Positive Luxury

RETURN ON SUSTAINABILITY INVESTMENT

The 12 commercial benefits of sustainability

INTRODUCTION

In an era of economic uncertainty, divergent legislative agendas and shifts in consumer demographics and behaviours, the luxury industry is searching for its bearings whilst needing to protect its bottom line.

With the cost base under scrutiny, old playbooks are being dusted off: c-suite re-shuffles, labour reductions, cutbacks.

Positive Luxury welcomes the question we are being asked repeatedly and more frequently by executives across the industry: is there a business case for sustainability?

Absolutely. And we map that out in detail on the following pages. But for those like me with limited attention spans, let me cut to the chase:

If you were presented with an opportunity to reduce waste, cost and risk with activity that simultaneously drives resilience, innovation and competitive advantage, would you not grasp it?

Amy Nelson-Bennett
CEO, Positive Luxury

SUSTAINABILITY: THE BUSINESS CASE FOR LUXURY

Sustainability has reached a turning point. Once a reputational measure, it is now the foundation of competitiveness in today's economy.

Businesses face a clear choice in 2025: lead with sustainability as a core strategy or risk falling behind in the race for talent, investment, and consumer trust.

The recent backlash against ESG, regulatory shifts in Europe and a renewed focus on profitability amid economic uncertainty do not mark the decline of sustainability – rather its maturation. ESG is moving from hype to performance, where businesses must demonstrate clear returns on sustainability investments, whether through profitability, risk mitigation or competitive differentiation.

Luxury thrives on exclusivity, quality and long-term value creation – elements now intrinsically linked to sustainability. The cost of inaction is rising, with reputational damage, supply chain disruptions and changing consumer expectations posing material risks.

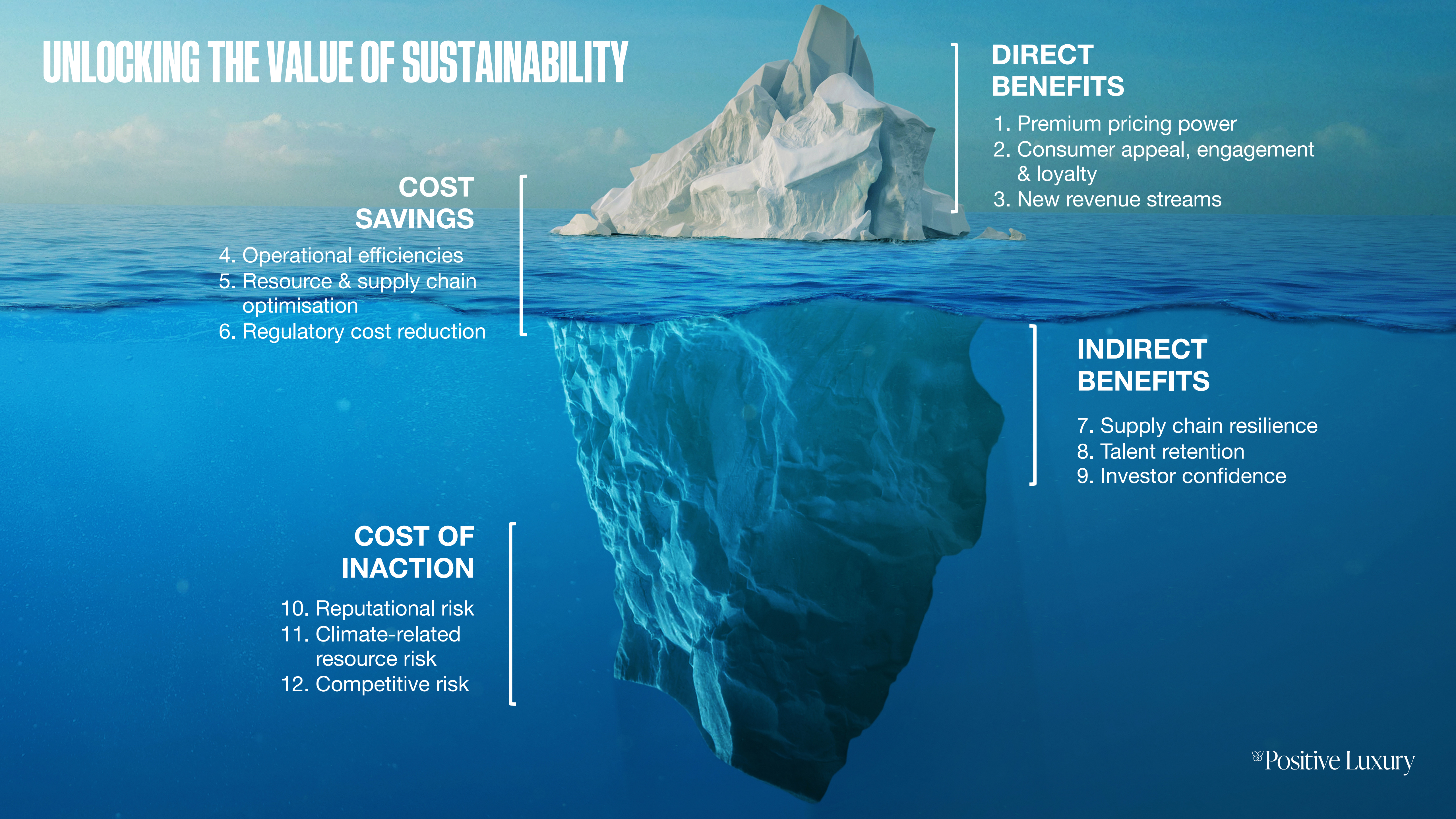
Companies that integrate sustainability beyond compliance unlock commercial benefits, including premium pricing, operational efficiencies and strengthened market positioning.

To remain competitive, brands need a clear business case for sustainability. This briefing explores how sustainability creates value across the following four key areas.

DIRECT BENEFITS	1. Premium pricing power 2. Consumer appeal, engagement & loyalty 3. New revenue streams
COST SAVINGS	4. Operational efficiencies 5. Resource & supply chain optimisation 6. Regulatory cost reduction
INDIRECT BENEFITS	7. Supply chain resilience 8. Talent retention 9. Investor confidence
COST OF INACTION	10. Reputational risks 11. Climate-related resource risks 12. Competitive risks

Luxury brands that integrate sustainability effectively will define the future of the industry. Those that fail to adapt will face increasing costs, diminishing relevance, and eroding market position in a sector where responsibility, resilience and innovation are becoming the new benchmarks of success.

“ESG IS MOVING FROM HYPE TO PERFORMANCE.”


UNLOCKING THE VALUE OF SUSTAINABILITY
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DIRECT BENEFITS

1 PREMIUM PRICING: SUSTAINABILITY AS A VALUE DRIVER

Luxury brands can command higher price points by integrating sustainability into their core offering, with PwC finding consumers willing to pay almost **10% more for sustainably produced goods**, even amid inflationary pressure. Sustainability is no longer niche but a purchasing expectation, shaping decisions alongside quality and heritage. At the same time, the luxury client base is diversifying, requiring brands to refine their value propositions in a low-growth market. Sustainability offers both pricing power and market expansion: ethical sourcing, regenerative materials and transparency enhance exclusivity while attracting new segments. Authentic alignment with social and environmental causes builds trust, strengthens desirability and future-proofs brand positioning. **Brands leading in this space will see higher demand, sustained pricing power and stronger market positioning.**

2 CONSUMER PREFERENCES: SUSTAINABILITY AS A PILLAR OF BRAND PERCEPTION

Consumers no longer see sustainability as a mere product feature: they expect brands to help them lead more sustainable lives. A 2024 Bain & Company global study found that **76% of consumers believe a sustainable lifestyle is important because their actions make a difference**, yet many struggle to adopt one – turning to brands for solutions. A 'greener' version of an existing product is no longer enough. Consumers are more likely to choose sustainable options when they also offer added value. For example, regenerative cashmere farming in the fashion industry not only ensures superior softness and longer-lasting products, it also supports animal welfare and land restoration. In luxury hospitality, private resorts powered by renewable energy offer indulgence with purpose – as do organic vineyards in premium drinks. In all these cases, **sustainability enhances the luxury experience rather than limiting it.**

3 NEW REVENUE STREAMS: CIRCULARITY AND INNOVATION

Sustainability can also open up new profit avenues. McKinsey found **85% of consumers report shifting towards more sustainable products** – and this preference extends beyond product choices to consumption habits, with resale, refill and repair services gaining traction. Refillable packaging, certified repair services and sustainable aftercare offerings – such as handbag restoration and jewellery maintenance – extend the lifecycle of luxury goods, reinforcing a brand's commitment to craftsmanship and quality. These **services provide new revenue streams while the increasing demand for longevity and sustainable luxury consumption.**

Sources:
PWC, Voice of the Consumer 2024
Bain & Company, Thu Sustainability Puzzle
McKinsey, State of Luxury
McKinsey, How playing offense of sustainability can power e-commerce
Vogue Business, Luxury no longer means quality

DIRECT COST SAVINGS

4 OPERATIONAL OPTIMISATION: CUTTING EMISSIONS, CUTTING COSTS

Reducing GHG emissions is not just beneficial for the environment, **it is also a direct means of improving efficiency**. Luxury brands can significantly lower costs through energy-efficient infrastructure, on-site renewable energy installations, and hybrid/electric fleets, reducing **energy and fuel costs, as well as the carbon footprint.** Nearshoring and streamlined inventory management can cut transportation costs and Scope 3 emissions. With rising energy prices and carbon costs, these measures are both sustainability milestones and financial imperatives.

5 WATER & MATERIAL EFFICIENCY: A SMARTER APPROACH TO RESOURCES

Luxury production remains highly resource-intensive – a challenge that will only grow as environmental pressures increase. Investing in water-saving technologies and circular water treatment solutions **significantly reduces both consumption and wastewater costs**, while mitigating the risks of future water scarcity, a growing challenge for the luxury sector. Precision techniques in textile and jewellery manufacturing minimise material waste, while **lightweight, eco-designed packaging reduces shipping and material cost.** As regulations tighten and key resources become scarcer, brands that embed efficiency into design and production will gain long-term cost advantages.

6 REGULATORY COST REDUCTION: STAYING AHEAD OF COMPLIANCE COSTS

Environmental regulations are raising financial risks. The EU's Carbon Border Adjustment Mechanism (CBAM) and the UK's planned CBAM in 2027 will **increase costs for high-carbon materials such as aluminium, widely used in luxury packaging and watchmaking**. Extended Producer Responsibility (EPR) laws are shifting responsibility for end-of-life product costs onto brands, with **textile EPR transforming fashion**. While the EU leads in regulation, Australia, Chile, the UK and key US states (California, New York, Washington) are following suit. The Packaging and Packaging Waste Regulation (PPWR) is set to **impose recyclability and material reduction mandates**, while the Ecodesign for Sustainable Products Regulation (ESPR) will **enforce durability and repairability and transparency**. Early adoption of circular design and sustainable materials will protect luxury brands from escalating costs. Given long supply chain lead times, those who act now will gain a competitive edge in cost management.

Sources:
EU Taxation and Customs Union
UK Government Factsheet: UK Carbon Border Adjustment
Global Fashion Agenda
EU Environment
Ecodesign for Sustainable Products Regulation

INDIRECT BENEFITS

7 STRENGTHENED SUPPLIER RELATIONSHIPS: SUSTAINABILITY FOSTERING COLLABORATION

Sustainability strengthens supplier relationships, aligning brands and manufacturers around responsible sourcing, waste reduction and efficiency improvements. Adopting sustainable practices necessitates a comprehensive evaluation of the supply chain, leading to improved communication and collaboration with suppliers. A study by EY found that 61% of companies pursue supply chain sustainability initiatives primarily for cost savings and efficiency gains, **yet the advantages extend far beyond financial metrics.** Long-term collaboration can drive material innovation and enables **brands to mitigate disruptions, secure high-quality materials, and co-develop sustainable processes,** reinforcing business resilience.

8 TALENT ATTRACTION AND EMPLOYEE SATISFACTION: A SUSTAINABILITY-DRIVEN WORKFORCE

Sustainability is now a **key factor in recruitment and retention, particularly for younger professionals**. A 2024 Deloitte survey found that **one in five Gen Zs and Millennials have already switched jobs or industries due to environmental concerns,** with another 26% planning to do so. Luxury brands with strong ESG commitments attract top talent and foster engagement, creating a purpose-driven workplace. Employees in sustainability-focused companies report higher job satisfaction and productivity, strengthening business culture and brand reputation. With labour-related costs accounting for 25-50% of operating costs for luxury brands, every point of increased retention and productivity provides meaningful commercial benefit.

9 INVESTOR CONFIDENCE AND FINANCIAL STABILITY: ESG AS A MARKET ADVANTAGE

Sustainability is now a decisive factor in investment decisions. Even though some financial institutions may be walking back on their own public commitments, they understand that reduced risk and resilience generate shareholder returns. Institutional investors and private equity firms increasingly prioritise companies with strong ESG performance, driving higher market valuations, improved credit ratings and enhanced access to green financing. An IBM study found that 52% of the companies studied that had well-integrated sustainability strategies outperformed their peers in profitability, while Cushman & Wakefield's survey of 250 institutional investors found that **60% reported higher ESG-driven returns**, with **78% willing to pay higher fees for funds with robust ESG practices.**

Sources:

EY, Sustainable supply chains are driving business transformation
Deloitte 2024 Gen Z and Millienial Survey
ESG Today, IBM Survey
ESG News, Sustainability Megatrends Report

THE COST OF INACTON

10 REPUTATIONAL RISKS: UNDERMINING BRAND EQUITY

Luxury is built on trust and exclusivity, **but a single exposé on poor labour conditions or unethical sourcing** can undermine decades of brand equity. A Vogue Business study found that **consumer sentiment towards certain luxury brands deteriorated following reports of unethical supply chains**, with **one-third of respondents calling for stronger ethical commitments**. In a hyper-transparent market, failure to act on sustainability erodes brand desirability and **weakens premium positioning. Regulatory scrutiny is also rising**. For instance, the EU Deforestation Regulation restricts high-risk material imports, with non-compliance bringing legal and financial risk. Unsustainable sourcing exposes brands to rising costs and market restrictions, making responsible practices a business imperative.

11 CLIMATE- RELATED RESOURCE RISKS: SUPPLY CHAIN FRAGILITY

Luxury's reliance on high-quality raw materials is increasingly at risk by climate change and biodiversity loss. Extreme weather events, such as droughts, floods, and heatwaves, are already disrupting supply chains. For instance, severe flooding in Tuscany last November, a renowned hub for luxury textile production, **has caused significant damage to manufacturing sites, halting production.** At the same time, water scarcity presents a particularly urgent challenge. Many luxury categories – from textile dyeing (fashion) and gold mining (jewellery) to ingredient cultivation (beauty & fragrance) – require significant water use. By 2050, **75% of apparel and textile manufacturing sites are projected to face high to extreme water risks**, particularly in India, China, Brazil, and Pakistan. Without proactive adaptation, climate risks will escalate costs, disrupt operations, and limit access to critical luxury materials, threatening business continuity.

12 COMPETITIVE DISADVANTAGE: LOSING MARKET SHARE TO COMPETITORS

Sustainability is no longer a trend but an expectation. Customers judge quality, craftsmanship, and exclusivity **through an ethical and environmental lens**. Brands that do not align with this shift will find it harder to justify their premium positioning. As expectations rise, brands that lag behind in responsible sourcing, circularity and emissions reduction will be outpaced by those who lead. Without a clear sustainability strategy, luxury businesses risk weakening consumer trust, eroding brand desirability and ultimately **losing market share to competitors that embed sustainability as a core value** – rather than an afterthought.

Sources:
Vogue Business, Can Made in Italy withstand climate change?
Global Fashion Agenda, Is fashion's impact on water being overlooked?

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LESSONS LEARNED

As the digital era accelerated its impact in the first two decades of the 21st century, most luxury brands were slow to the party. Leaders of that generation saw cost before opportunity, feared the dilution of prestige and loss of control of brand image – and clung to tradition while consumer behaviour was undergoing a revolution.

When crisis struck in 2020, in the form of a virus, was your business effectively prepared to weather the storm – or even leverage the opportunity?

We are entering a new era – the climate era. A period of rapid and accelerating climate transformation, with record-breaking temperatures, stronger storms and shifts in ecosystems that will cause increasing disruption to our modus operandi. This is a certainty. **It comes with risk and opportunity in equal measure.** The question is: will you be sufficiently prepared?

Amy Nelson-Bennett
CEO, Positive Luxury

"WILL YOU BE SUFFICIENTLY PREPARED?"

CALCULATING YOUR RETURN ON INVESTMENT

A new, ambitious generation of managers shaping the luxury industry view responsibility and sustainability-led innovation as critical to brand success. They are **spearheading internal campaigns to convince leadership to invest** human and financial resources in sustainability.

These future executives must appeal to Boards whose primary focus is near-term financial results and shareholder return. To bridge the gap, **it is necessary to present a numbers-led business case – speaking the language of CFOs –** and clearly illustrate how sustainability is a driver of profitable growth and business value.

ROI calculations most commonly examine a 12-month financial period, a practical year-one perspective to present as part of your business case. But given lead times for product development, supply chain evolution and capital investment, alongside the rising impact of climate change, **a second ROI calculation spanning 3–5 years will provide a more comprehensive, balanced map** of investment requirements, business risk, direct and indirect return – that every Board of Directors, as part of its responsibility to shareholders, has a responsibility to address.

$$\text{ROI} = \left(\frac{\text{Net profit}}{\text{Cost of investment}} \right) \times 100$$

$$\text{Cost of investment} = \left(\begin{array}{c} \text{Incremental personnel or consultants, new} \\ \text{technology (e.g. DPPs), accreditations and services} \\ \text{(e.g. carbon assessment) or material price rises} \end{array} \right)$$

$$\text{Net profit} = \left(\begin{array}{c} \text{Direct benefits to sales and gross margin} \\ \text{+ direct savings + indirect savings} \\ \text{- cost of inaction} \end{array} \right) - \text{Cost of investment}$$

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Positive Luxury blend technical ESG expertise with luxury industry experience, empowering your business with impactful ESG solutions that help you optimise your financial and human resources to maximise value – for long-term profitability and sustainable growth.

By helping businesses meet higher and higher standards for people and nature, we are transforming luxury – for the good of all. From ESG+ assessment and carbon accounting to consultancy projects and training, our team of experts give unrivalled support to over 175 global brands, retailers and suppliers – helping to fast-track sustainability action, prepare for legislative shifts, build resilience against the impact of climate change, and communicate with credibility.

We created the coveted Butterfly Mark certification as the mark of real change, guiding luxury consumers to select verified brands meeting higher standards. Positive Luxury help you:

- Fast-track sustainability
- Prepare for legislation and reporting
- Communicate with credibility
- Future-proof your business

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