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The AGEC Law and Value Creation in the Luxury Sector: Circularity Strategies of Hermès, Kering and LVMH

A Lei AGEC e a Criação de Valor no Setor de Luxo: Estratégias de Circularidade de Hermès, Kering e LVMH

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ABSTRACT: This study examines how major luxury groups have transformed the regulatory requirements of the French AGEC Law into opportunities for value creation five years after its implementation. Using a qualitative multiple-case approach and documentary analysis of corporate and sustainability reports, the research investigates the strategies adopted by Hermès, Kering, and LVMH between 2019 and 2024. The findings reveal a shared transition from practices initially driven by regulatory compliance toward more structured models of circularity and innovation. However, each group follows a distinct strategic approach: Hermès builds on durability, repairability, and craftsmanship; Kering emphasizes innovation, partnerships, and ecosystem-based initiatives; while LVMH adopts centralized governance through its LIFE 360 program. The study concludes that the AGEC Law has primarily acted as an accelerator of pre-existing sustainability strategies, encouraging the integration of circular economy principles into luxury business models and contributing to environmental, economic, and symbolic value creation.
KEYWORDS: AGEC LAW; CIRCULAR ECONOMY; LUXURY SECTOR; SUSTAINABILITY; VALUE CREATION; FASHION INDUSTRY.

RESUMO: Este estudo analisa como grandes grupos do setor de luxo transformaram as exigências regulatórias da Lei francesa AGEC em oportunidades de criação de valor, cinco anos após sua implementação. Por meio de uma abordagem qualitativa de múltiplos casos e análise documental de relatórios corporativos e de sustentabilidade, são examinadas as estratégias de Hermès, Kering e LVMH entre 2019 e 2024. Os resultados identificam uma trajetória comum de transição de práticas inicialmente orientadas à conformidade regulatória para modelos mais estruturados de circularidade e inovação. Entretanto, cada grupo apresenta uma abordagem distinta: a Hermès fundamenta sua estratégia na durabilidade, reparabilidade e tradição artesanal; a Kering privilegia inovação, parcerias e atuação ecossistêmica; e a LVMH adota uma governança centralizada por meio do programa LIFE 360. Conclui-se que a Lei AGEC atuou principalmente como aceleradora de estratégias de sustentabilidade preexistentes, favorecendo a integração da economia circular aos modelos de negócio e contribuindo para a criação de valor ambiental, econômico e simbólico no setor de luxo.
PALAVRAS-CHAVE: LEI AGEC; ECONOMIA CIRCULAR; SETOR DE LUXO; SUSTENTABILIDADE; CRIAÇÃO DE VALOR; INDÚSTRIA DA MODA.

1 Restatement of the Research Question / Problem Statement

This thesis examines how luxury fashion brands have adapted to the French AGEC law five years after its implementation, and how this regulatory constraint has been transformed into opportunities for value creation. The AGEC law prohibits the destruction of unsold non-food goods and requires companies to prioritize reuse, donation, recycling, or transformation. This represents a significant rupture for luxury brands, whose traditional business model relied on controlled scarcity and strict protection of brand equity.

Luxury's dependence on controlled scarcity is closely connected to the legal protection of the intangible assets that sustain product differentiation and reputation. From a historical perspective, Barros (2017) demonstrates that intellectual property developed through both conceptual debates on the protection of intellectual creations and concrete disputes involving industrial property infringement. The protection of exclusivity, product distinctiveness, and commercial reputation has therefore long been associated with the preservation of value in competitive markets. In the luxury sector, this relationship is particularly relevant, since regulatory changes affecting production, circulation, and end-of-life practices must be reconciled with the protection of brand identity and the intangible value accumulated around distinctive products.

The central research question guiding this study is therefore: **How have luxury fashion brands transformed the regulatory constraint of the AGEC law into opportunities for value creation five years after its implementation?**

This question addresses a strategic tension at the heart of the luxury sector: the need to comply with a regulation that challenges long-standing practices, while preserving exclusivity and symbolic value. It also reflects the growing importance of circularity, sustainability, and transparency in consumer expectations and corporate strategy. To explore this question more precisely, the thesis focuses on three sub-questions:

1. What concrete strategic and operational changes have luxury fashion brands implemented in response to the AGEC law?
2. How do these changes reflect a shift from compliance-driven adaptation to opportunitydriven innovation?
3. In what ways do circularity initiatives contribute to economic, symbolic, and environmental value creation for luxury brands?

These questions provide a clear analytical framework for examining how the leading luxury groups Hermès, Kering, and LVMH have integrated circular economy principles into their business models and how these initiatives reshape value creation in the post-AGEC context.

2 Methodology

The objective of this second report is to present a clear and feasible methodological plan aligned with the research question. Following feedback on the first report, the methodology has been refined to ensure clarity, coherence, and realistic implementation within the thesis timeframe.

The initial methodological intention was to conduct semi-structured interviews with sustainability and public affairs professionals in the luxury sector. However, during the preliminary outreach phase, two constraints emerged: limited availability of qualified participants with direct knowledge of AGEC-related strategic decisions, and time constraints that made it unlikely to conduct enough interviews to ensure analytical depth and reliability.

Given these limitations, the methodology has been adjusted toward a document-based qualitative analysis, which remains fully aligned with the research question and allows for a rigorous examination of strategic responses to the AGEC law.

The study adopts a multiple-case qualitative design, focusing on three major luxury groups operating in France: Hermès, LVMH, and Kering. These groups were selected because they represent different strategic profiles within the luxury sector and publish detailed sustainability and circularity reports, enabling a robust comparative analysis.

The research relies on systematic document analysis, drawing on publicly available corporate materials published just before the law passed, and every year since then. This approach is appropriate for examining strategic adaptation over time and for identifying how brands communicate, justify, and operationalize their circularity initiatives.

2.1 Data Collection Process and Analytical Framework

Two categories of documents will be analyzed: Universal Registration Document, including Sustainability reports, ESG Disclosures, and Circularity or waste management; and Corporate Communications, such as press releases, official statements, and website sections dedicated to sustainability or circularity.

Data will be collected through a structured and replicable process. We will begin by identifying relevant documents published between 2018 and 2024, then compile all materials into a document database organized by brand and year. We will then proceed to extract relevant content aligned with the research sub-questions and conduct a cross-case comparison to identify similarities, differences, and strategic patterns.

The analysis will follow a thematic coding approach, structured around three main dimensions derived from the research question: compliance-oriented actions, innovation-oriented circularity initiatives, and value creation mechanisms. This framework enables a systematic evaluation of how each brand integrates circularity into its business model and how these initiatives contribute to its long-term strategic positioning.

2.2 Contribution of the Methodology to the Research Question

This methodological design enables the thesis to identify concrete strategic responses to AGEC across multiple brands, assess the evolution from compliance to innovation, evaluate how circularity initiatives contribute to value creation, and compare different strategic approaches within the luxury sector. By relying on documented and verifiable sources, the methodology ensures analytical rigor while remaining feasible within the constraints of the thesis timeline.

3 Results

This section presents the results of the document-based analysis of the sustainability and annual reports of three major luxury groups (LVMH, Kering, and Hermès), covering the period from 2019 to 2025. The objective is to identify how each group has adapted its practices in relation to the AGEC law and how these adaptations have progressively evolved from compliance mechanisms to broader circular value-creation strategies. All findings are based on the extracted datasets from these companies' Universal Registration Documents (URDs). The results are organized thematically and longitudinally to reflect the evolution of each company's approach over time.

Across the three groups, the analysis reveals a shared trajectory: an initial phase focused on sustainability commitments and incremental improvements (2019-2020), followed by a more structured and measurable shift toward circularity after 2021. However, the pace, depth, and strategic framing of this transition differ markedly.

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Hermès maintains a craftsmanship-driven, continuity-based model in which circularity emerges organically from long-standing practices such as repairability, durability, and material stewardship. Its evolution is therefore characterized by consolidation rather than transformation.

Kering adopts a proactive, innovation-oriented approach, marked by early anticipation of regulatory requirements, including AGEC, and by the development of partnerships, shared platforms, and ecosystem-level initiatives. Circularity is framed as a lever for sectoral transformation.

LVMH implements a centralized, programmatic model through LIFE 360, characterized by group-wide targets, traceability tools, a circular design framework, and structured management of unsold goods. Its trajectory reflects a progressive operationalization of circularity across *Maisons*, supported by quantitative indicators and internal governance mechanisms.

3.1 Hermès: Craft-Based Circularity and Progressive Regulatory Alignment

Hermès stands out among the three Luxury groups for a circularity model that predates AGEC and emerges organically from its craftsmanship-driven identity. Across all URDs from 2018 to 2024, the House consistently frames circularity not as a regulatory response but as an intrinsic feature of its artisanal production model. This positioning is not rhetorical: the analyzed documents repeatedly emphasize durability, reparability, frugal material use, and the reuse of offcuts as long-standing pillars of Hermès's value creation.

For instance, the quote "a luxury product is one that can be repaired" came up in almost every URD analyzed, a principle that structures both its design philosophy and its operational organization.
The dataset confirms that Hermès had already institutionalized circular practices well before the AGEC law entered into force. These elements demonstrate that the Group's circularity is not a late adaptation but a structural feature of its production ecosystem.

Petit h, created in 2010, functions as a fully integrated upcycling laboratory, transforming unused materials into new objects—a practice repeatedly highlighted as emblematic of Hermès' circular identity. Repair and longevity are central to the brand's environmental narrative, with repair workshops embedded in major markets and expatriated craftspeople dedicated to after-sales service (Hermès URD 2020, p. 109). Internal recycling loops of silk, cashmere, leather, and metal parts are documented throughout the period, with growing volumes of recycled textile materials. Material optimization and waste reduction were documented as early as 2018, with leather consumption ratios improving by almost 11% between 2015 and 2018, and with the systematic reuse of offcuts across *métiers* (Hermès URD 2018, p. 88).

This long-standing emphasis on durability is not merely conceptual: it translates into steadily rising repair volumes across the period. The chart below highlights how repair activity has become a measurable pillar of Hermès circular value-creation model.

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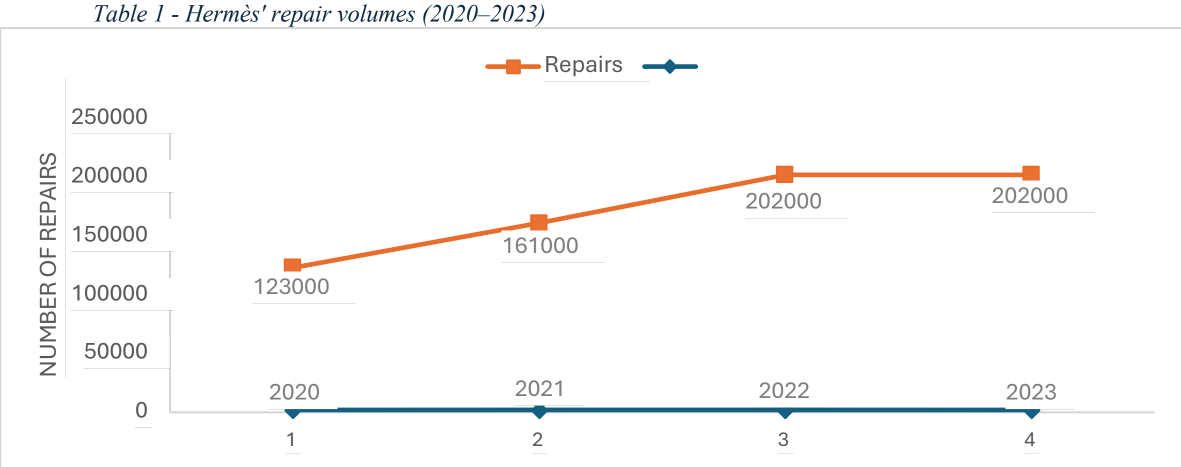
Table 1 - Hermès' repair volumes (2020–2023)



The turning point for Hermès' circularity governance was not the AGEC law, but its internal formalization. This was a key step towards eco-design and regulatory readiness. In 2020, they created the Circularity Committee, bringing together all *métiers* to coordinate strategies for reuse, recycling, and upcycling. This is a major structural milestone that was absent from earlier URDs.

Afterward, they launched cross-functional R&D programs on silk and cashmere recycling, adhesive reduction, and material substitution. In 2021, they incorporated circularity into the House's strategic roadmap, beginning with 63% of *métiers* conducting LCAs on emblematic products (Hermès URD 2021, p. 110), a figure that increased to 80% in 2023 (Hermès URD 2023, p. 117). To illustrate this shift from implicit craftsmanship-based circularity to explicit governance structures, the following timeline synthesizes the major milestones that progressively formalized Hermès' circularity strategy.

Figure 1 - Evolution of Circularity Governance & Practices (Hermès, 2018–2024)

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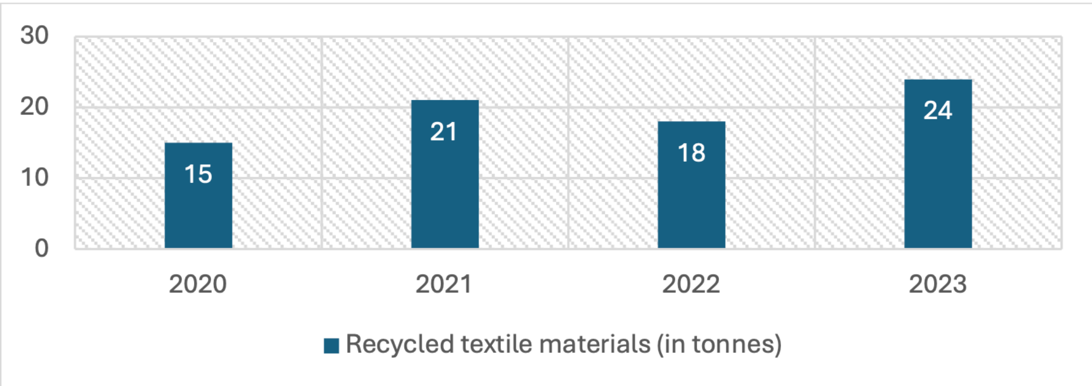
The first explicit alignments with AGEC requirements happened as early as 2022. In this year's URD, Hermès states that it is "compliant with the requirements of the AGEC law in France (zero destruction, environmental labeling)" (Hermès URD 2022, p. 54, p. 113) The Group operationalizes the "zero destruction" objective for unsold goods in France by 2022, ahead of the legal deadline. From 2023 onward, Hermès embeds circularity within a broader environmental governance architecture. Repair volumes continue to rise, reinforcing durability as a core mechanism of value retention and environmental impact reduction.

In 2023, the Forest Policy, the Group Health and Safety Policy, and the Climate Transition Plan were published (Hermès URD 2023, p. 113). These documents integrate circularity principles such as resource efficiency, material traceability (e.g., "60% calf hides traced to farm level in 2023" [p. 115]), and biodiversity preservation. Between 2023 and 2024, there was an expansion of LCAs and of systematic traceability, along with increased flows of recycled materials: "24 tonnes of textile materials recycled for the Textile division in 2023." (p. 114). Beyond repair, Hermès' circularity increasingly relies on the recirculation of materials. The evolution of recycled textile volumes provides a concrete indicator of the expansion of internal loops since 2020.

Table 2 - Hermès' recycled textile materials (2020–2023)



In 2024, circularity is fully integrated into the ESRS-aligned sustainability reporting structure (ESRS E5), with detailed inflows/outflows, targets, and actions (Hermès URD 2024, pp. 88–92). This trajectory contrasts with Kering's more innovation-driven and partnership-oriented circularity model, which will be examined in the following section.

3.2 Kering: Ecosystem-Driven Circularity and Early Regulatory Anticipation

Kering presents the most ecosystem-oriented and partnership-driven circularity model among the three groups. Across the URDs from 2019 to 2024, the Group consistently frames circularity as a systemic transformation of the fashion economy rather than an internal operation adjustment. This orientation is supported by long-standing environmental accounting tools, extensive traceability infrastructures, and strategic reliance on external partnerships for resale, recycling, and material innovation. This chronological overview highlights the progressive structuring of Kering's circularity strategy. To understand how their milestones translate into operational mechanisms, the following figure categorizes the Group's initiatives by circularity function.

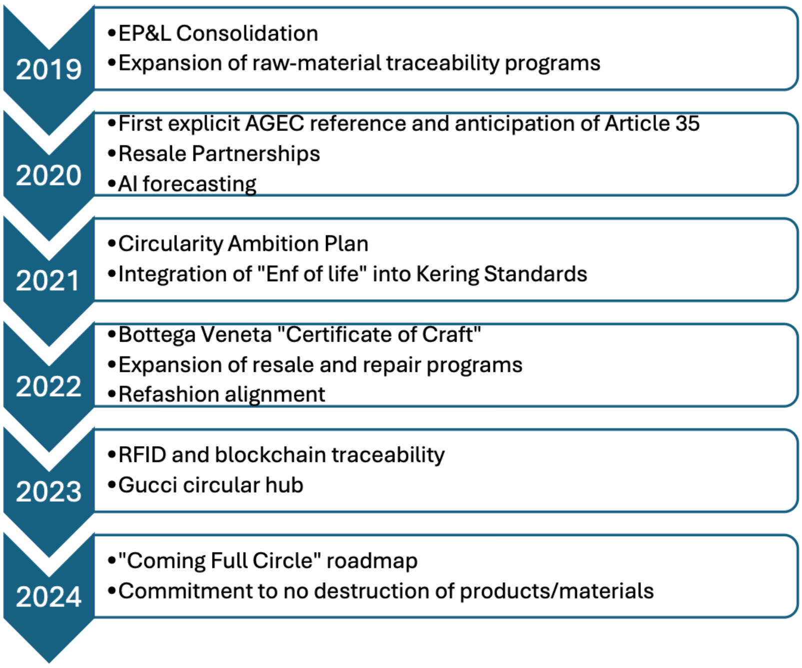


Figure 2 - Timeline of Kering's Circularity Milestones (2019–2024)

A foundational element of Kering's environmental governance is its Environmental Profit & Loss (EP&L) accounting system. The 2019 URD states that the EP&L has enabled the Group to "measure and monetize the environmental impacts generated by its activities across the entire supply chain" (Kering URD 2019, p. 150). The same document emphasizes that the EP&L serves as a transparency mechanism and a decision-support tool (p. 151). In parallel, the 2019 URD documents the expansion of traceability programs for strategic raw materials (p. 157) and commitments to sustainable sourcing (p. 156), indicating that Kering had already developed a structured environmental governance architecture before the AGEC law was enacted.

The earliest explicit reference to AGEC appears in the 2020 URD, where Kering explains that its existing practices "enabled the Kering group to anticipate France's new anti-waste law (...) whose Article 35 prohibits the destruction of unsold non-food items from 2022" (Kering URD 2020, p. 184). That same year, the Group details operational mechanisms aligned with AGEC's core requirements, such as the redirection of unsold products through dedicated

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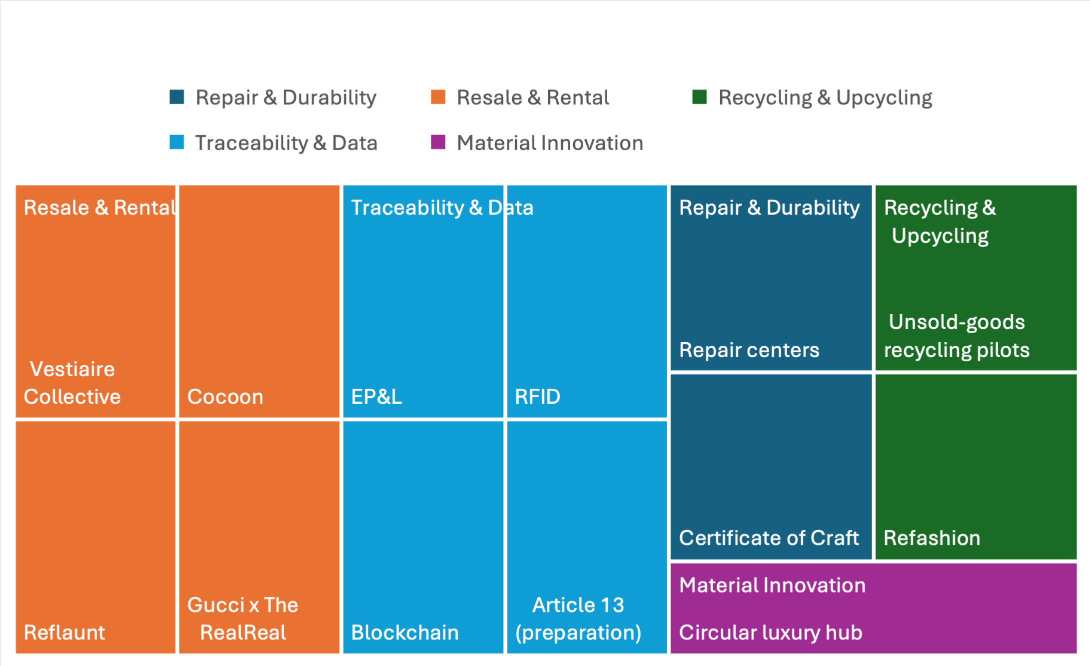
channels or donation, pilot projects for upcycling and recycling unsold items, resale partnerships such as Gucci x The RealReal, and an AIbased demand forecasting to reduce overproduction (pp. 180–181). These initiatives reflect AGEC's anti-waste logic, even when the law is not explicitly cited.

In 2021, Kering formalized its approach by publishing its Circularity Ambition Plan, which "aims to demonstrate that rejecting the linear model requires real change in practices" (Kering URD 2021, p. 258). The plan introduces a structured framework for durability and end-of-life management, including specialist repair centers, resale and rental partnerships (Vestiaire Collective, Cocoon, Reflaunt), and the integration of an "End of life" chapter into the Kering Standards (pp. 258–260). Although AGEC is not explicitly referenced, these measures closely align with its principles, particularly regarding transparency and lifecycle extension.

Kering gradually operationalizes circularity through a constellation of interconnected levers rather than a single flagship program. The following matrix maps the Group's circularity mechanisms by category, providing a structured view of how the Group allocates circularity efforts across repair, resale, recycling, traceability, and material innovation.

Table 3 - Kering's Circularity Mechanisms by Category



The 2022 URD documents the expansion of repair services and the introduction of Bottega Veneta's "Certificate of Craft" lifetime warranty (Kering URD 2022, p. 254). It also highlights the strategic importance of second-hand markets (p. 254) and the extension of Balenciaga's resale program with Reflaunt (p. 257). The Group also refers to extended producer responsibility schemes, noting that it "has accelerated its movement to collect products (...) as is the case in France with Refashion" (p. 257), directly echoing AGEC's requirements regarding waste hierarchy and product collection.

In 2023, the URD shifts attention toward technological traceability tools, including RFID and blockchain (Kering URD 2023, p. 243). It also reports the launch of Gucci's circular luxury hub in Italy (p. 253), signaling a significant investment in circular production infrastructure. Repair programs

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continue to be framed as a core lever for maintaining product longevity (p. 253).

In 2024, Kering introduced the "Coming Full Circle" roadmap and a formal commitment to "not destroying products or surplus materials" (Kering URD 2024, p. 207), aligning directly with AGEC's prohibition on destruction. Throughout the period, the URD consistently highlights collaborations with resale platforms, recycling innovators, and fashion-system coalitions, positioning Kering as the most network-oriented actor among the three groups.

Overall, AGEC appears as an accelerator rather than a starting point: while the explicit reference in the 2020 URD signals early anticipation, the underlying infrastructure (EP&L, traceability, material standards) predates the law. The subsequent shift towards consumer-facing environmental information marks a new phase of regulatory alignment, in which the AGEC Article 13 becomes central to Kering's environmental policy narrative. Taken together, all the Group's initiatives illustrate the breadth of Kering's circularity ecosystem. The network map below further shows how they mobilize external partners to operationalize these mechanisms across the value chain.

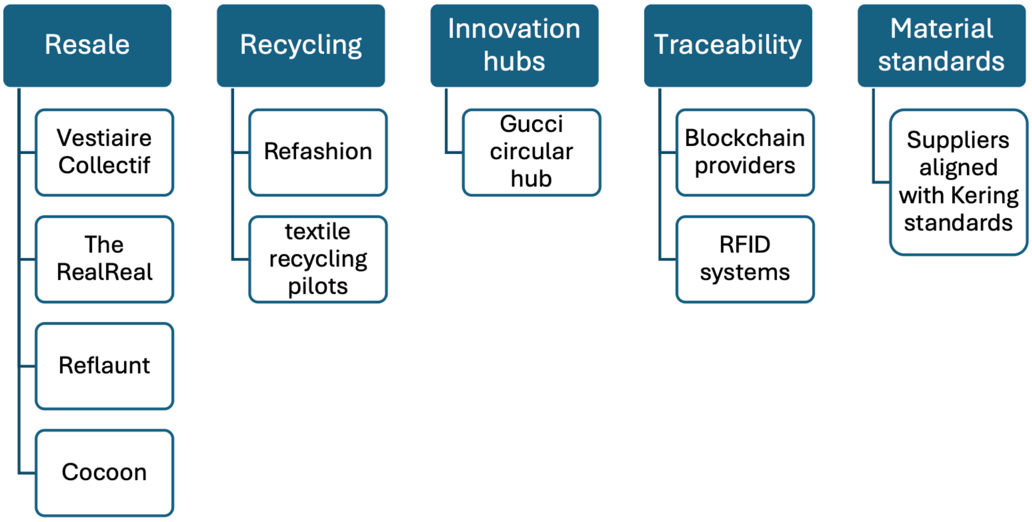

Figure 3 - Kering's Circular Partnerships Network Map

Beyond operational mechanisms, Kering's circularity strategy also reinforces its symbolic value as an environmental pioneer. By investing in material innovation, resale partnerships, and circular production hubs, the Group positions itself as a forward-looking actor capable of reshaping the fashion ecosystem. This aligns with research showing that contemporary luxury legitimacy increasingly depends on credible environmental and social commitments (Michel, Stathopoulou & Valette-Florence, 2022). Circularity thus becomes a marker of avant-garde luxury, strengthening Kering's identity as a transformative force within the sector.

While Kering's circularity strategy is characterized by ecosystem partnerships, traceability infrastructures, and early regulatory anticipation, LVMH adopts a markedly different approach. Rather than relying on external networks, this Group builds internally integrated circular platforms and groupwide management systems for unsold goods, traceability, and material flows. The following section examines how they operationalize circularity through centralized governance and technological standardization, and how their trajectory compares with those of Hermès and Kering.

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3.3 LVMH: From Environmental Governance to Structured Circularity under LIFE 360

The analysis of LVMH's URDs from 2019 to 2024 shows a progressive shift from longstanding environmental governance structures toward a more systemic and measurable circularity strategy. Early documents emphasize the Group's foundational environmental architecture, including the Environmental Charter (signed in 2001), the Environmental Department (established in 1992), and the LIFE program (launched in 2011). These elements are consistently presented as the backbone of LVMH's environmental action (LVMH URD 2024, p. 48), predating the AGEC law and reflecting a broader corporate commitment rather than a

regulatory response. To contextualize this strategic trajectory, Figure 4 presents a timeline of LVMH's major environmental and circularity milestones between 2019 and 2024.

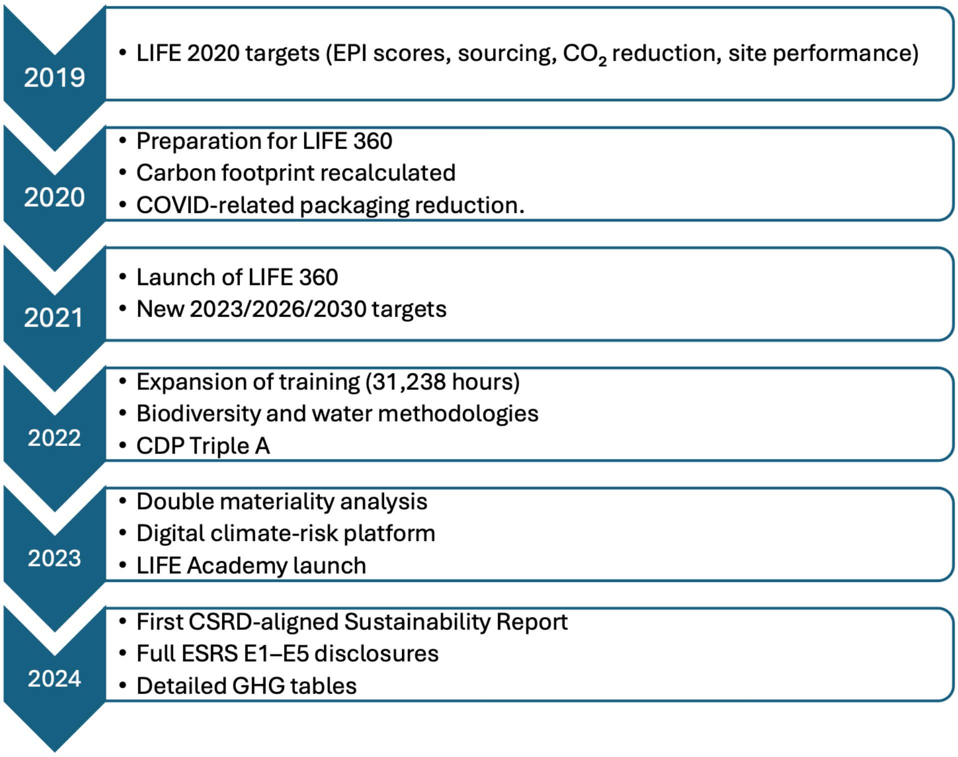

Figure 4– Evolution of LVMH's Environmental Strategy (2019–2024)

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The 2019 and 2020 URDs document the LIFE 2020 roadmap, structured around four shared targets—sustainable product design, responsible sourcing, climate mitigation, and site-level environmental performance. These targets are supported by tools such as the Environmental Performance Index (EPI) for packaging, traceability requirements for raw materials, and environmental management systems across *Maisons* (LVMH URD 2020, Environment section). The documents also highlight the Group's early adoption of renewable energy, waste reduction programs, and internal training through the Environment Academy.

A major strategic inflection occurs in 2021 with the launch of LIFE 360, which replaces LIFE 2020 and introduces a more comprehensive framework structured around four pillars: Creative Circularity, Biodiversity, Traceability & Transparency, and Climate (LVMH URD 2021, LIFE 360 section). LIFE 360 established quantified targets for 2023, 2026, and 2030, including:

> - 100% sustainability designed new products by 2030;
>
> - Zero fossil-based virgin plastics in packaging by 2026;
>
> - 50% reduction in Scopes 1–2 emissions by 2026 (baseline 2019, see Figure 5 below);
>
> - 55% reduction in Scope 3 emissions per unit of added value by 2030 (LVMH URD 2024, p. 113).

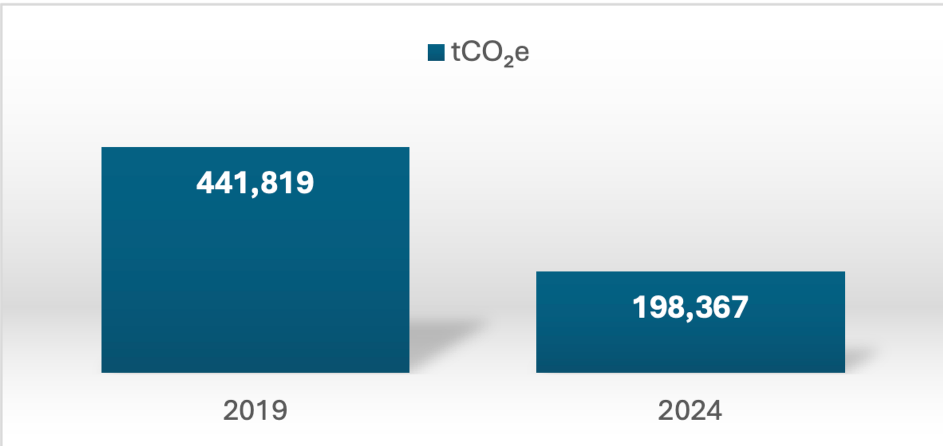

Figure 5 – LVMH's Scopes 1 & 2 Emissions Reduction (2019–2024)

The 2022 and 2023 URDs document the operationalization of LIFE 360, including the expansion of traceability tools, the deployment of environmental training (31,238 hours in 2022), and the integration of biodiversity and water methodologies aligned with SBT for Nature and TNFD (LVMH URD 2023, Environment section). The 2023 URD also reports the development of a digital platform to assess site vulnerability to extreme weather events, reflecting a shift toward double materiality analysis (LVMH URD 2023, pp. 90–92).

The 2024 URD marks a significant structural change: the introduction of a full Sustainability Report aligned with the Corporate Sustainability Reporting Directive (CSRD) and the ESRS standards (LVMH URD 2024, pp. 48–49). This results in a substantial expansion of environmental disclosures (over 80 pages), including detailed indicators, methodologies, and external assurance requirements. The report provides granular data on GHG emissions, renewable energy use, transportation flows, and waste, enabling longitudinal analysis of circularity-related performance (LVMH URD 2024, pp. 109– 116). The 2024 URD indicates that the CSRD framework has accelerated the formalization and quantification of circularity-related indicators by introducing new ESRS-aligned sections on resource use, the circular economy, and end-of-life management, which were absent from earlier URDs (LVMH URD 2023, pp. 148–162).

While there are no explicit references to the AGEC law, several LIFE 360 commitments, such as zero destruction of unsold goods, traceability requirements, and consumer-facing information systems, align with AGEC's objectives (LVMH URD 2024, pp. 50–52). This suggests that the law may have acted as a regulatory accelerator within a broader strategic transformation already underway. The following timeline traces the key milestones of LIFE 360 from 2021 to 2024, showing how circularity, traceability, and consumer information progressively took shape.

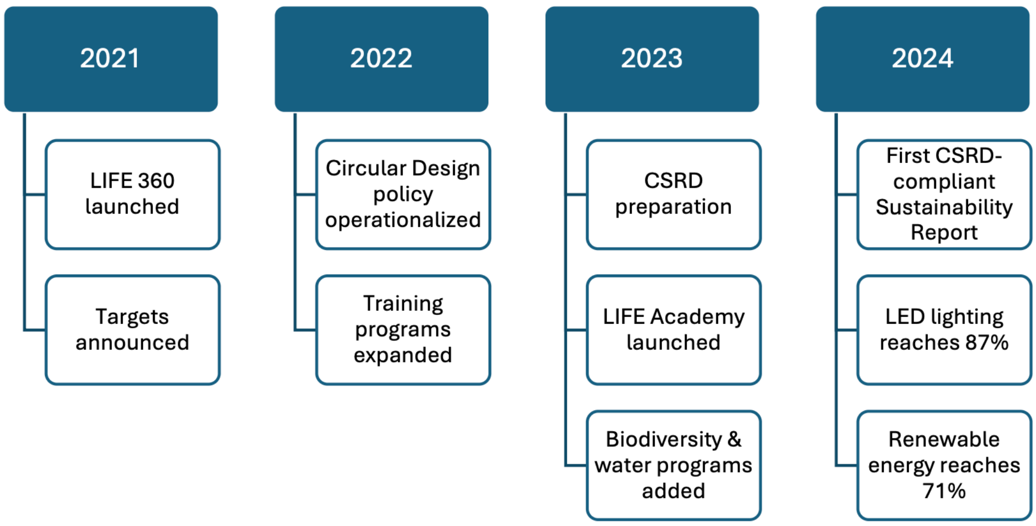

Figure 6 - LIFE 360 Circularity Milestones Timeline (2021–2024)

For LVMH, circularity contributes to symbolic value through institutional legitimacy and transparency rather than craftsmanship or ecosystem partnerships. LIFE 360, product traceability, and CSRD-aligned disclosures signal a form of responsible leadership that resonates with evolving societal expectations. As Michel et al. (2022) argue, consumers increasingly expect luxury brands to justify their social and environmental impact. LVMH's governance-driven approach to circularity therefore enhances its symbolic value by demonstrating mastery, accountability, and alignment with contemporary norms of responsible luxury.

Taken together, these findings provide a structured view of how LVMH operationalized circularity, compliance, and environmental performance between 2021 and 2024. They also set the stage for a deeper examination of what these results mean in relation to the research question and the existing literature. The following discussion section, therefore, moves beyond description to interpret how these empirical insights confirm, nuance, or even challenge prior knowledge, and what they reveal about the evolving dynamics of sustainability governance in the luxury sector.

4 Discussion

The objective of this research was to understand how luxury fashion brands have transformed the regulatory constraint of the AGEC law into opportunities for value creation five years after its implementation. The results presented in Section 3 reveal differentiated trajectories across LVMH, Kering, and Hermès, yet they also point to a broader structural shift in the luxury sector: the progressive integration of circularity into core strategy. This discussion interprets these findings in light of the conceptual foundations established in the literature review, highlighting convergences, divergences, and contributions to existing knowledge.

The literature positions AGEC as a regulatory rupture that challenges the historical logic of luxury (French Government, 2020; Kapferer & Bastien, 2012). The empirical results confirm this tension: all three groups initially responded through compliance-driven mechanisms—donation, recycling, and improved traceability—consistent with the defensive adaptation phase described in the introduction.

However, the results also show that by 2023–2024, each group had begun reframing AGEC not merely as a constraint but as a catalyst for innovation, echoing Porter and van der Linde's (1995) argument that environmental regulation can stimulate competitive advantage. LVMH's LIFE 360, Kering's material innovation partnerships, and Hermès' craftsmanship-based repair ecosystem all illustrate this shift. This confirms that AGEC has acted less as an isolated legal obligation and more as an accelerator of pre-existing sustainability trajectories.

Although developed in the field of public governance, Charlot's (2026b) distinction between reactive measures and a broader integrity framework offers a useful analytical parallel for understanding regulatory adaptation. The author approaches integrity as a preventive and systemic framework grounded in organizational culture, procedures, institutional design, transparency, and information governance, rather than in isolated responses to prohibited conduct. Applied by analogy to the present cases, this perspective helps explain why AGEC becomes strategically significant when its requirements are internalized through permanent governance structures, traceability systems, and decision-making routines. The transition observed at Hermès, Kering, and LVMH therefore reflects more than formal compliance: it suggests the institutionalization of circularity as an organizational principle capable of influencing long-term strategy (Charlot, 2026b).

4.1 Divergent Strategic Models of Circularity

The literature suggests that circularity is not a monolithic concept but a spectrum of mechanisms ranging from repair to resale to material loop closure (Kirchherr et al., 2017). The results reveal three distinct strategic models:

5 Hermès: Circularity through Craftsmanship and Longevity

Hermès primarily activates the inner loops of the circular economy as defined by Kirchherr et al. (2017), particularly repair, reuse, and reduction. These loops preserve the highest level of product value and align seamlessly with Hermès' craftsmanship-driven identity. The brand's long-standing emphasis on durability, reparability, and material stewardship demonstrates a form of circularity that predates AGEC and emerges organically from its artisanal production model. By operating within the most value-preserving loops, Hermès reinforces the symbolic value of its products and proves that circularity can strengthen rather than dilute luxury's cultural meaning.

This confirms Cervellon et al.'s (2012) argument that luxury's artisanal heritage naturally supports circular practices. Hermès does not frame these initiatives as regulatory responses but as extensions of its identity. This nuance enriches the literature by showing that circularity can emerge organically from brand DNA rather than from external pressure.

5.1 Kering: Circularity through Innovation and Ecosystem Partnerships

Kering's trajectory reflects a more systemic, innovation-driven model. Its investments in resale (e.g., Vestiaire Collective), material science, and ecosystem collaborations align with the literature on circular economy as a multi-actor system (Kirchherr et al., 2017). The Group mobilizes a broader spectrum of loops, ranging from outer loops (recycling, upcycling, textile recovery) to systemic loops (ecosystem partnerships, circular hubs, EP&L-driven decision-making). This approach reflects a view of circularity as a system-level transformation rather than a set of isolated practices. By investing in resale platforms, material innovation, and sector-wide collaborations, Kering positions itself within the loops that require coordination across the value chain. This reinforces its symbolic value as an environmental pioneer and aligns with Kirchherr et al.'s (2017) argument that systemic loops are essential for large-scale circular transitions.

Kering is also the only group to explicitly reference AGEC in its reporting, suggesting a more anticipatory regulatory posture. This supports Porter & van der Linde's view that firms with strong sustainability cultures are more likely to leverage regulation as an innovation driver.

6 LVMH: Circularity through Group-Wide Structuring and Operationalization

LVMH's LIFE 360 program demonstrates a highly structured, managerial approach to circularity, with quantified targets, traceability tools, and operational platforms. This aligns with Deloitte's (2023) observation that large luxury conglomerates increasingly institutionalize sustainability through governance, metrics, and cross-brand coordination. LVMH's approach contributes to the literature by showing how circularity can be scaled across heterogeneous brands through centralized frameworks.

Compared with Hermès and Kering, LVMH activates a different configuration of circularity loops. LVMH occupies an intermediate position: it activates reuse, reduction, and recycling loops, but its distinctive contribution lies in creating systemic loops through LIFE 360. The Group has built internal infrastructures, such as traceability systems, circular design frameworks, and ESRS-aligned reporting, that enable circularity to be operationalized across diverse Maisons. Rather than focusing on a single loop, LVMH institutionalizes circularity as a governance system. This enhances its symbolic value by projecting mastery, transparency, and institutional legitimacy, consistent with consumer expectations for credible sustainability commitments.

6.1 Circularity in the Luxury Context

A central tension in the literature concerns the compatibility of circularity with luxury's symbolic value (Kapferer & Bastien, 2012). The results suggest that this tension is being renegotiated rather than resolved: Hermès reinforces symbolic value through repair and longevity, reframing circularity as a continuation of craftsmanship, while Kering integrates circularity into brand storytelling, positioning innovation and responsibility as new markers of desirability, and LVMH embeds circularity into product information systems and traceability, making transparency itself a component of symbolic value. These findings extend the literature by showing that circularity does not necessarily dilute exclusivity; rather, it can serve as a new vector of symbolic differentiation.

Teece (2010) argues that business model transformation occurs when firms redefine how they create and capture value. The results indicate that AGEC has triggered such transformations to varying degrees. Hermès maintains its traditional model but deepens lifecycle value through repair and material stewardship, while Kering expands its model to include resale, refurbishment, and material innovation, creating new revenue streams and ecosystem roles, and LVMH restructures internal processes, suggesting a shift toward lifecycle governance. These trajectories demonstrate that circularity is not merely an operational adjustment but a reconfiguration of the logic of value creation, confirming and extending Teece's framework in a luxury context.

6.2 Contribution to Knowledge

As shown by Michel, Stathopoulou, and Valette-Florence (2022), the legitimacy of luxury brands increasingly depends on their ability to reduce the guilt associated with conspicuous consumption and to demonstrate credible societal contributions. In this context, the circularity initiatives observed at Hermès, Kering, and LVMH are not merely regulatory compliance mechanisms; they actively participate in rebuilding the symbolic value of luxury in an environment where social and environmental expectations have become central.

From a broader corporate-governance perspective, these findings also converge with Charlot's (2026a) analysis of the social function of the corporation, according to which business activity cannot be assessed exclusively through profit generation but must also be understood through its relationships with stakeholders, communities, and the environment. By connecting corporate social function with the Sustainable Development Goals, ESG standards, and sustainability reporting, the author highlights a movement toward more objective and verifiable expectations regarding corporate responsibility. In the luxury context, the AGEC-driven expansion of repair, reuse, traceability, responsible sourcing, and circular design can be interpreted as part of this broader transformation, in which environmental and social commitments increasingly contribute to corporate legitimacy while remaining compatible with long-term value creation (Charlot, 2026a).

This study contributes to the literature in three main ways. First, it empirically demonstrates how regulation can catalyze strategic innovation in luxury, supporting Porter and van der Linde's theory while contextualizing it within a sector historically resistant to transparency and circularity. Second, it identifies three distinct circularity models, showing that circularity is not uniform but strategically differentiated across luxury groups. Third, it shows that circularity can reinforce rather than undermine symbolic value, challenging long-standing assumptions that sustainability is incompatible with exclusivity.

While these contributions advance understanding of how luxury brands navigate the intersection of regulation, identity, and sustainability, several limitations should be acknowledged. First, the analysis relies primarily on publicly available Universal Registration Documents (URDs), which are corporate disclosures and may reflect strategic bias or selective reporting. As a result, the findings may overrepresent communicated initiatives rather than fully capture operational realities. Second, the study focuses on three major luxury groups (Hermès, Kering, and LVMH), which, although representative of sector leaders, may limit the generalizability of the results to smaller or independent luxury brands with different resource constraints. Third, the qualitative, document-based methodology does not allow direct measurement of environmental or financial impact, emphasizing strategic positioning and narrative evolution over performance outcomes. Finally, given the relatively recent implementation of the AGEC law, the 2019–2024 timeframe may not fully capture the long-term effects of regulatory adaptation, particularly for initiatives requiring structural transformation.

Together, these insights and limitations provide a nuanced understanding of how luxury brands are reconfiguring value creation under regulatory pressure. They highlight circularity as a strategic, not merely an operational domain. It also opens avenues for future research on long-term performance outcomes, consumer perceptions, and the evolution of circular business models in luxury.

7 Managerial or Business Implications

The findings of this research offer several concrete implications for managers operating in the luxury fashion sector, particularly those navigating the intersection of regulation, sustainability, and brand strategy. Five years after the implementation of the AGEC law, the strategic responses of LVMH, Kering, and Hermès demonstrate that circularity is no longer a peripheral or compliancedriven activity. Instead, it has become a central lever of value creation, organizational differentiation, and long-term competitiveness. The implications below summarize what managers can retain from this study and how these insights can inform decision-making.

The analysis shows that the most successful transformations occurred when circularity was integrated into the core strategic framework of the company: LIFE 360 for LVMH, the EP&L and innovation ecosystem for Kering, and the craftsmanship model for Hermès. Managers should therefore avoid treating AGEC as a narrow legal requirement and instead embed circularity into product development processes, sourcing and material strategies, after-sales services, and long-term brand positioning. This shift requires moving from reactive compliance to proactive strategic planning, where circularity is seen as a source of differentiation and resilience.

A key insight from the results is that value creation in luxury is no longer confined to the moment of first sale. Repair, refurbishment, resale, and upcycling open new revenue streams and deepen customer engagement. Managers can leverage these opportunities by developing certified resale channels, investing in repair and refurbishment capabilities, designing products for longevity and modularity, and integrating circular services into loyalty programs. These initiatives not only comply with AGEC but also reinforce brand equity by extending the symbolic and functional life of products.

Across all three groups, the transition toward circularity required robust traceability systems. Whether for managing unsold goods, certifying materials, or enabling resale authentication, data has become a critical enabler of circular business models. Managers should prioritize digital traceability tools, product passports, inventory transparency, and cross-functional data governance. These systems reduce regulatory risk, support circular operations, and enhance consumer trust, particularly among younger generations who expect transparency.

The results show that circularity requires new internal structures:

> - LVMH created centralized governance (LIFE 360, Environmental Development Department).
>
> - Kering built innovation partnerships and cross-brand platforms. - Hermès strengthened its repair and craftsmanship networks.

Managers should therefore consider appointing circularity or sustainability leads, creating cross-functional teams that link design, logistics, and after-sales, and integrating circularity metrics into performance evaluations. These organizational adjustments ensure that circularity is operationalized consistently and not relegated to isolated departments.

A major managerial concern in luxury is the risk that circularity, especially resale, could undermine exclusivity. The findings contradict this fear: Hermès uses repair to reinforce craftsmanship and authenticity, Kering uses innovation to signal leadership and responsibility, and LVMH uses transparency and traceability to enhance trust.

Managers should therefore view circularity as a brand-building tool. By controlling resale channels, curating refurbished products, and communicating sustainability narratives, brands can enhance desirability rather than weaken it. The results confirm Porter & van der Linde's insight that regulation can stimulate innovation. AGEC forced luxury brands to rethink entrenched practices, leading to new business models, partnerships, material strategies, and customer experiences. They should also adopt a mindset that treats regulation as a strategic opportunity rather than a constraint. This perspective encourages experimentation, accelerates transformation, and positions brands ahead of future regulatory waves.

Finally, the differentiated trajectories of LVMH, Kering, and Hermès show that circularity is becoming a new axis of competitive advantage. Circularity is now a strategic differentiator. Early movers can shape consumer expectations, and laggards risk reputational and operational disadvantages. In this sense, circularity is not simply an environmental imperative; it is also a strategic battleground that will shape the future of luxury.

In simple terms, what managers should retain from this research is clear: circularity is no longer optional, nor is it merely regulatory. It is a strategic, organizational, and brand-building imperative. The AGEC law has accelerated a transformation already underway, pushing luxury brands to reinvent how they create value while preserving their identities. The companies that succeed will be those that integrate circularity into their core strategy, invest in the necessary capabilities, and embrace innovation as a driver of long-term competitiveness.

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