that brands who don't engage in this type of information-gathering are missing out on a huge competitive advantage. But I anticipate this changing in the next five or 10 years as these reporting requirements come onto the market and mature and become just a standard part of assessing your supply chain. It will then become a huge disadvantage to not have this type of information. Brands need to prepare for that.

**Q HBW: There has been considerable pushback against environmental disclosure requirements by industry stakeholders, particularly when it comes to Scope 3 emissions. And ESG in general has become quite politicized. To what extent could major elections in the US and EU in 2024 alter the ESG trajectory?**

**A** Spicer: I think it really comes down to political pressure versus consumer pressure. There's obviously been a huge conservative backlash against the term ESG. Typically,

> they're pulling out one or two kind of high-profile issues within that big umbrella that they take umbrage with. But even when we were in a Republican administration and there was that backlash, the trend in the market for sustainable, ethical materials continued to grow. So I kind of chuckle when everyone's like, 'Oh, ESG is dead.' Even if we use a different term, even if we completely divorced the word ESG from what it actually means, the marketplace has shifted such that I cannot imagine we're going to see a complete reversal. Sustainability in terms of packaging recyclability, ethical sourcing of materials, those are things that we're now starting to take for granted. And when I talk to younger consumers, I am shocked at the level of sophistication that they have around asking questions or assessing claims that I would never have had. I mean, at their age I went to Claire's, I bought whatever was sparkly, I went home and I didn't think about it again. Now you have teenagers on TikTok who are breaking down sustainability claims, and they're accusing brands of greenwashing when they don't think they deserve to be making these claims. I don't think political pressure against the term ESG can counteract a 15-year-old on TikTok. So in that sense, I think the market has shifted, and regardless of where the political headwinds go on ESG in the financial reporting context, these shifts are here to stay in terms of product and where we as an industry have gone.