

Maisons de luxe et durabilité

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Luxury brands?

- **Luxe**: weelde, **overdaad**
- **Luxe**: caractère de ce qui est **couteux, raffiné, somptueux** ; plaisir relativement coûteux qu'on s'offre **sans vraie nécessité** ; ce que l'on se permet d'une **manière exceptionnelle** ou ce que l'on se permet de dire, de faire en plus, pour se faire plaisir, environnement constitué par des objets coûteux ; manière de vivre coûteuse et raffinée
- **Luxury**: great comfort usually amongst expensive things; something pleasant but **not necessary**, and often rare and **expensive**



Inside the Luxury Industry

Exclusivity and Quality

Luxury goods are defined by their exclusivity and exceptional craftsmanship

Market Leaders

Major industry players are **large conglomerates**, dominating the global luxury market and shaping industry standards:

- LVMH
- Kering
- Richemont

Global Growth and Trends

Exceeds \$300 billion in value, fueled by **emerging markets** and increasing digitalization trends



Sustainability?

“Sustainability is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” – Brundtland Commission 1987

→ balancing **environmental, social, and economic** needs for both present and **future** generations



Need for sustainability?

- Fashion industry:
 - 4th highest impact on the environment and climate change
 - 10% of global **carbon emissions**
 - 20% of global **wastewater** from fabric dyeing processes
 - majority of clothing ends up in **landfills**

“Apparel consumption is projected to rise by 63 percent to 102 million tonnes by 2030. If the industry continues its current trajectory, by 2050 it would use more than one quarter of the world’s carbon budget” – Business of Fashion 2024



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◀ GET MORE PERSPECTIVES

The alchemy of luxury: Where Gen Z fuses sustainability, storytelling, and self-image

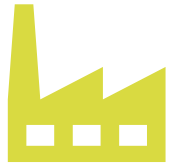
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Luxury industry is inherently more sustainable?



Production in
smaller quantities



Design for
longevity



Ethical sourcing



Repair &
aftercare

Luxury Fashion & Sustainability – Where Do We Stand?

- **Overview:**

- The BoF Sustainability Index benchmarks on six key categories: Transparency, Emissions, Water & Chemicals, Materials, Workers' Rights, and Waste
- Average score across all companies: **36/100** → significant gap between ambition and action

- **Luxury Highlights:**

- **Kering** leads among luxury peers with strong scores in transparency and materials sourcing
- **LVMH** and **Hermès** show moderate progress, while **Richemont** lags behind in nearly all categories
- Luxury brands are beginning to invest in **regenerative agriculture**, **recycled materials**, and **circular business models**, but efforts remain nascent



Key Challenges & Opportunities for Luxury Sustainability

- **Challenges:**

- **Opaque supply chains** hinder accountability and ethical sourcing
- **Greenwashing risks** persist due to inconsistent data and unverifiable claims
- **Workers' rights** and **waste management** are the weakest areas across luxury brands

- **Opportunities:**

- **Circularity:** Kering's investment in resale platform Vestiaire Collective signals growing interest in second-hand luxury
- **Regenerative Materials:** Pilot projects are underway, but scaling requires industry-wide collaboration
- **Consumer Demand:** Gen Z and Millennials increasingly prioritize sustainability, offering luxury brands a chance to lead with purpose



Climate Conscious Shopping

45% of global consumers try to have a positive impact on the environment through everyday actions, but **sustainability is not the topmost consideration**

Top 10 Desired Product Attributes when Buying Home Care Items, 2024
% of Green Spender respondents



Source: Euromonitor International Voice of the Consumer: Sustainability Survey, fielded January-February 2024 (n=40,236)

Top 10 Desired Product Attributes when Buying Apparel Items, 2024
% of Green Spender respondents



Source: Euromonitor International Voice of the Consumer: Sustainability Survey, fielded January-February 2024 (n=40,236)

Make fast fashion out of fashion

- Paris Agreement 2016
- EU Charter of Fundamental Rights (art. 37)
Environmental protection
A high level of environmental protection and the improvement of the quality of the environment must be integrated into the policies of the Union and ensured in accordance with the principle of sustainable development
- European Green Deal
 - new growth strategy for an EU economy that is **sustainable, cleaner, safer and healthier**
 - Sustainable industry with **focus** on resource intense **sector such as textile**



European Green deal

- Circular economy action plan (CEAP)
- EU Strategy for Sustainable and Circular Textiles: *ReSet the Trend*
- **Ecodesign** Regulation
- Regulation on **Deforestation-free** Products
- Corporate **Sustainability Due Diligence** Directive
- **Green Claims** Directive

→ establish a legal framework that makes product policies more sustainable



Overproduction of goods

Excess Inventory: A Billion-Euro Problem

- **Overproduction is systemic** in luxury fashion, driven by efficiency and sales goals
- In 2023:
 - **LVMH** wrote down 3.2 billion EUR in unsold inventory
 - **Kering** recorded 1.5 billion EUR in excess stock
- Unsold goods include finished products, raw materials, and prototypes
- Historically, brands **destroyed unsold items**
 - Brands (e.g., Burberry, Louis Vuitton, Chanel, Gucci) routinely **burn** unsold merchandise, over \$600 million annually, to maintain **brand scarcity and high prices**
 - Prevents discounting, protects intellectual property, and preserves the **elite status of luxury goods**, tax incentives

"Fashion will never have zero leftovers; this is structural." Claudia D'Arpizio,
Bain & Company



From Waste to Circularity

- **AI-driven forecasting:** Kering & LVMH use AI to better align production with demand
- **Recycling & upcycling:**
 - Manual dismantling is costly and limited
 - Partnerships with startups (e.g., Revalorem) and designers (e.g., Gucci Continuum)
- **Private sales & outlets:**
 - Discreet discounting remains common
 - Off-price segment growing rapidly (13% of luxury sales)
- **Donations & repurposing:** Products redirected to charities, schools, and creative reuse

"Eliminating the need to think about unsold products in the first place is the vital starting point." Elisa Niemtzow, BSR



Legislative initiatives: EU Sustainable Textiles Initiative and Loi AGECC

Prohibition to destroy unsold goods in France since 2022

- **Loi AGE**C: Loi relative à la lutte contre le gaspillage et à l'économie circulaire
 - **Ban on Destruction**: Producers, importers, and distributors are legally **prohibited from destroying unsold non-food products**
 - **Mandatory Reuse**: These goods must be reused, repurposed, or recycled
 - Priority to **Donations**
 - **Penalties**: Non-compliance can result in fines of up to €15,000 per violation for legal entities
 - **Assessment after four years**: reuse suffers from a lack of organisation, with only a very small proportion of used products being directed towards reuse operators
- Industry finds ways to circumvent obligation



Ecodesign Regulation



Regulation 2024/1781 establishing a framework for the setting of ecodesign requirements for sustainable products



Objective: Make products more sustainable by addressing product design, consumer information, and rules for the destruction of unsold goods



Scope: Applies to any physical good placed on the market, with exceptions like food, feed, medicinal products

Impact on Fashion and Textile Industry

- **High-Impact Industry:** The Commission plans to focus on high-impact industries like textiles and furniture first.
- **Ecodesign Requirements:** Products must meet new ecodesign and performance requirements, impacting durability, reliability, reusability, upgradability, repairability, recyclability, avoid harmful substances
- **No destruction** of consumer products from 19 July 2026
 - Not for SMEs
 - Product categories (Annex VII to Ecodesign Regulation)
 - Apparel and clothing accessories (including items made of leather and hats)
 - footwear
 - BUT **derogation** for unsaleability of products due to **infringement of intellectual property rights**, including counterfeit products (Art. 25, 5., (f) Ecodesign Regulation)
- **Digital Product Passport (DPP):** Introduction of DPP to increase transparency and traceability of products along the supply chain
- **Delegated Acts:** The regulation includes delegated acts to specify detailed requirements for different product groups
- **Transparency Obligation:** There is a transparency obligation on discarding unsold objects, ensuring that the destruction of unsold goods is minimized and reported

Green trademark enforcement?

Counterfeit culture

TOP PRODUCTS SEIZED BY NUMBER OF SEIZURES



- Products are from high-end, luxury brands



Overview of most relevant sanctions for counterfeits

- Cessation often with penalty payments
- Damages
- Corrective measures
 - Disposed of outside the channels of commerce
 - **Destruction**

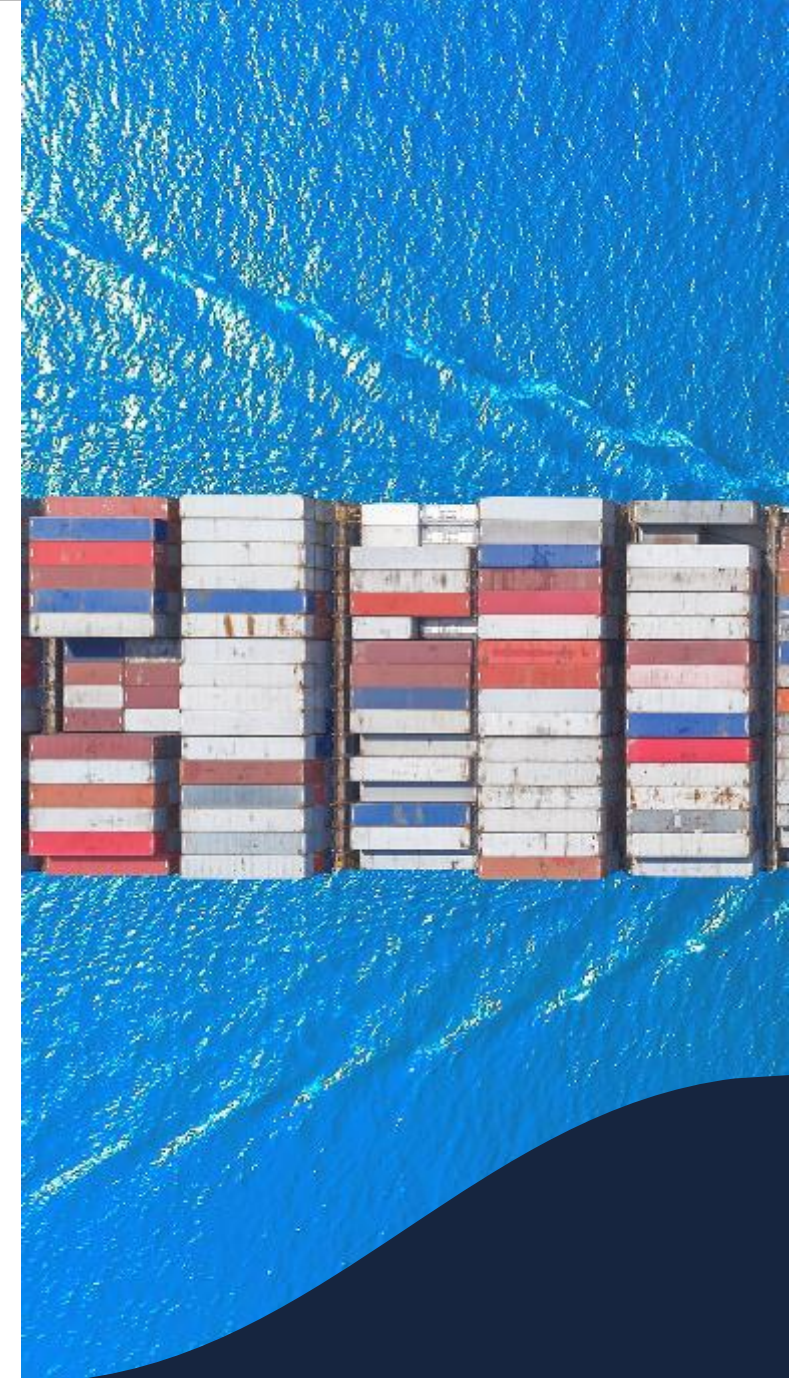
“In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.” (Art. 46 TRIPS Agreement)



Numbers of goods stopped at customs

- Trade in counterfeit and pirated goods accounted for up to **2.5 % of world trade in 2019**
- 2023: 152 million articles were detained
 - 2.9% clothing
 - 1.9% clothing accessories
 - 1% perfumes and cosmetics
 - 4.1% packaging material → boxes are sent separate
 - 68% of value for trademark infringements
- In **top 5 value** general: **watches** (34% in value), clothing, jewellery, bags, wallets, purses
- In top 5 value infringement **designs**: Alcoholic beverages, office stationery, clothing

*“In terms of the estimated value, **luxury goods with high unitary value lead the ranking of detentions**: “Watches” (almost 34 %), “Bags, wallets, purses” (over 15 %), “Clothing” (over 8 %), “Jewellery” (over 7 %) and “Non-sport shoes” (over 4 %), aligning with the trend for estimated value that we have observed over the past year.”*



Overview sanctions

- Most used corrective measure for counterfeits is **destruction** at the initiative of the rightsholder
 - Civil procedures
 - Customs procedures: **87,51%** of stopped products is destroyed

*“The detection of counterfeit goods by customs and law enforcement authorities in the EU also poses additional challenges and health risks following their **destruction** by the authorities, **adding to the overall waste** produced in the EU.”*

“we rarely or never see brand owners agreeing to reintroduce those products onto the market – not even when they have been stripped of their brand names” – React

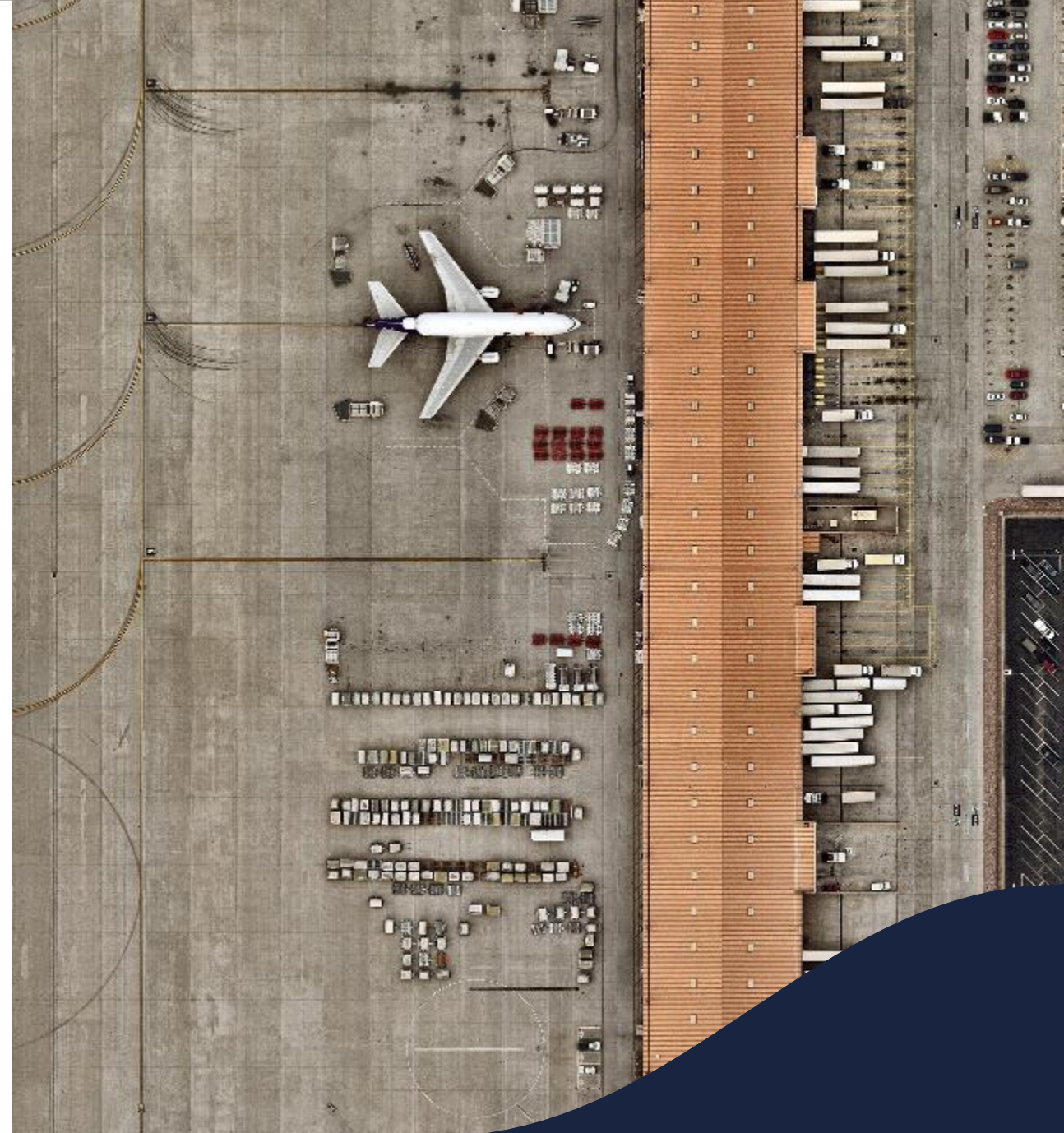
Destruction or reuse?

- Usually counterfeit goods are **burned in oven**
 - Useful components are lost
 - Carbon emissions
- Reuse → splitting different components: product, packaging and labels
 - Counterfeit goods are ground into granules → incorporated into a concrete mix for construction material
 - Counterfeits are often of a lesser quality or even dangerous
- Donation? Or longer period to sell out
- Partial destruction:
 - Luxury mattress: only infringing fabric around the mattress is destroyed
 - Only infringing packaging of fragrance and wellnessproducts is destroyed
 - Infringing parallel import?



Cost of repurposing?

- Reuse is more expensive → who bears cost?
- Customs Regulation: holder of decision bears storage and destruction cost
- React proposal: Customs agent or transporter should pay as they have a contractual agreement with infringer



Upcycling

Upcycling

- What is upcycling?
“the activity of making new furniture, objects, etc. out of old or used things or waste material”

→ inherently entails permanently altering/
repurposing branded products
- Not reuse, repair or recycling

“Upcycling is the biggest trend in fashion right now”
Vogue 2020



Upcycling

- EU trademark law allows resale after the first sale (“exhaustion”), but trademark owners can **object if the product is significantly modified**
- **Legal uncertainty:** upcycled goods are “second-hand” (permitted) or “new products”?
 - extent of modification
 - consumer expectations
 - confusion about origin of product
- Mitigation of risk
 - Licensing
 - Disclaimers to avoid confusion?



Conclusion

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Luxury faces new sustainability demands

- Regulatory pressure is rising (EU Green Deal, Ecodesign, Loi AGECC)
- Overproduction and excess inventory remain major challenges

Industry is adapting, but slowly

- Circularity, upcycling, and resale models are emerging
- Leading brands invest in transparency and innovation, but gaps persists

Consumer expectations are shifting

- Consumers care more about sustainability, but price and exclusivity still matter

Counterfeiting & waste

- Destruction of unsold and counterfeit goods is being restricted, but alternatives are costly



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