BAIN & COMPANY

The Visionary CEO's Guide to Sustainability 2025

The Power of Pragmatism

Acknowledgments

For their contributions to this report, the leadership team of Bain & Company's Global Sustainability & Responsibility practice would like to thank the following people: Ginevra Bersani, Sasha Boldyrev, Jan Budde, Nanette Byrnes, Simone Canu, Sonal Chawla, Jamie Cleghorn, Prashant Das, Jeff Derks, Simone Doms, Grant Dougans, Katherine Duceman, Gail Edmondson, Giulia Gallo, Sheena Garg, Helen Gasche, S Sidharth Ghosh, Keshav Goyal, Christian Graf, Chris Griffith, Tanya Grover, Aayush Gupta, Mridul Gupta, Netra Hirani, Sarthak Jain, Abhishek Jhanwar, Krystle Jiang, Paul Judge, Mehakpreet Kaur, Onur Kayahan, Martin Kessler, Sune Kok, Ann Lee, Emily Leinbach, Pranav Malhotra, Joel Mann, Mukul Mathur, Ayushi Maurya, Kornelia Mazurczyk-Wolska, Samridhi Mehra, Peter Meijer, Amanda Michel, Anka Minhas, Martha Moreau, Mégane Muehlestein, Stuti Nagrath, Preeti P, Tracy Parker, Tanja Pick, Andrew Pontti, Aditya Rai, Nina Ramsamy, Anushri Ranganathan, Lisa Schold, Rajat Pratap Singh, Karan Singh, Harsh Srivastava, Tiiram Sunderland, Himadri Suri, Joe Tan, Awele Uwagwu, Prasanth Vasan, Anirudh Verma, Paul Vignaud, Shashank Yadav, and the Editorial team.

"Decarbonization That Works: Five Key Actions in Private Equity" was written in collaboration with CDP.

Contents

The Power of Pragmatism

For sustainability, 2025 is the year CEOs turned down the volume—and accelerated action. Sustainability remains a priority. Customers and consumers demand it. Risk and disruption make it essential.

In just five years—the length of a typical CEO planning cycle—2030 targets will come due. Many of the levers to meet those goals are already in motion and delivering tangible business value today. Forward-looking leaders are turning to AI to accelerate that progress, even as they actively manage its risks.

And yet, in our conversations, CEOs tell us today's progress is not enough. Businesses must do more to help pull the world back within planetary boundaries.

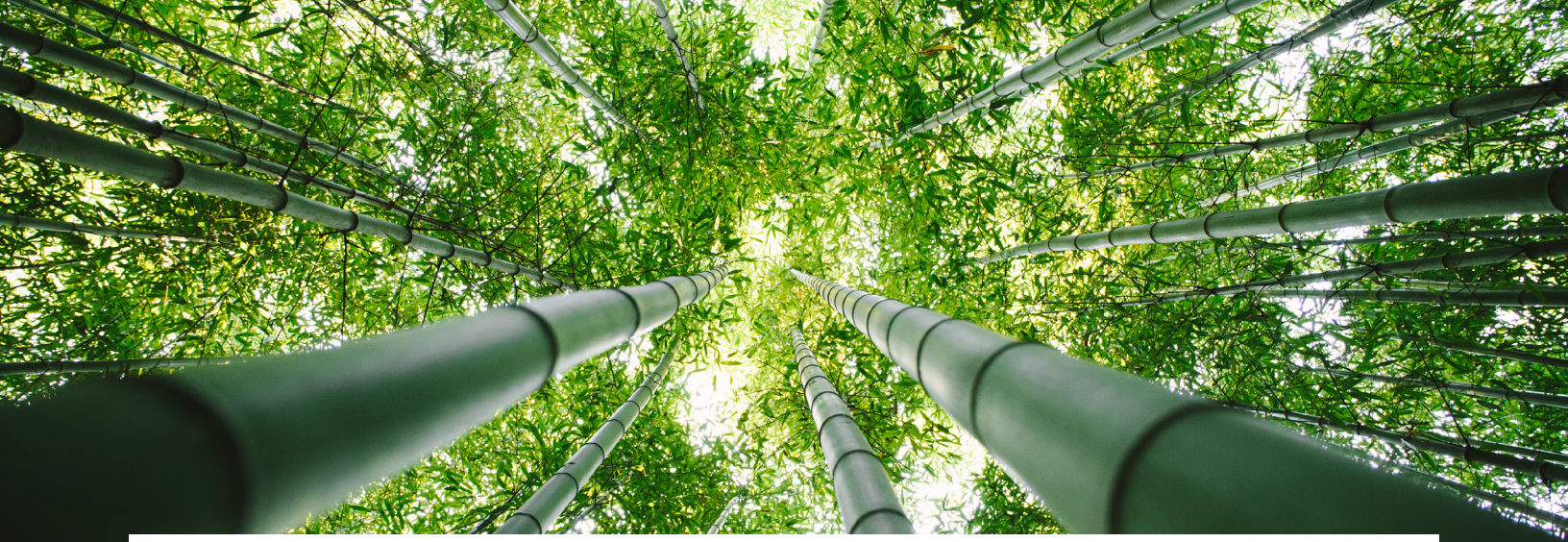
In this report, Bain experts bring diverse perspectives together with fresh research, sharp insights, and proprietary market intelligence to help business leaders navigate the journey to 2030 and beyond.

The through line is clear: Pragmatic action on sustainability will distinguish tomorrow's leaders.

Jean-Charles van den Branden
Leader of Bain's Global Sustainability practice

François Faelli
Global Head of Capabilities

2025 Trends



2025 TRENDS

Embracing the “Do-Say” Gap

Three pragmatic questions that shift sustainability from ambition to action.

By Jean-Charles van den Branden, François Faelli, John Blasberg, Dominik Utama, Martha Moreau, and Jan Budde

At a Glance

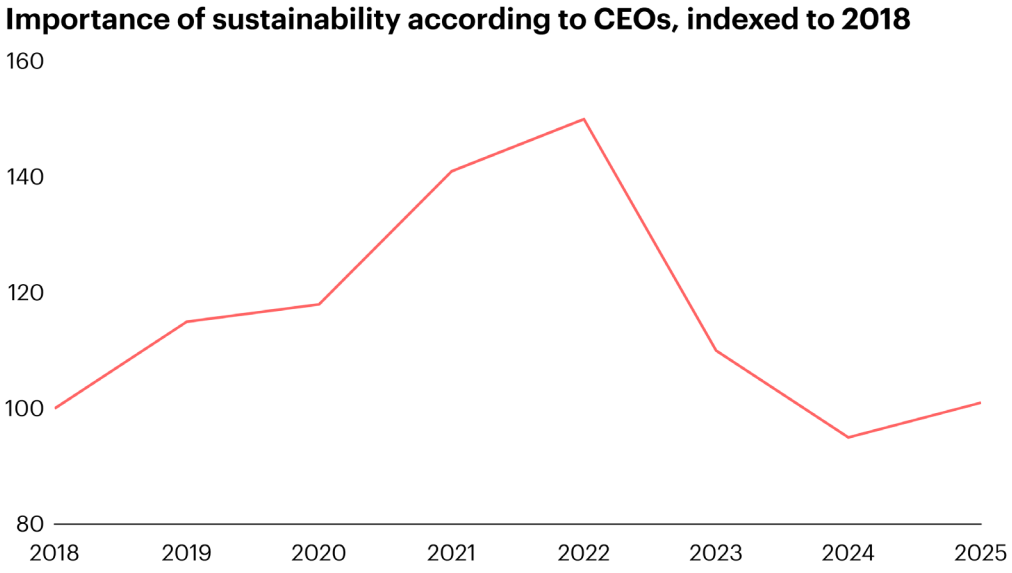
- Today’s CEOs speak less about sustainability but increasingly link it to business value (costs, customers, and capital).
- Twenty-five percent of industrial emissions can be cut with ROI-positive levers in reach today.
- Inflection points in sustainable technologies are coming fast, increasingly driven by industrial policy in fast-growing countries.
- CEOs must balance efficiency with robustness to withstand growing disruption.

This time last year, sustainability was in a “trough of disillusionment.” After sweeping commitments and aspirational goal setting in 2021 and 2022, sustainability moved down the list of CEO priorities, and the challenges to deliver became real. Today, while sustainability remains below peak hype levels, our latest CEO data shows that the decline is bottoming out. Sustainability is slowly increasing as a CEO priority *(see Figure 1)*.

How can this be when there are constant headlines declaring that sustainability is dead?

While CEOs speak less about sustainability, they continue to act—a phenomenon we call the “do-say gap.”

Figure 1: Despite a period of decline, sustainability remains on the CEO agenda



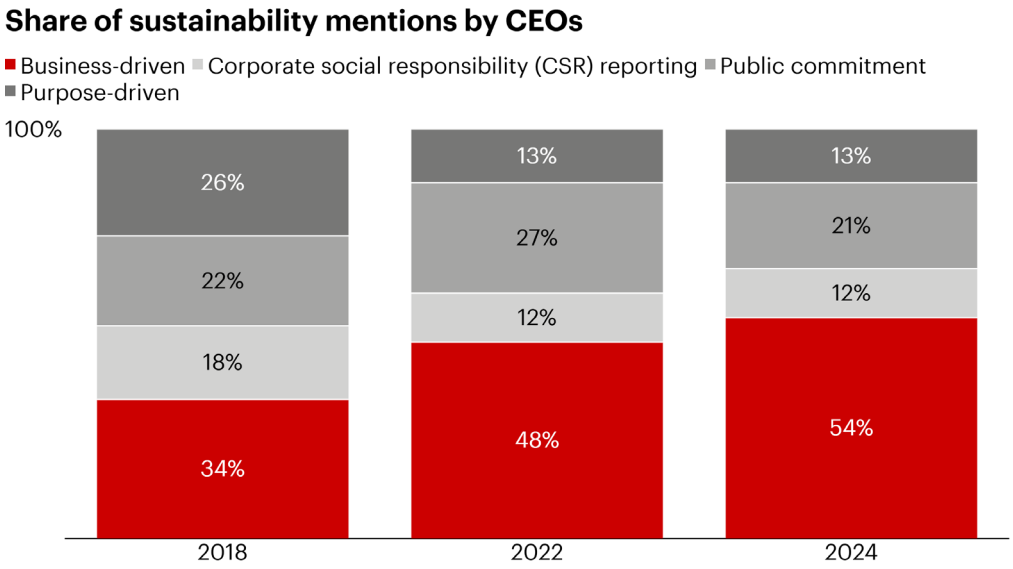
Note: Based on aggregation of publicly available CEO surveys
Sources: IBM; Gartner; PwC; KPMG; Bain analysis

Analyzing over 35,000 statements made by 150 leading companies' CEOs in 2018, 2022, and 2024, Bain's AI-powered Sustainability Pulse tool identified a clear evolution in rhetoric. In 2018, most CEO comments focused on compliance and doing good for society. Today's CEOs have moved from moral value to business value, aligning sustainability with core business risks and operational realities such as costs, customers, commercial motions, and capital investments. One case in point: Salespeople are incorporating sustainability into their pitches. The "quiet CEO" speaks less about sustainability, but when they do, they frame it as a concrete lever of business value *(see Figure 2)*.

Despite this evolution in public rhetoric, there's ample evidence of companies' continued commitment and action. Companies are making their targets more, not less, ambitious. Between 2022 and 2025, 10% of companies increased their Science-Based Targets initiative (SBTi) ambitions, while only 4% scaled back. Two-thirds of companies are on track to achieve their Scope 1 and Scope 2 emissions targets.

Significant challenges remain. About half of companies are behind on their Scope 3 targets. This is not surprising. One of their key suppliers—energy executives—are recalibrating their net-zero outlook, according to Bain's 2025 Energy Executive Agenda. Today, only 32% of these executives expect to reach net zero by 2050—down from nearly 40% last year. Some 44% project net zero won't be reached until 2070 or later, up from less than one-third in 2024. This tension between the pace of change of upstream energy suppliers and the ambitions of their downstream customers is likely to continue.

Figure 2: CEOs increasingly link sustainability to business performance



Note: The selected CEOs lead the top 50 companies by market capitalization in each of the Americas, EMEA, and Asia-Pacific regions, totaling 150 CEOs
Source: Roughly 2,000 audio/video files across major conferences, earnings calls, podcasts, etc.

And customers aren't waiting. In our annual survey of B2B companies, half of buyers said they already assign more business to sustainable suppliers—an increase from last year. Like CEOs, leading B2B sellers recognize sustainability as a strategic driver of growth, a creator of value, and a competitive differentiator. Our annual survey of more than 14,000 consumers in eight countries finds consumers overloaded, worried about geopolitics, economic pressure, and many things beyond sustainability. Yet four out of five care deeply about the issue and reward companies that make innovative, affordable, and sustainable products.

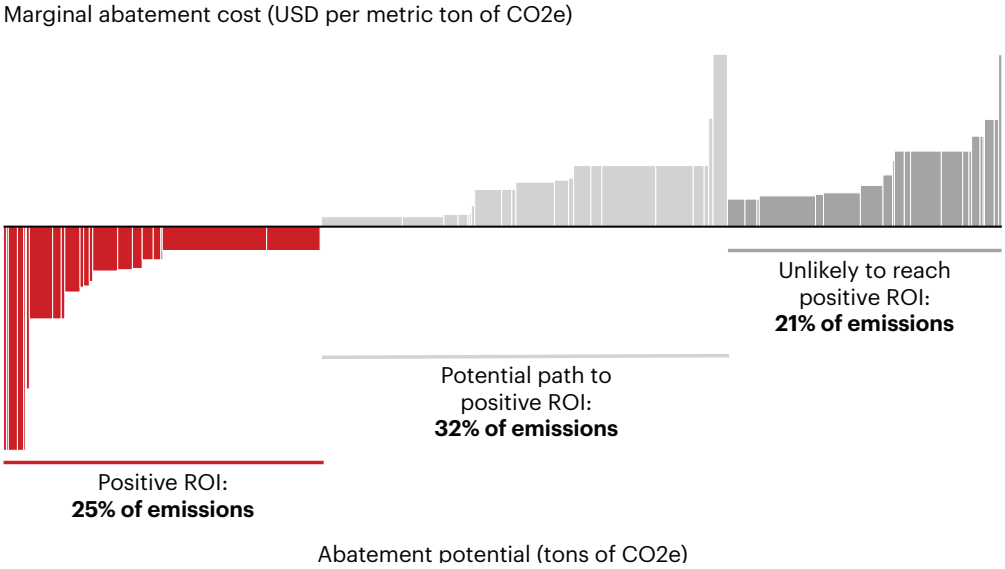
Navigating this turbulent environment demands clarity and decisive action. In conversations with hundreds of companies and executives, it became clear that there are three questions every CEO must ask and answer to set the right ambition and define a practical, successful path forward.

1. How can we accelerate where sustainable impact and business value already align?

In just five years—the span of a typical CEO planning cycle—2030 sustainability targets will come due. The good news: Many of the levers required to meet those targets are already available and deliver business value.

To quantify the share of global emissions that can be profitably abated, and the cost required, we used Bain's proprietary Decarbonization Lever Library. We analyzed levers across 14 industries representing two-thirds of global emissions. Based on this analysis, levers that are already ROI positive today can abate 25% of global CO_2 emissions *(see Figure 3)*.

Figure 3: Twenty-five percent of global emissions can be abated with positive ROI today



Note: Remaining emissions not covered by Bain Decarbonization Lever Library
Sources: Bain analysis; Bain Decarbonization Lever Library

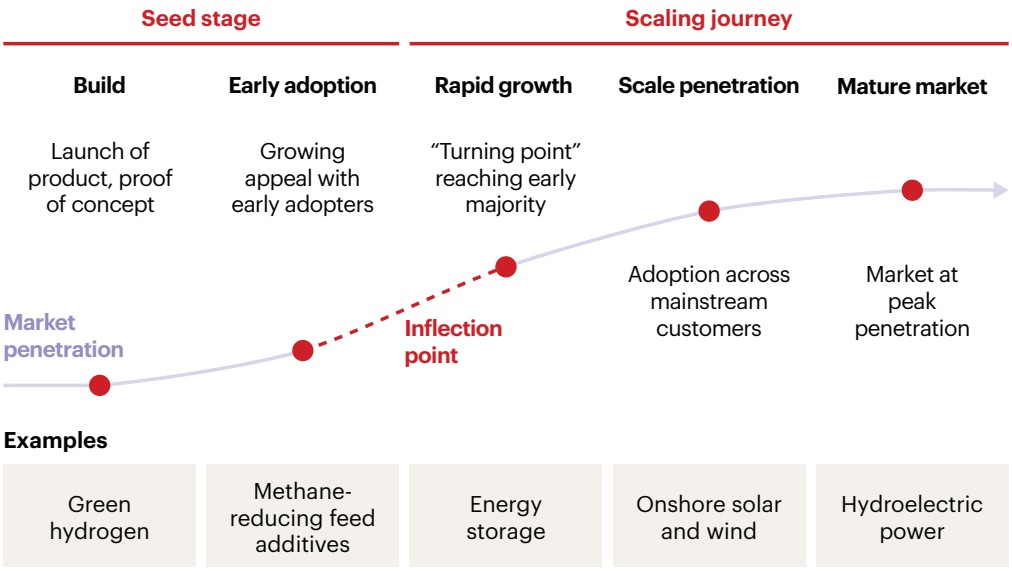
Each industry and company has opportunities. Most organizations have a good sense of the initiatives that deliver both sustainability and financial results. Some improve energy efficiency, while others build circular design or support supply chain localization. Companies should scale and accelerate these high-ROI levers and make them part of their business-as-usual decision making.

Consider a European agricultural company with big sustainability ambitions. It had identified ROI-positive levers to cut farm emissions by more than 30%, but due to farmers' heavy workload, manual processes, limited farmer tools, and cultural resistance, only about a third of that potential had been undertaken. To address this, the company launched a clear incentive structure and a digital platform. By prioritizing initiatives and automating or prepopulating 80% of the more than 200 data points farmers needed to track, the platform enabled traceable progress. The result: reduced friction, marketable transparency, and new revenue from premium products, which the company reinvested into farms to further drive sustained impact and farmer buy-in.

2. How do we anticipate the next disruption in policy, technology, and customer behavior?

Deploying ROI-positive levers will not be enough. Companies must anticipate what's next. By our calculation, an additional 32% of emissions can be abated with levers that have the potential to be ROI positive in the medium term. The rate at which these levers progress will be shaped by three forces: policy, technology, and customer behavior. The interplay of these forces creates inflection points—moments that mark a step change in the market's trajectory, reshaping competition, profit pools, and growth *(see Figure 4)*.

Figure 4: As they develop, sustainable technologies hit an inflection point, after which rapid growth kicks in



Note: In examples, maturity indicated is that of the most advanced geography and can differ by region
Source: Bain analysis

This year, of the three levers, diverging regional policies have had the greatest effect on progress. The US is rolling back the Inflation Reduction Act, including key environmental provisions. The EU is easing sustainability regulations with the Omnibus deal. By contrast, some of the world's fast-growing economies are increasingly using transition-oriented industries as a cornerstone of industrial policy. These countries invest in sustainable industries in order to grow their economies, increase energy security, and build geopolitical power. Through regulatory guidelines, tightly controlled supply chains, and access to critical raw materials, these countries accelerate technological development and inflection points.

Aided by supportive policies, a number of sustainable technologies are already moving toward their inflection point. These include batteries in China and green hydrogen in the Middle East. More are coming.

Two of China's key political objectives are self-reliance—reducing the need for energy imports—and green development, in part to improve air quality. When Beijing identified battery costs as the chokepoint to electric mobility, it moved on three fronts. First, promoting R&D investments through the Made in China 2025 mandate. Next, national champions CATL and BYD scaled rapidly on the back of supportive industrial policy, which also secured access to critical raw material supply and refining capacity. (China now refines 70% of global battery-grade lithium and 90% of battery-grade graphite.) Finally, falling prices, high product quality, and dense charging infrastructure combined to drive faster EV adoption than in the West *(see Figure 5)*. Today, China has a scale and cost advantage in both electric vehicles and grid storage.

To anticipate and capitalize on these new inflection points, leaders prioritize future-sensing, early signal detection, and swift scaling. They are prepared to move quickly as dynamics change, cost curves shift, and new profit pools emerge. Remaining flexible is important because technology costs rarely fall in a straight line. The levelized cost of utility-scale solar, for example, has plummeted since 2010, much faster than any forecast. As a result, adoption has been faster than expected, disrupting the sector and surprising many companies.

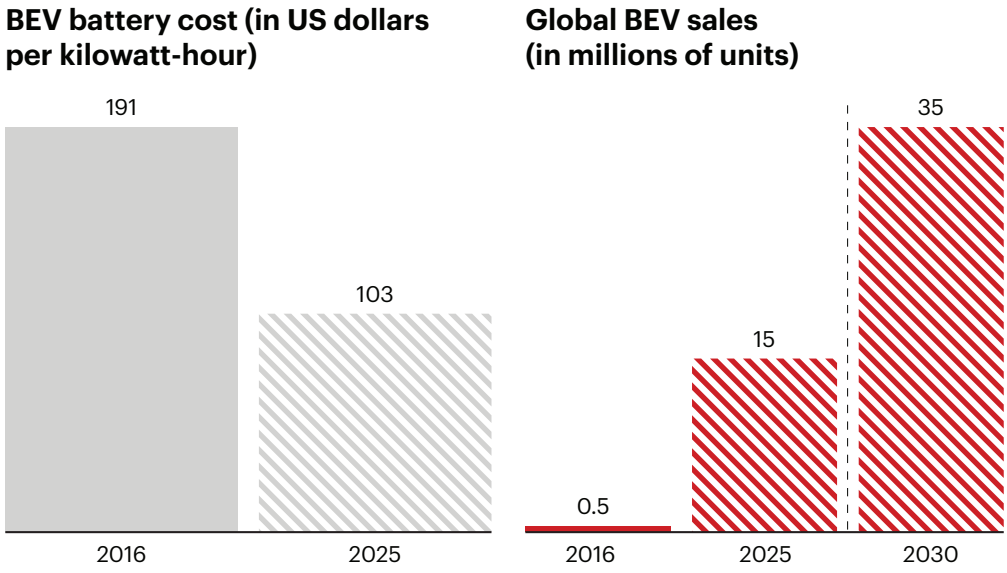
3. How do we build a robust (eco)system that bends but doesn't break?

The remaining levers—covering close to 50% of emissions—are likely to remain ROI-negative beyond 2050. This means pragmatic CEOs must prepare their organization for a world of accelerating disruption—from climate change to geopolitical realignments and technological leaps. To succeed, companies must become more resilient and robust.

The concept of robustness, borrowed from biology, offers a compelling blueprint. As French scientist Olivier Hamant notes, natural systems thrive in uncertain environments not through optimization, but through redundancy, diversity, and adaptability. These so-called "inefficiencies" serve as shock absorbers and enable long-term resilience.

This stands in sharp contrast to the prevailing corporate model, in which optimization often strips out slack. Hyper-efficient systems and streamlined supply chains, though valuable in stable environments, are often brittle in volatile ones.

Figure 5: A global drop in battery cost has contributed to mass-market adoption of battery electric vehicles (BEVs), with China leading the way



Notes: Battery costs are based on battery pack and cells for volume vehicles (60kWh battery pack size) with high safety standards; assumes three-year average prices for lithium; 2025 and 2030 bars are projections
Sources: Bain & Company; analyst reports; IHS Markit/S&P Mobility (Jan 2024)

The challenge for today's CEOs is to balance the needs of short-term cost efficiency with longer-term robustness. Robust organizations make resilience a design principle. They build supply redundancy to limit their exposure to extreme conditions in specific regions. They master real-time sensing systems to anticipate and quickly respond to changing conditions. And they maintain a broad portfolio of climate levers, even those not yet ROI positive, and are ready to activate them as conditions change.

These actions will not just impact individual companies. The choices of anchor firms—large influential companies that have an impact far beyond their own four walls—will influence the broader ecosystem, including customers, value chains, and regulators. Leading CEOs focus not only on building robust companies, but also on strengthening the ecosystems around them.

These are some of the lessons that have been taken to heart by leading banks as they look to become more robust in a volatile climate and regulatory landscape. Some have begun integrating climate risk into their lending decisions—mapping high-risk sectors and stress-testing borrowers against future climate scenarios. Recognizing that resilience can't be built alone, executives are partnering with borrowers and insurers to reduce and spread the risk. The result: more robust portfolios, reduced exposure to hidden vulnerabilities, and more adaptive internal systems.

Looking forward

With 2030 targets now visible on the horizon, sustainability has shifted from aspiration to execution. Accelerate what works. Anticipate what's coming. Build strength and flexibility. And bring these three questions to your next boardroom conversation. They're a starting point for action that's both strategic and sustainable.

2025 TRENDS

What's Still Stopping Consumers from Living Sustainably?

Overloaded consumers want to act sustainably, but underwhelming solutions leave them wishing for better choices.

By Leah Johns, John Blasberg, Harry Morrison, and Yang Liu

At a Glance

- There is a vast population eager to live and shop sustainably, but there are not enough well-priced, high-quality, innovative options.
- Even while worried about geopolitics, the cost of living, and other issues, 79% of consumers continue to be deeply engaged on the environment.
- Transparency is increasing: 54% of generative AI users report using AI tools to help them find solutions to live more sustainably.
- Faced with poor choices, people frequently choose to consume less.

Today's citizens carry a heavy load. For the third consecutive year, we surveyed thousands of people around the world—this year more than 14,000 people in eight countries—to understand their evolving concerns and behaviors around sustainability. Their answers paint a clear picture: People are navigating a world of constant uncertainty and strain. Geopolitical upheaval, economic pressures, and wars are the backdrop to daily life, leaving people worried and overwhelmed. These concerns remain on peoples' minds as they make purchases and decisions.

Meet the overloaded consumer

Consumer confidence remains low, weighed down by worries about the cost of living, geopolitics, and a carousel of global crises. While concern for long-term issues such as environmental sustainability has softened, dropping from 90% in 2023 to 86% in 2024 and 79% in 2025, four out of five consumers remain engaged on the environment, with fast-growing markets particularly concerned *(see Figure 1)*.

Even with so much on their minds, people are keen to act. Eighty percent of global respondents believe that their individual choices make a difference, slightly up from 2024 and 2023 levels. This belief runs strongest in fast-growing countries, with 84% of respondents vs. developed markets' 74%. Amid a lot of other noise, consumers haven't tuned out sustainability.

The most surprising adopters of sustainable practices? Baby boomers. Over the past three years, boomers have added more new sustainable habits than even Gen Z, the group often associated with these issues. That's thanks in part to their relative wealth, life stage, and flexibility to make meaningful changes, such as installing solar panels at home.

The scale of this potential market remains striking. When we segment global consumers by environmental concern, lifestyle, and shopping habits, we continue to find a massive, addressable opportunity. Seventy percent of the global population want to live more sustainably, even if it isn't always easy. Many are even willing to pay more for sustainable alternatives.

This is not just talk; global consumers are changing their behavior *(see Figure 2)*. Nearly a third of this group (32%) report practicing six or more sustainable habits daily, and 70% want to adopt even more sustainable routines—a trend that's consistent across geography, age, and income. Many reduce consumption.

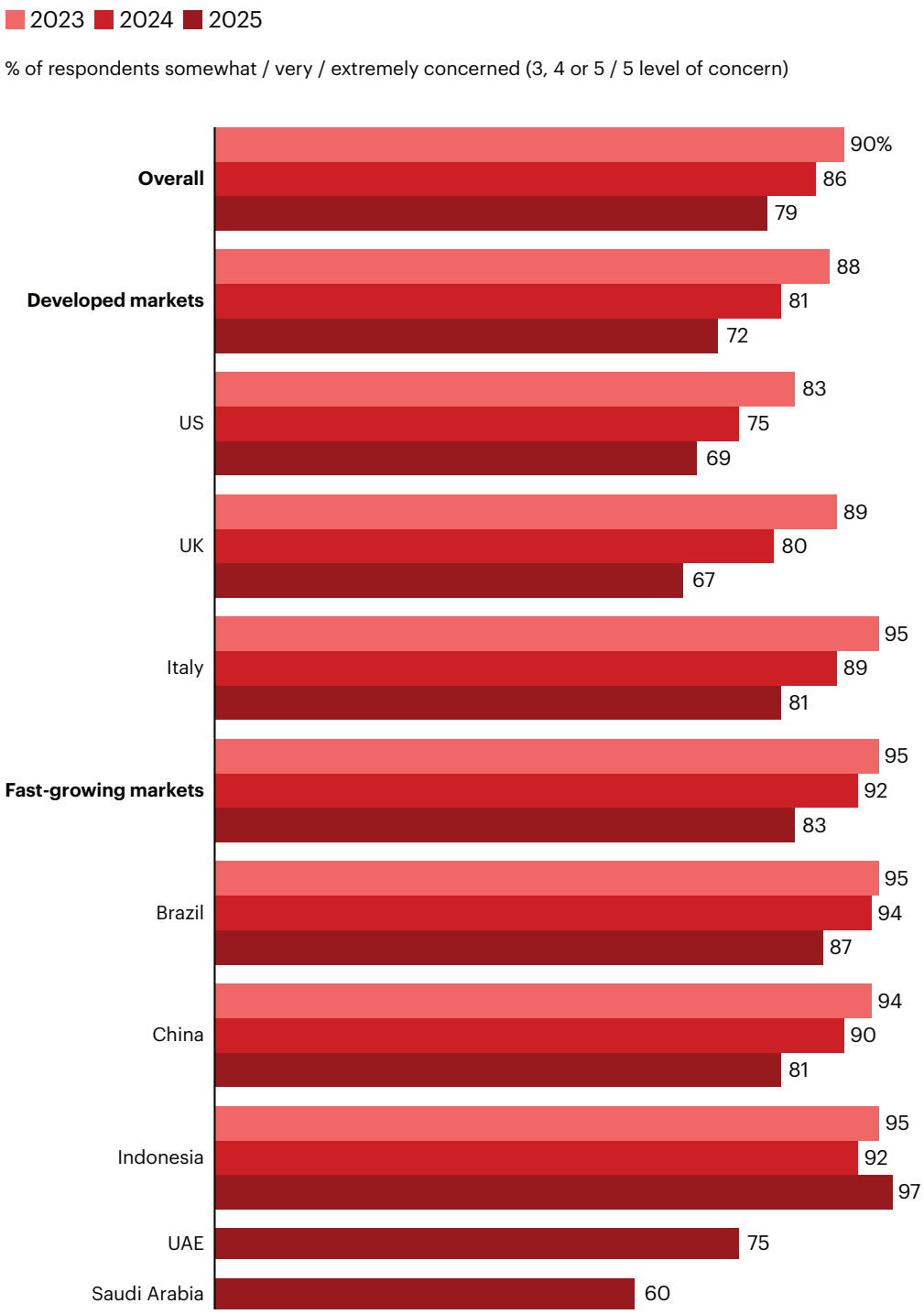
Despite good intentions and high demand, consumers face persistent barriers to sustainable living and shopping *(see Figure 3)*. They routinely encounter confusing product claims, limited availability, and high price tags. Too often, the quality or performance of sustainable options disappoints. Accessibility is another challenge. Thirty-eight percent say that barriers to access limit adopting sustainable habits, up sharply from prior years, and 42% would buy more if sustainable products were available locally.

With so many other concerns, consumers simply don't have the bandwidth to sort through the cost and quality trade-offs that sustainability demands. The result? Frustration and dissatisfaction, even among those most motivated to change.

In response, many are simply avoiding unsatisfactory options, including unsustainable finished goods. This "de-consumption" shows in the data. Thirty-eight percent are buying fewer disposable items. Twenty-one percent say that they are cutting down on meat and dairy. Nearly one in five is purchasing secondhand items.

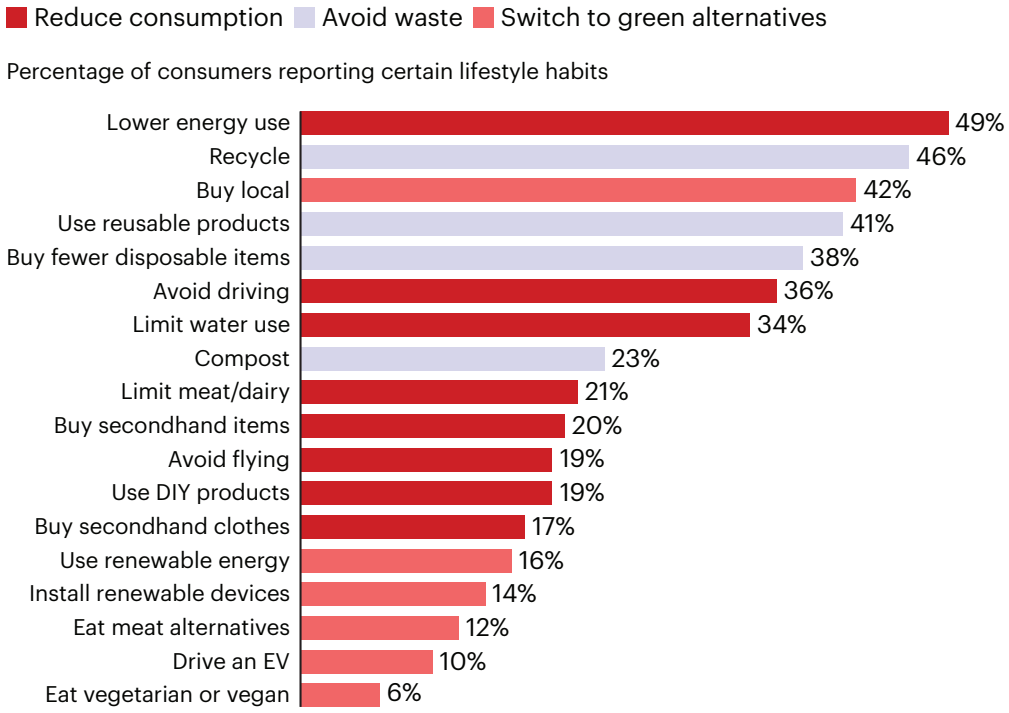
Figure 1: Environmental concerns have declined, but they remain high overall, particularly in fast-growing markets

Q: How concerned are you about environmental sustainability?



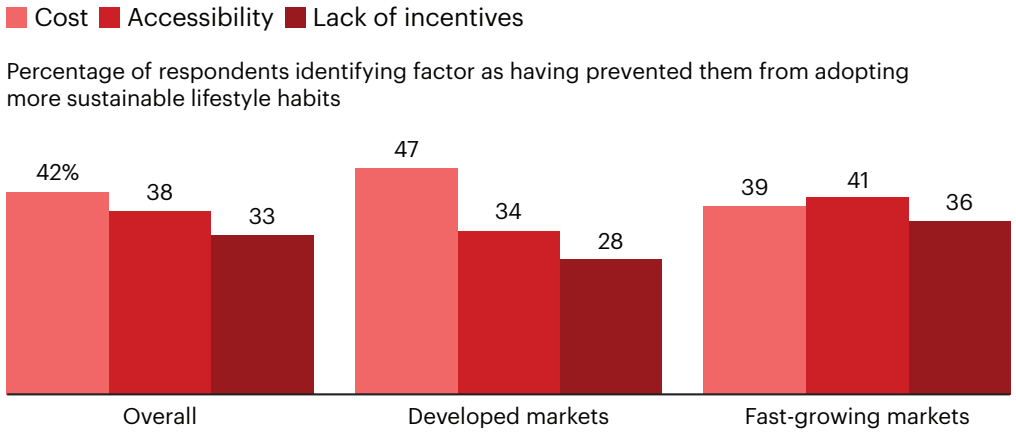
Note: Data was not collected for UAE and Saudi Arabia in prior surveys
Sources: Bain Consumer Lab ESG Survey 2025 (N=14,206 across the US, UK, Brazil, Italy, China, Indonesia, UAE, and Saudi Arabia); Bain Consumer Lab ESG Survey 2024 (N=21,612 across the US, UK, Netherlands, India, Brazil, Germany, France, Italy, Japan, China, Indonesia, Spain, and Portugal); Bain Consumer Lab ESG Survey 2023 (N=23,374 across the US, Brazil, UK, Netherlands, Germany, France, Italy, India, China, Japan, and Indonesia)

Figure 2: Globally, consumers are adopting sustainable habits that are practical and accessible



Notes: "Other" category removed; respondents who selected "none of the above" when asked about existing lifestyle habits have been excluded
Source: Bain Consumer Lab ESG Survey 2025 (N=14,206 across the US, UK, Brazil, Italy, China, Indonesia, UAE, and Saudi Arabia)

Figure 3: Cost is the main hindrance for those looking for a more sustainable lifestyle, especially in developed markets



Notes: Developed markets include the US, UK, and Italy; fast-growing markets include Brazil, China, Indonesia, UAE, and Saudi Arabia
Source: Bain Consumer Lab ESG Survey 2025 (N=14,206)

For business leaders, the message is clear: There is a vast, motivated population eager to live and shop sustainably, but they're being held back by friction that companies have the power and responsibility to remove.

A business problem, not a consumer problem

It's become common for businesses to argue that consumer intentions around sustainability aren't translating into meaningful purchasing behaviors or a willingness to pay a premium. Yet the data tells a different story. Consumers have moved; it's companies that are stuck. On average, US consumers say that they are willing to pay up to a 13% premium for sustainable products, a bit higher than last year's 10%, but data from New York University finds those products much higher priced, with an average premium of 28%.

Rather than shift blame onto the consumer, forward-thinking CEOs and companies are solving these problems. It requires executives across the organization (from innovation, marketing, supply chain, and sustainability) to work together.

Companies should do two things: They should lean into innovation to solve three big trade-offs, and they should use technology to close the knowledge gap.

Leaning into innovation to solve three big trade-offs

Consumers are too often asked to make tough trade-offs among price, product performance, and sustainability. Cost (whether real or perceived) remains sustainability's single biggest roadblock. Nearly half of respondents (47%) say that it costs more to live sustainably. Just last year, sustainability was seen as a frugal way to live in some countries. Today, it is perceived as more expensive everywhere.

Consumers are clear: 63% would buy more sustainable products if they were more affordable.

Incremental change won't cut it. The next wave of innovation must erase trade-offs, not just blur them. When true innovation meets consumer needs in a supportive policy environment, markets move quickly. Battery electric vehicles (BEVs) offer a compelling example: Globally, 39% of millennials and 34% of Gen Z now see BEVs as a fully viable substitute for petroleum or diesel engines, and 48% of Chinese consumers name BEVs as their preferred choice.

On a smaller scale, the UK's plastic packaging tax and network of more than 32,000 public refilling stations helped upstart brands such as Hydro Flask and Chilly's establish a market for stylish, aspirational refillable water bottles. And L'Oréal is tapping into Japan's refillable culture to bring sustainable luxury to personal care. Refill pods, pouches, and in-store "refilleries" for Lancôme and Kiehl's products cut waste and make greener choices easier.

What businesses can do:

- Invest in R&D for breakthrough innovation, not just marketing. Ensure that sustainable products are superior on all criteria, delivering affordability, quality, and sustainability without compromise.
- Use proven successes in categories such as LED lighting, plant-based milks, and refillable packaging to help build confidence that quality mainstream sustainability is feasible.
- Advocate for supportive policy environments to help sustainable product innovations scale and bridge the gap to cost parity.

Using technology to close the knowledge gap

Consumers want to make sustainable choices, but confusion and a lack of reliable information hold them back. While more than 60% feel confident spotting sustainable options, most can't accurately assess the relative carbon impact of daily decisions, such as eating a burger or taking a short airplane flight. Nearly half cite a lack of clear information and transparency as a barrier.

Brands and retailers haven't made it easy. Inconsistent eco-labeling and complex scoring systems confuse even the most committed shoppers. *Partially* sustainable products, such as organic fruit wrapped in plastic or recycled packaging on high-emissions items, only add to consumer frustration. Forty-four percent of consumers now see inconsistent sustainability practices as the top barrier to shopping sustainably, surpassing price (now at 42%, down 4 points from last year).

There's good news: Technology is closing the information gap and empowering the consumer *(see Figure 4)*. More than half of people using generative AI tools such as ChatGPT say that they use them to live more sustainably, and about a third rely on AI for eco-friendly product recommendations. This trend, which holds across generations and geographies, is especially seen in fast-growing markets such as China (65%), the UAE (74%), and Indonesia (82%).

As tech adoption accelerates, brands with the most accurate, transparent, and accessible data will win consumer trust—and the algorithm's recommendation. More than half of companies already use AI to guide customers to more sustainable options, helping customers make choices aligned with their values. Companies must understand what matters to consumers and provide data in a way that both people and AI can easily access—or else they risk becoming irrelevant.

What businesses can do:

- Be transparent and honest about product sustainability.
- Invest in accurate, verifiable, and accessible product data to ensure that your offering is selected by humans and algorithms alike.

Nothing gets solved in a silo

Consumer-facing companies once excelled at spotting unmet needs and uniting their entire organizations to deliver breakthrough solutions. Every function (from consumer research to supply chain, marketing, and sales) contributed to powerful innovation at scale. Today, by contrast, sustainability efforts are often fragmented, leading to only incremental change.

That's simply not good enough. Consumers already indicate that they are buying fewer disposable products and demanding options that are healthier, more energy efficient, and longer lasting. Real innovation, not just better marketing, is needed to meet these expectations.

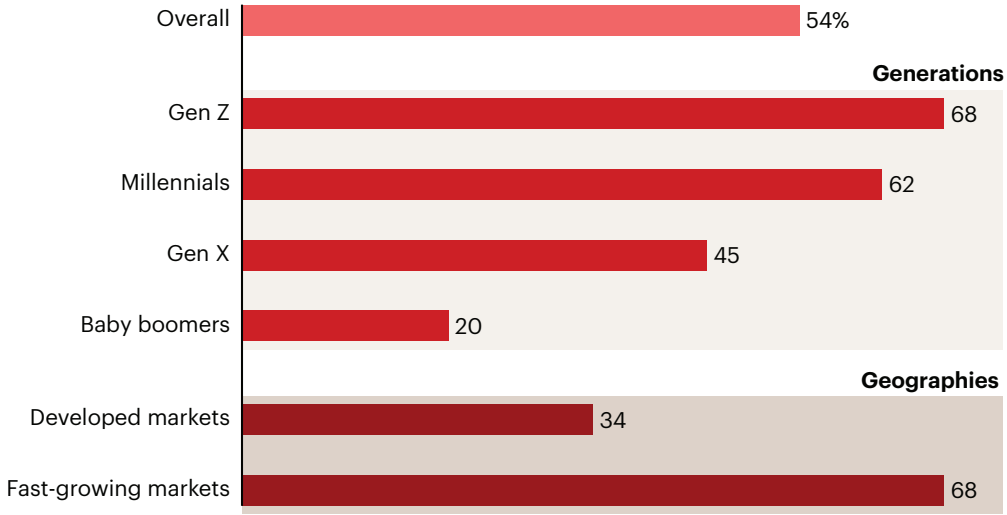
Unlocking that potential requires true cross-functional collaboration, bringing together product, marketing, sustainability, and tech to serve a massive consumer segment. Without this innovation, de-consumption is becoming a real alternative for consumers dissatisfied with slow change.

No company can do this alone. Businesses must also champion policies that reduce the cost of sustainable solutions. While consumers expect brands to invest in sustainable products and packaging, 42% say that stricter government regulations are needed, and 37% believe that programs such as subsidies will be essential.

Unmet needs call for bold action. Companies that cut through noise and eliminate trade-offs through transformative, organization-wide innovation will unlock real value in this fast-changing market.

Figure 4: Younger consumers and those in fast-growing markets are the most likely to use AI to inform their sustainable choices

Percentage of respondents using AI tools or services to help them live more sustainably



Notes: Gen Z born between 1996 and 2007, millennials between 1981 and 1995, Gen X between 1965 and 1980, and baby boomers between 1946 and 1964; developed markets include the US, UK, and Italy; fast-growing markets include Brazil, China, Indonesia, UAE, and Saudi Arabia
Source: Bain Consumer Lab ESG Survey 2025 (N=14,206)

2025 TRENDS

How Sustainability Is Creating B2B Growth

Our survey of B2B buyers and sellers finds growth leaders using sustainability to create commercial value while laggards focus on compliance.

By Torsten Lichtenau, Yelena Ageyeva-Furman, Mattias C. Karlsson, Emily Kasavana, David Schottland, and Jan Budde

At a Glance

- Even as ESG backlash dominates headlines, sustainability is having a significant positive business impact on 90% of B2B growth leaders.
- Half of B2B customers already give more business to sustainable suppliers, and that will increase to two-thirds within three years.
- Leaders leverage sustainability to differentiate their offerings, future-proof their business, and grow the top line.
- Leaders are significantly more likely to embed sustainability into customer conversations, sales plays, and salesforce incentives.

There have been plenty of pessimistic headlines about sustainability this past year: sustainability dropping on the CEO agenda; governments pulling back on subsidies; public backlash against aspects of environmental, social, and corporate governance (ESG). One could expect this talk to be reflected in action, especially by frontline salespeople, and for companies to postpone, or at least reduce, their efforts to sell sustainable products.

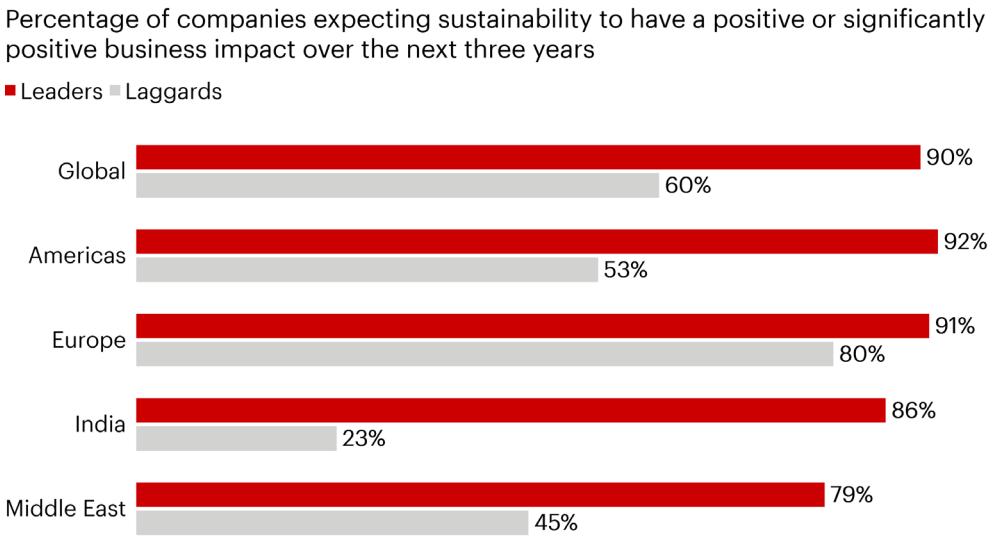
Quite the contrary. Our survey of more than 750 business-to-business (B2B) automotive, packaging, chemicals, machinery, metals, and construction and building products companies operating around the world finds sustainability firmly on the commercial agenda. The reason for this "do-say gap" for companies continuing to act even as they speak less about sustainability is the business value they get from it.

Frontline salespeople—those with direct exposure to the performance of sustainable products—continue to prioritize sustainability. This is particularly true among companies with year-over-year revenue growth greater than that of their peers. By several criteria, these leaders are much better at leveraging sustainable products to drive the top line than laggards, companies with revenue growth less than that of their peers.

Ninety percent of leaders expect sustainability to have a positive impact on their business over the next three years compared with 60% of laggards *(see Figure 1)*. Leaders in all regions, even those where governments have stepped back, see sustainability as a catalyst for positive business impact. The gap between leaders and laggards is most pronounced in the Americas and India while the difference is smaller in Europe, where there is regulatory support.

Nevertheless, misperceptions about sustainability continue to hold companies back. Debunking these myths is critical to optimizing B2B sales organizations.

Figure 1: Across regions, revenue growth leaders see sustainability boosting their business



Source: Bain B2B Customer Survey, April 2025 (N=753)

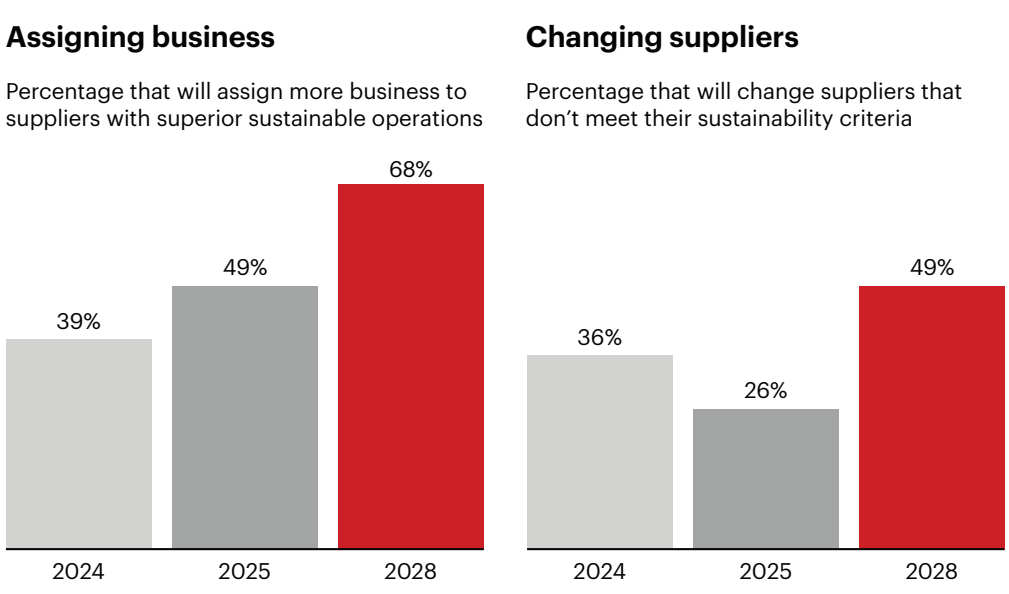
Myth: Sustainability is flatlining.
Reality: Companies are increasingly pragmatic, and sustainability has tangible commercial momentum.

Revenue growth leaders prioritize selling sustainable products because their buyers reward them for it. Among customers surveyed, half already buy more from their more sustainable suppliers, and nearly 70% plan to accelerate those purchases over the next three years *(see Figure 2)*. While the number of companies de-listing suppliers that don't meet sustainability criteria has decreased since our last survey, half expect to stop working with those suppliers over the next three years. Buyers say that by 2028, sustainability will be the second-most important purchasing criterion—just after quality.

While buyers want sustainability, their focus has shifted. They are now more concerned with the sustainability of a supplier's *product offering*—that is, the products and services they are buying—than the sustainability of a supplier's *operations*. Over the next three years, customers we surveyed expect the "sustainability of offers" to move from their fourth purchasing criteria to their second, leapfrogging "price" and "service levels" ("quality" will continue to be No. 1). While they expect to be increasingly focused on the sustainability of products and services they are buying, their focus on the sustainability of suppliers' operations is expected to hold steady at No. 5—just ahead of "reputation, scale, and resilience."

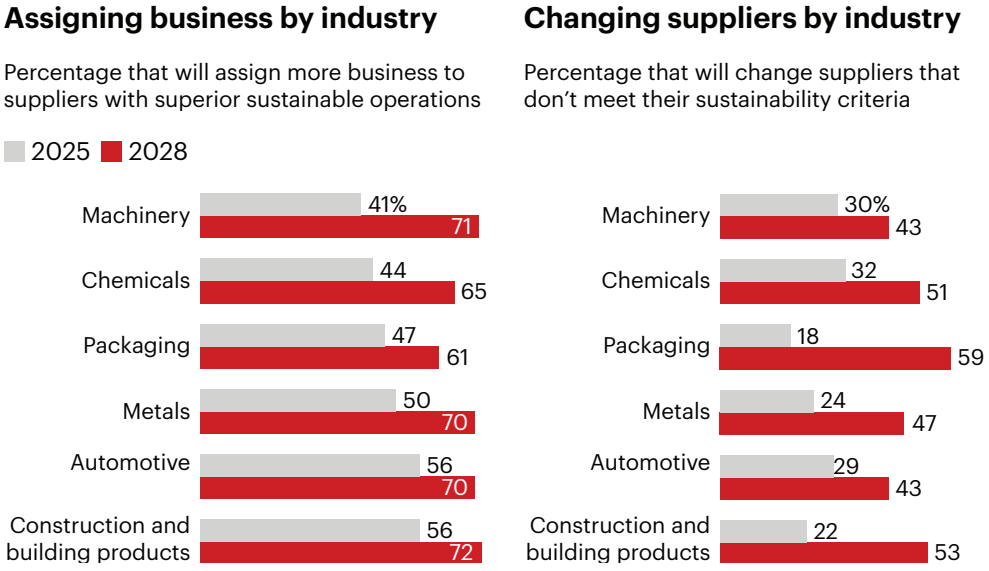
It's a sign that companies are becoming more pragmatic, focusing on how sustainability directly influences their business and can be a source of differentiation with their own customers.

Figure 2a: Companies are doing more business with sustainable suppliers and will leave suppliers that don't meet their sustainability criteria



Source: Bain B2B Customer Survey, April 2025 (n=445)

Figure 2b: Companies in all six B2B industries studied are doing more business with sustainable suppliers and taking business away from those that fall short



Source: Bain B2B Customer Survey, April 2025 (n=445)

As this continues, sellers need to adjust and prepare for a meaningful volume shift toward more sustainable offerings.

Myth: Sustainability is a cost center.
Reality: Companies with the strongest revenue growth are also the most successful at selling through sustainability.

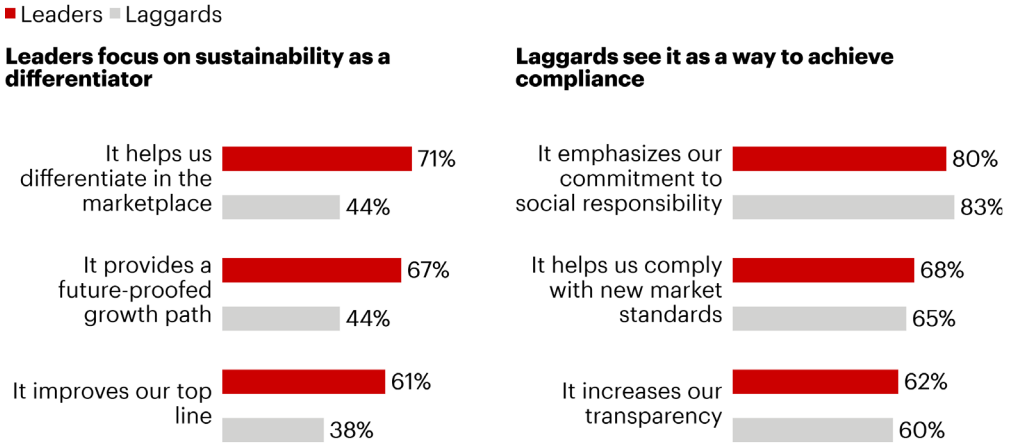
Leading companies see sustainability not as philanthropy or compliance but as good business. While revenue laggards surveyed still see sustainability as a compliance cost, 60% to 70% of high-growth companies expect sustainable offerings to help them differentiate, future-proof their business, and grow their revenue *(see Figure 3)*.

Growth leaders are already benefiting from the shift in customer purchasing priorities, with strong revenue growth contributions from sustainable products across B2B sectors and the potential to capture additional market share as the importance of sustainable offerings continues to rise.

Price premiums are another source of revenue growth. More than 80% of B2B buyers report paying a premium in their most recent purchase of a sustainable product. One in three is willing to pay more than 5% extra today, and more than 60% say that they will be willing to pay that in three years.

Figure 3: Leading suppliers use sustainability to differentiate and grow, laggards to comply

Percentage of suppliers that agree with each of the benefits of selling sustainable products and services



Source: Bain B2B Customer Survey, April 2025 (n=433)

Myth: Selling sustainable products is just like selling anything else.
Reality: It demands a different mindset, skills, and tools.

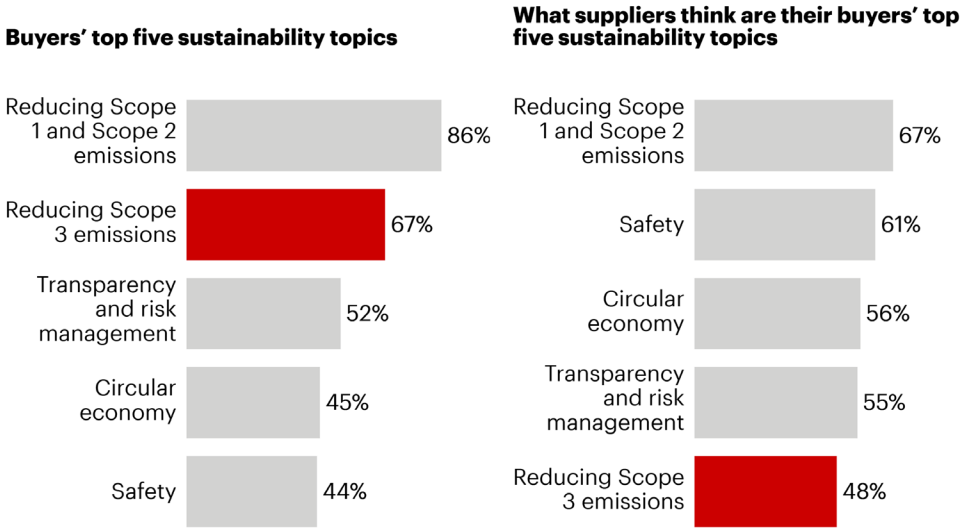
Effectively selling sustainability starts with better understanding what customers truly value, yet many sellers struggle with this. Only 34% believe that they have significant knowledge of their customers' sustainability needs.

Sellers also misunderstand their customers' sustainability priorities. They overestimate how much customers care about safety, and they underestimate the importance to customers of reducing Scope 3 emissions—that is, those emissions directly embedded in the products they buy *(see Figure 4)*.

Furthermore, sellers too often have a poor grasp of the sustainability benefits of their own offerings: 59% of suppliers believe that their salesforce does not understand how their sustainable products outperform conventional options in terms of carbon and associated economic benefits for customers.

Buyers notice. Only half of them say that the products they are pitched adequately support their sustainability goals. Sometimes, that's a product issue; other times, sales teams are targeting the wrong customers. After struggling to sell its sustainable material, a chemicals company broadened its prospecting, adding more than 100 relevant segments outside its traditional market. Using AI, the company developed a way to identify high-potential customers in high-potential segments with characteristics indicating that they might pay a premium for sustainability. The company then customized its messaging and sales plays for those specific targets.

Figure 4: Suppliers tend to misunderstand their customers' sustainability priorities



Source: Bain B2B Customer Survey, April 2025 (left-hand chart n=445; right-hand chart n=433)

Growth leaders outperform laggards on a number of critical sales capabilities. These include talent, marketing, and incentives that equip their teams to lead consultative, sustainability-focused conversations *(see Figure 5)*.

What should executives do now?

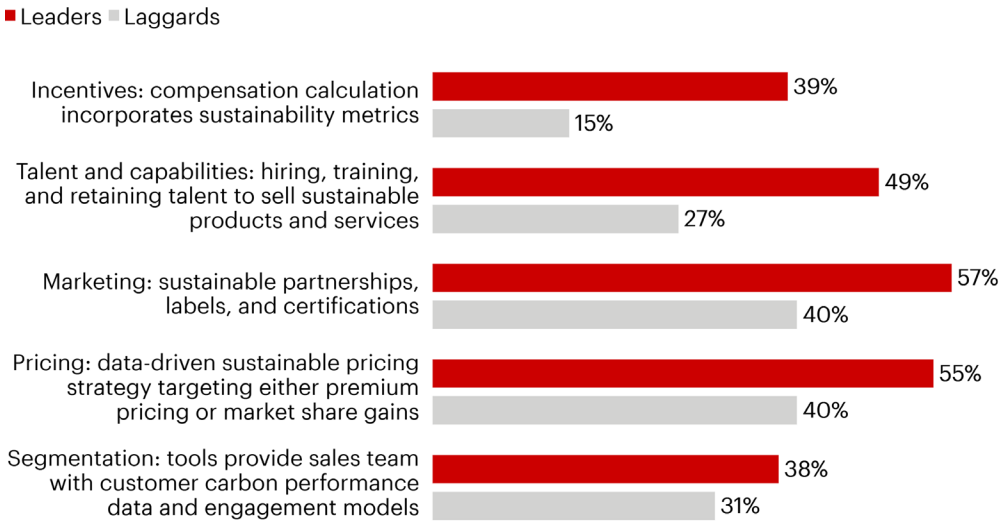
Clear best practices are emerging for turning sustainability into commercial value. Growth leaders are quickly mastering how to weave sustainability into their sales approach, and it's giving them a meaningful competitive edge *(see Figure 6)*.

Companies that build their sustainability toolkit to grow will be well positioned to capture the upside. They are focusing on building four capabilities.

Fully embed sustainability into customer segmentation. At a minimum, every company must understand its customers' sustainability priorities, targets, and progress. This includes their carbon and circularity ambitions as well as other business-specific goals, such as biodiversity and water-use reduction. These priorities must then be combined with traditional customer segmentation to create clear customer priorities.

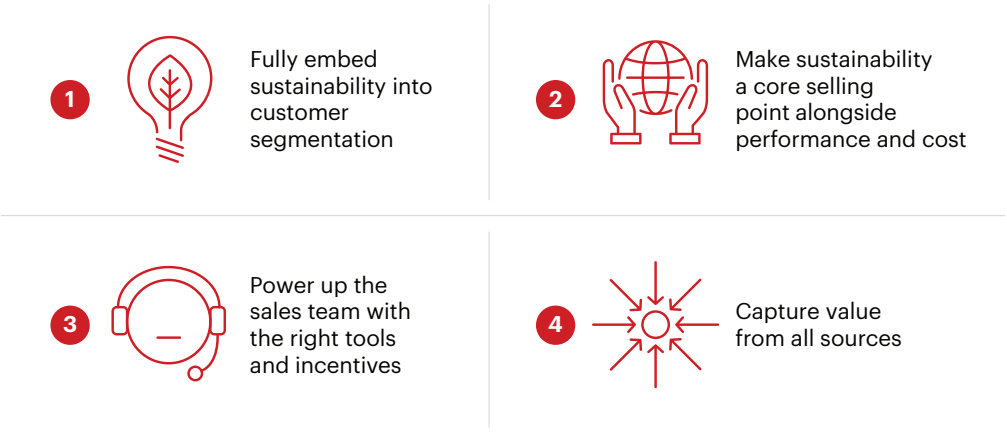
Leaders go further, pulling together external and internal data on customers' sustainability priorities and performance—including how their customers market their own sustainable offerings—

Figure 5: Leading companies invest in the right sales capabilities



Source: Bain B2B Customer Survey, April 2025 (n=433)

Figure 6: Companies should focus on building four capabilities



Source: Bain & Company

then applying AI analysis to identify critical segments and building dynamic customer profiles that boost commercial success.

Make sustainability a core selling point alongside performance and cost. At a minimum, spell out how your sustainable offerings meet customers' needs better than traditional offerings would.

Leaders articulate a clear business case that quantifies the sustainability benefits of their products with the same rigor as their performance and cost. This includes illustrating how their products help customers achieve their own sustainable goals, such as meeting regulations, enhancing their consumer claims, and achieving their own corporate targets.

Power up the sales team with the right tools and incentives. At a minimum, educate your teams on how to start the sustainability conversation with customers, on what your sustainable offerings are, and on how to articulate the sustainability key performance indicators of your products.

Leaders deploy AI and digital tools to train the salesforce on sustainability basics and company offerings, on how to build differentiated sales plays for customers with high sustainability commitments, and generally make it easy for the salesforce to articulate the business case for customers.

Capture value from all sources. At a minimum, companies should use sustainable offerings to build better customer relations, improve customer retention, and preserve their price point.

Leaders, however, capture all sources of value. They use sustainability to gain share vs. the competition, sell to more attractive customer segments, and earn a price premium for a superior product. Their prices reflect the full value their products offer customers—for example, the customer's internal carbon price.

As sustainability is integrated into the way buying decisions are made, commercial models must evolve. Leading companies recognize this shift. They treat sustainability not just as a compliance imperative but as a lever for growth and differentiation. They're investing with intent—in data, capabilities, and commercial talent—to compete where it counts. By putting sustainability at the heart of their go-to-market strategy, they're positioning themselves to lead in a fundamentally changing marketplace.

Getting It Done

GETTING IT DONE

AI and Sustainability: Shaping What's Next

Inside the approach taken by the leaders scaling AI for sustainability.

By Torsten Lichtenau, Wissam Yassine, Jean-Charles van den Branden, Martha Moreau, and Krystle Jiang

At a Glance

- Although 80% of executives see AI as a powerful sustainability accelerator, more than half of projects are in early phases.
- Unmanaged, AI could cut jobs and boost emissions, undoing three years of emissions cuts by the world's 500 largest firms by 2035.
- A small group of leaders are pulling ahead, capturing nearly two times more value by using AI to solve real sustainability challenges.
- These leaders also deploy three times more AI applications in sustainability efforts and are more likely to focus on long-term value creation.

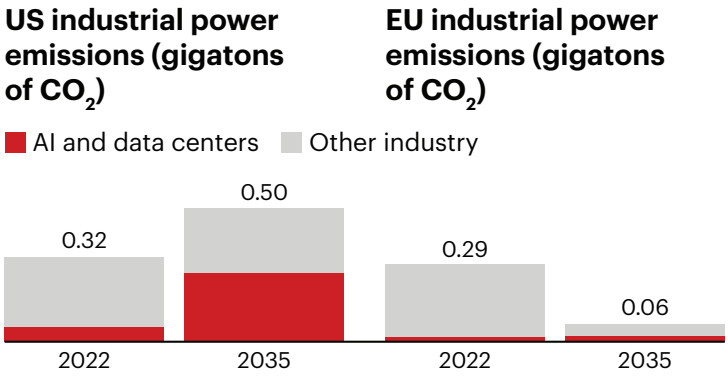
AI adoption in sustainability has surged in the past year. Companies use AI to cut energy use, reduce waste, enhance workplace safety, and accelerate toward their sustainability goals. Early results are promising. Leaders are uncovering emissions hot spots in real time, optimizing renewables deployment, and transforming employee experience.

This is just the beginning. Of the 400 C-suite and sustainability executives recently surveyed by Bain & Company in eight markets, almost 80% say they see high or very high opportunity for AI to contribute to their sustainability agendas. Yet more than 50% are still in the initial stages of piloting and exploring these AI applications—underscoring how much potential remains to scale AI that accelerates real-world progress on sustainability.

This is good news, but scaling AI will also bring true environmental and workforce costs that must be carefully managed. Our proprietary climate-economic modeling tool, Intersect℠, finds that, in a high-growth scenario, AI and data centers could emit 810 million metric tons of carbon dioxide annually by 2035, or 2% of global emissions and 17% of industrial emissions. The carbon footprint of AI is closely tied to the source of electricity powering data centers. In regions such as the US, where a higher portion of the grid is still dependent on fossil fuels, the share of AI-driven industrial emissions could increase from 18% in 2022 to more than 50% by 2035. By contrast, Europe's accelerated transition to renewable energy and more measured AI adoption are expected to keep emissions relatively stable *(see Figure 1)*. While hyperscalers and large data center operators have committed to renewable energy, the urgency of deployment and current build-out constraints mean emissions from AI will likely reflect the regional electricity mix in the near term.

To put this in perspective, in this scenario, the emissions added between 2025 and 2035 would cancel out three years' worth of emissions cuts by the world's 500 largest disclosing companies.

Figure 1: In our high-growth scenario, AI emissions represent more than 50% of US industrial emissions, while Europe's faster decarbonization limits impact



	US 2022	US 2035	EU 2022	EU 2035
Total industrial sector power usage (terawatt-hours)	890	2,590	940	1,260
Power emissions intensity (million tons of CO_2 per terawatt-hour)	0.36	-46% → 0.19	0.31	-83% → 0.05

Notes: 2022 is the latest full year available for all data sources; estimates as of May 2025, prior to passage of the One Big Beautiful Bill Act; methodology assumes regional power mix projections and emissions intensity, and that data center users' energy consumption will broadly align with the regional grid in the near term
Source: Bain Intersect℠

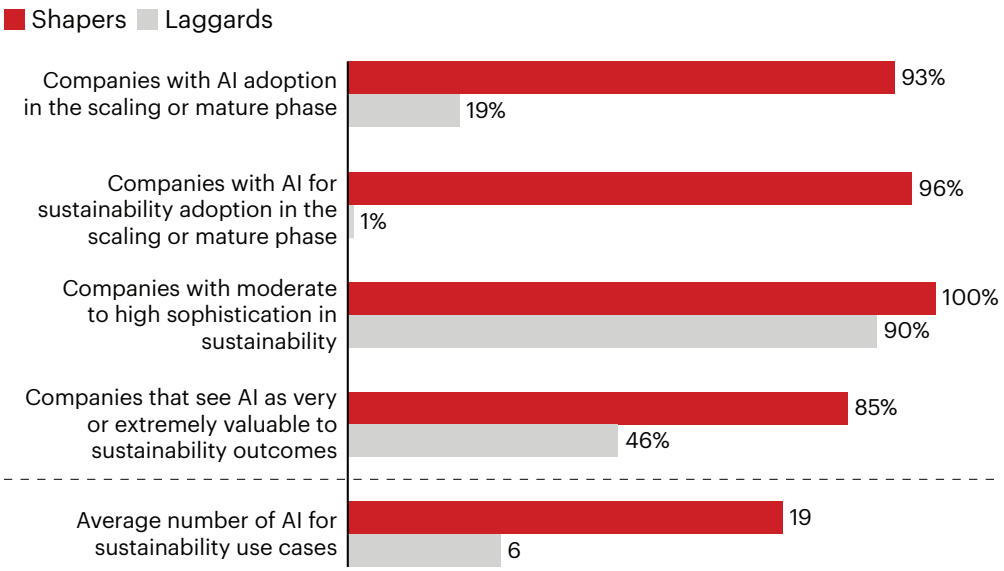
While this setback may diminish as electric grids decarbonize, AI's impact on employment remains far more uncertain and difficult to prepare for. In the AI era, revenue is increasingly decoupled from workforce growth. Average revenue per employee in real terms rose from $840 between 2016 and 2020 to $1,090 between 2021 and 2024, and that gap is widening. Output is rising without equivalent job creation, reshaping the future of work faster than most organizations are prepared to handle. This is no longer a distant concern; CEOs openly recognize that AI is transforming their workforces, particularly white-collar jobs.

While many companies are still grappling with AI's trade-offs, a small but powerful group is showing what's possible. We identified these leaders—whom we call "shapers" and who represent about 20% of the companies in our study—based on four criteria: their maturity in scaling AI for sustainability, the breadth of sustainable AI use cases adopted, the value they report from using AI to advance sustainability, and their overall maturity in sustainability.

The key differentiator isn't who leads in sustainability; it's who leads in AI. Shapers are deeply committed to AI's potential to tackle complex sustainability challenges. They use AI in sustainability efforts three times more often than laggards and are nearly two times more likely to focus on its long-term value creation *(see Figure 2)*. Although they're found across industries and regions, shapers are most prevalent in the technology and manufacturing sectors.

Shapers' strategies, structures, and behaviors offer a playbook for balancing the sustainability benefits and costs of AI to capture its full potential.

Figure 2: Shapers are more sophisticated in AI—both overall and in sustainability



Source: Bain Sustainable AI Survey 2025 (N=400)

1. Shapers move beyond compliance, using AI to unlock lasting sustainability impact

With more than half of companies still in the exploring or piloting stages, there's much to learn from those further along. Shapers take a fundamentally bolder approach to selecting, adopting, and getting value from their AI use cases. They prioritize applications with greater potential for long-term impact and enterprise value, such as scenario and risk modeling and sustainable product design—even if the path to returns is slower *(see Figure 3)*.

Here are four use cases shapers are adopting that focus on both business and environmental goals:

- **Long-term scenario and risk modeling.** AI helps companies manage the increasing complexity of climate volatility, regulation, and technological change by processing vast data sets for more resilient, forward-looking planning. A global logistics firm, for example, uses AI to model geopolitical and climate disruptions—guiding infrastructure investment, fleet design, and contingency planning.

- **Sustainable product and service design.** As demand grows for greener products, companies must innovate without compromising on cost or performance. AI can support this by enabling generative design, material optimization, and tailored solutions. By employing an R&D digital twin to test ingredients and packaging for its cleaning and personal care products, a leading consumer goods company has been able to not only cut waste but also accelerate product innovation.

- **Energy efficiency.** AI supports decarbonization by analyzing complex operational data to pinpoint emissions hot spots and optimize performance. Real-time energy monitoring, predictive maintenance, and load balancing support faster, smarter decisions and measurable efficiency gains. In Singapore, the DecarboniSME gen AI platform is guiding small and midsize businesses through emissions tracking and tailored action plans—including solar installation and energy audits that have cut energy use by up to 10%.

- **Green market opportunity identification.** AI identifies high-potential markets and buyers for green products by analyzing customer behavior, sustainability goals, and competitive signals. First Abu Dhabi Bank leverages public data and large language models to prioritize sustainable finance opportunities, advancing its commitment to lend, invest, and facilitate $136 billion toward environmental and socially responsible solutions by 2030.

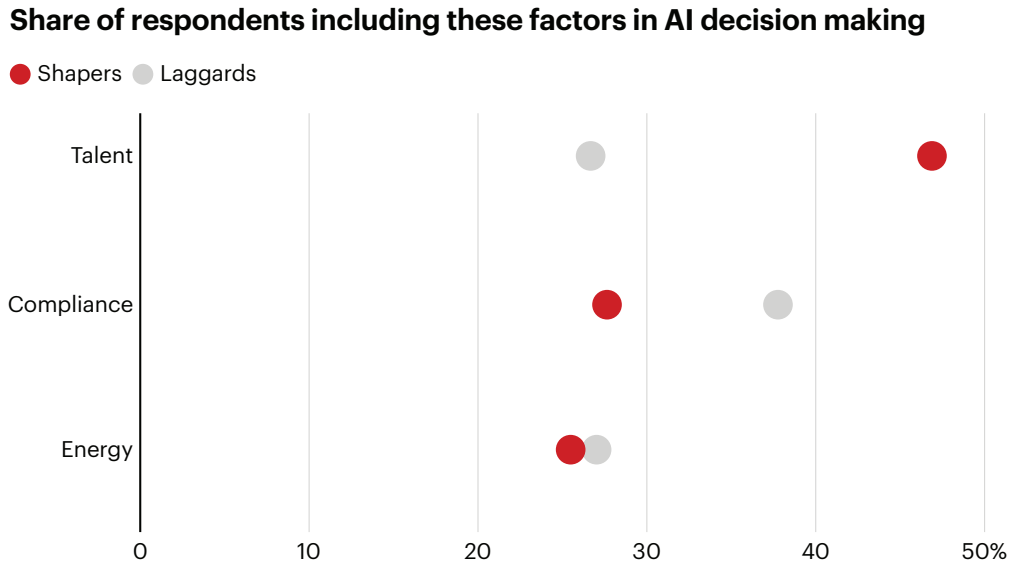
2. Shapers see the risks that others miss—and manage them better

Executives broadly agree that AI introduces new risks to sustainability, but approaches to address those risks vary widely. Shapers are four times more likely than laggards to perceive high sustainability-related risks from AI. Unlike laggards, they don't just focus on compliance, privacy, and data security. They look further ahead to the disruptive and still-emerging risks AI poses to their teams *(see Figure 4)*.
For example, as AI reshapes roles and requires new skills, employee trust and engagement become critical. If these are not addressed, massive disruptions in productivity, morale, and organizational performance are likely.

Figure 3: Shapers perceive more value in sustainable AI use cases and are more likely to make strategic, long-term, high-value bets

Notes: Axes have been adjusted for presentation; variance in absolute values is low
Sources: Bain Sustainable AI Survey 2025 (N=400)

Figure 4: Shapers focus on emerging risks like talent; laggards stay focused on compliance



Source: Bain Sustainable AI Survey 2025 (N=400)

Shapers are twice as likely to consider sustainability risks when making AI decisions and twice as likely to involve sustainability leaders in AI governance. They hardwire sustainability into AI decision making and governance by embedding it into model design, vendor selection, and oversight processes.

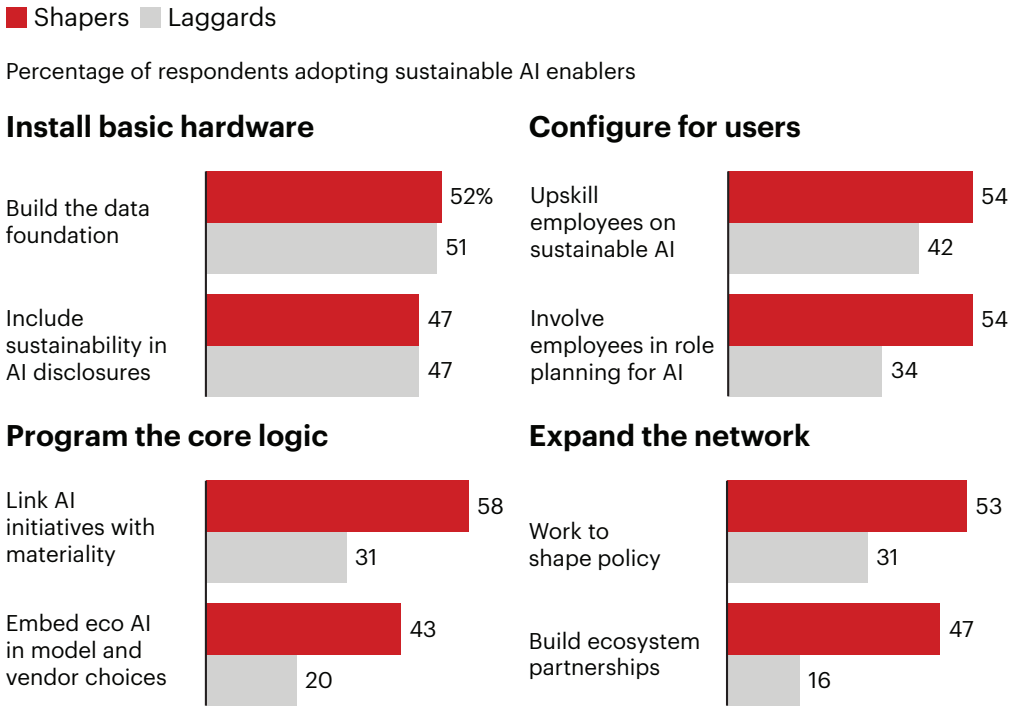
A leading engineering and infrastructure firm is using these types of approaches. Its AI-powered performance management tool that delivers personalized career growth and training recommendations has boosted employee engagement by a factor of five. At the same time, the company is using AI to improve its overall HR function, with AI-powered HR assistants and HR leadership assistants dramatically accelerating analyses and reducing both ticket volume and resolution time.

3. Shapers build an integrated operating system

Most companies are starting to install the basic hardware for AI in sustainability, including data infrastructure, governance, and reporting. Shapers are building something more sophisticated: an integrated operating system.

This "OS" embeds sustainability into the way AI is selected, deployed, and governed. It connects internal users and external partners to enable smarter decisions, faster adoption, and broader innovation *(see Figure 5)*.

Figure 5: Shapers move beyond the basics to embed sustainable AI across the business and build external partnerships



Source: Bain Sustainable AI Survey 2025 (N=400)

Shapers focus on three actions to scale sustainable AI effectively:

- **Program the core logic.** Shapers hardwire sustainability into their AI strategy—targeting high-impact use cases tied to material ESG topics, even when return on investment takes time. They also reduce AI's own footprint by setting energy limits, choosing greener models, and optimizing infrastructure.

- **Configure for internal users.** As with any good OS, the approach to AI in sustainability must work for users. Shapers upskill employees on sustainable AI and involve them in determining how it affects their roles. This builds trust, accelerates adoption, and ensures the system can flex, scale, and perform.

- **Expand the network.** The most effective systems are open. Shapers build external coalitions, partnering with start-ups, researchers, and policymakers to reduce risk, accelerate innovation, and influence the ecosystem around them.

The key differentiator isn't who leads in sustainability; it's who leads in AI. Shapers are deeply committed to AI's potential to tackle complex sustainability challenges.

The path forward

AI has the potential to become one of the most powerful tools in the sustainability playbook. But turning that potential into progress requires more than pilots. It demands focus, scale, and systems built for impact. The leaders we call shapers show what's possible. Now is the moment to learn from them, raise your ambition, and embed AI for sustainability where it matters most.

GETTING IT DONE

The CEO Playbook for Climate Resilience

Build to bend, not break, when managing climate adaptation.

By Harry Morrison, Torsten Lichtenau, Martha Moreau, Magali Deryckere, and Jelle Dhaen

At a Glance

- Adaptation isn't optional; climate risk is already disrupting operations and financials.
- Operations executives now rank increased resilience—including to physical climate risk—as a top strategic priority.
- Advanced analytics—including AI, digital twins, and geospatial tools—helps leaders identify and address climate vulnerabilities in real time.
- Robustness strategies like redundancy, modularity, and decentralization remain underused even as supply chain shocks rise.

It's time to face reality.

Even with aggressive decarbonization, companies still face the harsh consequences of a much warmer world. Only 25% of corporate Scope 1 and 2 emissions can be mitigated through levers that are ROI positive today, according to Bain's analysis of 14 industries in its proprietary Decarbonization Lever

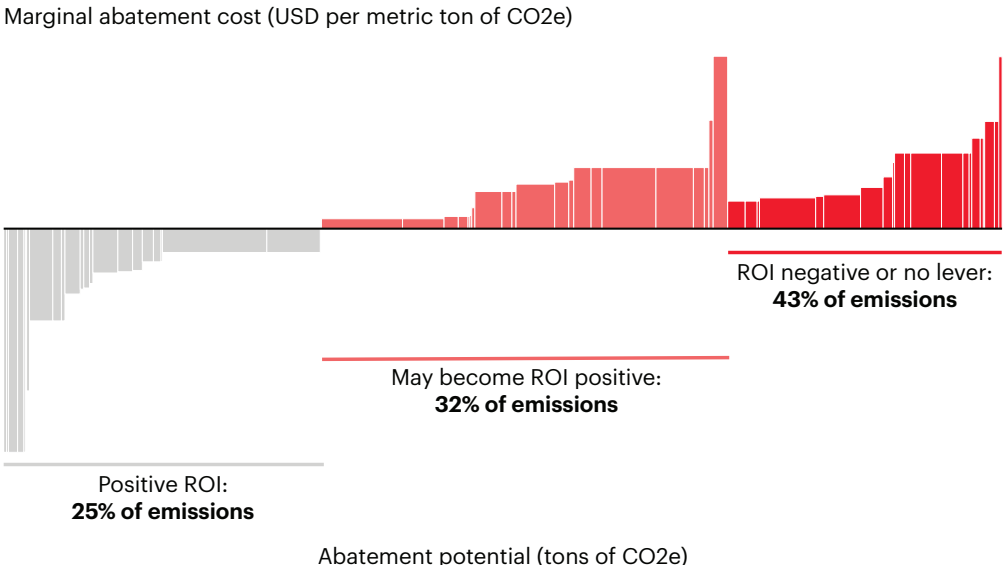
Library. The remaining 75% represents a vast emissions gap, including 43% with no current pathway to ROI positivity *(see Figure 1)*.

Adaptation is both necessary and inevitable. Unless public policy shifts dramatically or innovation delivers miracles, Climate Action Tracker estimates that we're headed for a world that will be 2.5 to 2.9 degrees Celsius warmer by 2100. The costs of that pathway, and the need to adapt, are no longer theoretical. Central banks already bake climate risk into their stress tests and economic policy. Business leaders must do the same. The impact is showing up now in real losses, rising volatility, and systemic strain.

Broken supply chains. Climate change is straining global trade routes, degrading infrastructure, and forcing companies to rethink sourcing strategies. Key minerals remain concentrated in climate-vulnerable regions, and even the land upon which businesses are built is degrading through desertification and salinization. In Europe, droughts have forced barges on the logistically critical Rhine and Danube rivers to reduce loads, spiking shipping costs and prompting some companies to curb output.

Increasing scarcity. It's becoming harder to source and price raw materials vital to food systems and industrial growth. Changing growing zones and water stress are undermining the reliability of key crops. In a recent study, experts estimate that for every 1 degree Celsius of warming, global food production could drop by 120 kilocalories per person per day. Commodity markets are more volatile and unpredictable, and they're often decoupled from inflation. One example: Prices of cocoa,

Figure 1: Across industries, only 25% of global emissions can be abated with positive ROI today



Sources: Bain analysis; Bain Decarbonization Lever Library

a climate-sensitive crop, have tripled since 2022 due in part to prolonged drought, extreme heat, and declining yields.

Lost productivity. Extreme heat makes work impossible. Some heat-stressed regions are reporting 20% to 30% drops in labor productivity, with higher spikes in labor-intensive agriculture and construction. The International Labor Organization (ILO) estimates that by 2030, the equivalent of 80 million full-time jobs will be lost due to heat stress.

Exiting insurers. Insurers are the canary in the coal mine of climate risk. Rising temperatures have made large areas effectively uninsurable. In the US, for example, insurers have had to dramatically adjust premiums and coverage and have even pulled back from states like Florida and California due to mounting wildfire and hurricane losses. Globally, according to Gallagher Re, $263 billion of disaster-related losses went uninsured in 2024, representing 63% of total economic losses.

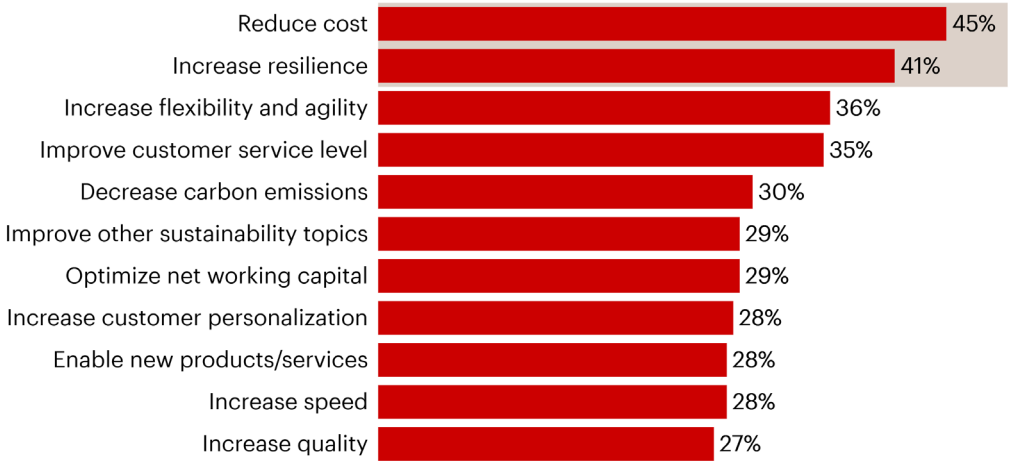
The preparedness paradox

Operations executives aren't blind to these risks. In a 2024 Bain survey, they ranked increased resilience—including to climate physical risk—as a their top strategic priority alongside managing cost *(see Figure 2)*. There's a growing recognition that performance and preparedness must go hand in hand.

Even in the face of these looming threats, only 3% of all climate capital expenditure is directed toward adaptation and resilience with the private sector contributing a mere $7 billion, according to data from

Figure 2: Operations executives rank increasing resilience as a top priority, second only to reducing cost

Percentage of respondents selecting as an "extremely important" operations priority in the next three years



Source: Bain Operations Executive Survey 2024 (n=195)

the Climate Policy Initiative *(see Figure 3)*. This imbalance between recognition of risk and investment continues, even as the cost of risk and global climate finance flows has increased.

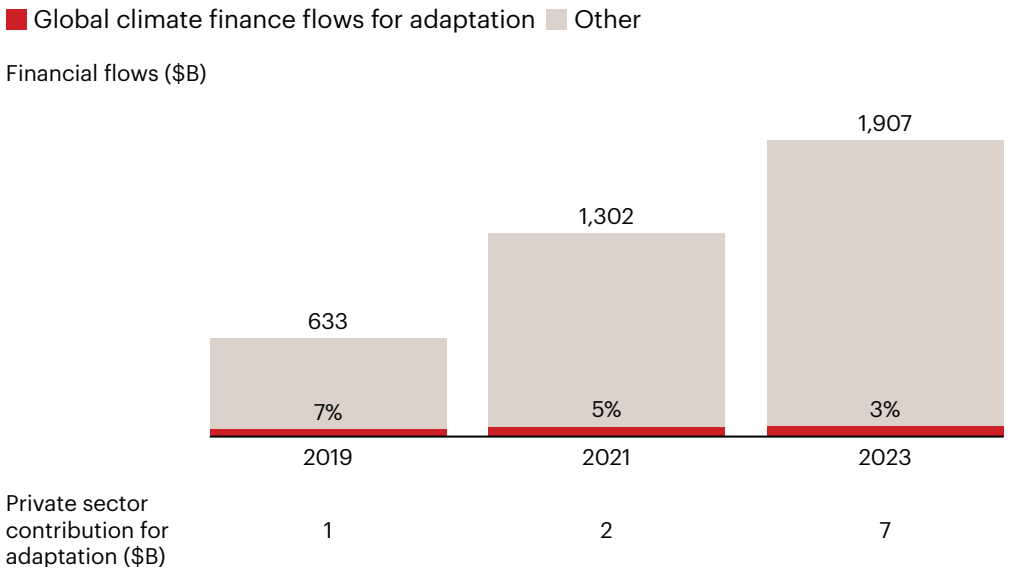
This presents a fundamental contradiction. The risks are obvious, the costs are rising, and executives recognize resilience is a priority—yet funding and action remain stalled. In boardrooms and budget cycles, climate risk is treated as a secondary issue: too complex to quantify, too long-term to prioritize.

This deadlock persists because leaders face three real and solvable challenges that must be addressed before investment and action can be unlocked.

Focus where it counts. Many companies aren't short on intent—they are short on visibility. Climate risk is spread across functions, geographies, and suppliers, and responsibility for those risks is often siloed in sustainability, enterprise risk management, operations, or procurement. The most critical exposures often lie beyond the company's walls, where data is scarce and accountability is blurred. Without an integrated view, it's hard to see where the real vulnerabilities—and the smartest interventions—lie.

To better understand their risks, leading companies are adopting structured, tech-enabled scans of climate risk. This requires a dual lens: first, looking at operations and supply chain, and then more broadly at the macro forces shaping exposure (climate, geopolitics, social). Tools like AI, geospatial analytics, digital twins, and resilience scoring are helping companies focus on what matters most. One US energy company, for example, uses AI to detect transformer stress under extreme weather—avoiding outages before they happen.

Figure 3: Just 3% of all climate expenditure goes toward adaptation and resilience



Note: Data for 2019 and 2021 is the average of two consecutive years (i.e., 2019 and 2020, and 2021 and 2022, respectively)
Source: Climate Policy Initiative

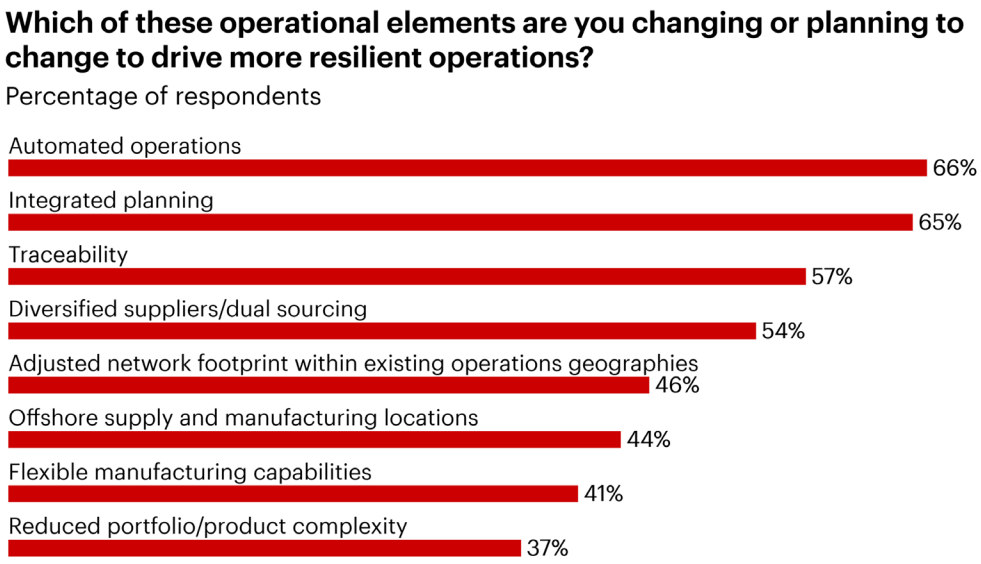
Greater insight can also reveal opportunity. As companies better understand physical risk, they're launching new services, supply chain offerings, and climate-adapted products. A global insurer, for example, is turning its risk data into wildfire and flood resilience consulting—transforming protection into a new source of revenue.

Design for robustness. For decades, operational strategy has prioritized efficiency—lean inventories, tightly coupled supply chains, and just-in-time models. These systems perform well in stable conditions, but in the face of today's climate volatility and geopolitical shocks, efficiency often turns into fragility. Yet companies continue to invest based on the old playbook. Bain's 2024 Operations Executive Survey shows that many of the resilience levers getting the most attention, including automating operations, are efficiency driven. Useful, yes, but not sufficient for operating in a world defined by disruption rather than predictability.

Today's environment demands robustness, a concept borrowed from biology. As French scientist Olivier Hamant notes, natural systems are designed not just for performance, but to absorb shocks and operate under stress. This means embracing redundancy, modularity, and decentralization. Our survey shows that these strategies, which include supplier diversification, footprint shifts, and flexible manufacturing, remain underused *(see Figure 4)*.

Robustness isn't about adding buffers everywhere. It's about balance: maintaining efficiency while building flexibility and investing in adaptation where it matters most. Consider how a leading

Figure 4: Robust systems require redundancy, modularity, and decentralization



Source: Bain Operations Executive Survey 2024 (n=195)

manufacturer has strategically built redundancy into its supply chain, holding safety stock of key components like semiconductors and employing dual- and multi-sourcing to ensure production can continue in the face of shocks.

Build resilience governance that works. One of the most persistent barriers to climate adaptation is that, in a typical company, no one truly owns it. Resilience cuts across the organization but falls between the cracks. Sustainability teams model the risks but lack the power to act. COOs focus on efficiency. CFOs see upfront cost with uncertain return. With no one accountable, critical decisions like where to invest in robustness are delayed or ignored. The result is stalled action just when coordinated effort matters most.

Breaking this gridlock requires structural accountability. Some firms are beginning to appoint chief resilience officers (CROs) or resilience councils with the cross-functional authority to translate climate risk into decisions and action. Titles and councils alone aren't enough. Leaders embed resilience into performance dashboards and ensure the same rigor that's applied to financial decisions is applied to climate risk. This allows them to make tough calls about how much redundancy to build in, when optionality is worth the cost, and how to sequence investments. A leading consumer goods manufacturer has integrated adaptation metrics, such as supplier risk exposure and climate vulnerability, into its executive dashboards. These indicators now inform capital planning and contingency sourcing decisions.

How to turn climate adaptation into a business advantage

With the right visibility, structures, and mindset, CEOs can turn climate adaptation from a cost into a business advantage. The companies that win won't just predict climate risk. They'll organize for it, invest with discipline, and adapt faster when disruption hits. It's not about preparing for everything. It's about building robustness where it matters most.

GETTING IT DONE

Decarbonization That Works: Five Key Actions in Private Equity

Scope 1 and 2 emissions-reduction leaders focus on both decarbonization and value creation.

By Deike Diers, Marc Lino, and Radhika Mehrotra

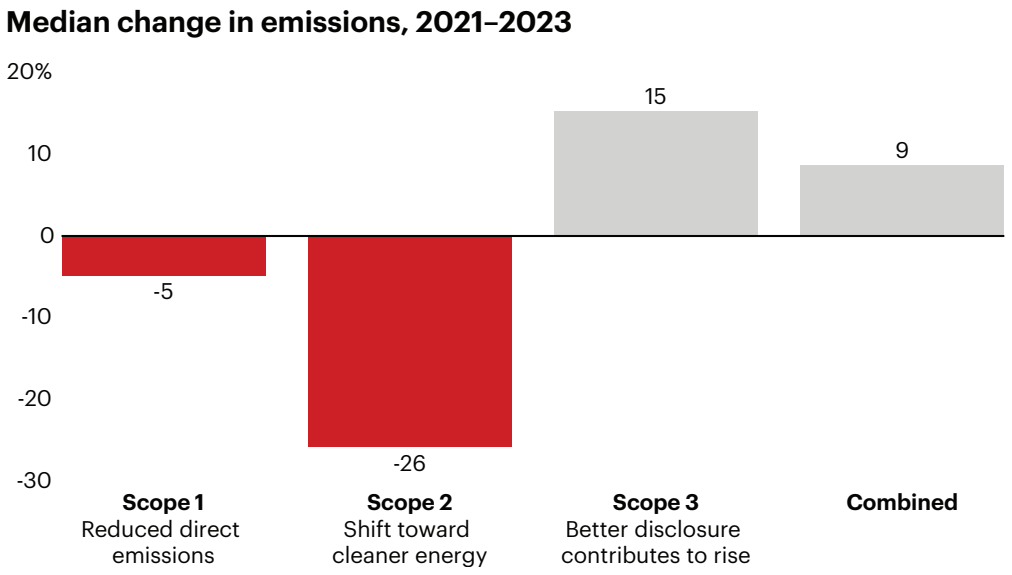
At a Glance

- The number of PE-owned companies disclosing their climate impact has jumped 55%, according to research from Bain and CDP.
- Scope 1 and 2 emissions are down—a median 26% for Scope 2—and many companies are seeing clear business benefits.
- Decarbonization leaders have engaged in five common practices to generate business results.

From 2021 to 2023, the number of private-equity-owned companies disclosing their environmental and climate impact through CDP rose 55%. Bain & Company studied 824 of those portfolio companies and found a median 5% decrease in Scope 1 emissions and a 26% drop in Scope 2 emissions over that period *(see Figure 1)*. And these companies, which represent a cross-section of global supply chains, are translating this progress into measurable business benefits, such as greater operational efficiency, lower carbon taxes, and improved customer offerings.

These are strong advances, but challenges remain. Much of the steep drop in Scope 2 emissions can be attributed to grid decarbonization. As industries accelerate their electrification, the demand for clean

Figure 1: Portfolio companies have made significant progress on reducing Scope 1 and 2 emissions, but work continues on Scope 3



Notes: Median change, controlling for revenue; n=824 companies
Sources: CDP; Bain & Company analysis

energy will surge. This is a positive sign, but it will be difficult for electrical grids to keep pace and continue reducing emissions.

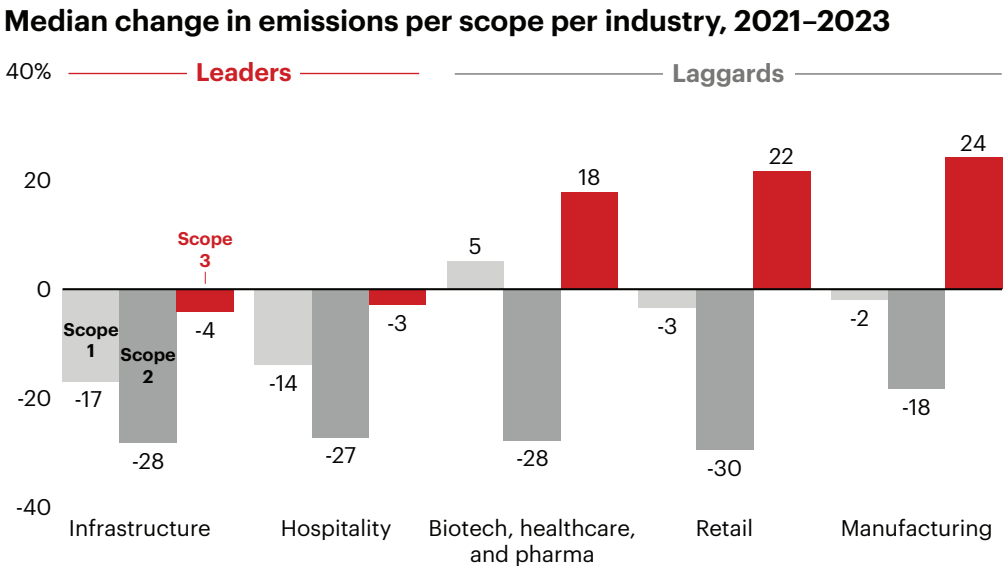
Scope 3 emissions, which are generated by suppliers and customers and are the largest category of emissions, are proving harder for this group to reduce (echoing a similar pattern among public companies). Median Scope 3 emissions for PE-owned companies rose 15% between 2021 and 2023. One factor may be that reported Scope 3 emissions commonly increase as companies become more comprehensive in their disclosures, expanding the number of categories they track and replacing initial estimates based on industry averages with more accurate data. Some companies in the infrastructure and hospitality industries, among others, have been able to reduce their Scope 3 emissions *(see Figure 2)*.

The five practices of decarbonization leaders

Successful decarbonizing firms balance climate impacts with business realities. Immediate cost-saving measures such as optimizing delivery routes coexist with long-term investments in resilience and innovation. Upfront costs are accepted for the opportunity to strengthen customer relationships, enhance employee engagement, and access emerging low-carbon markets.

To better understand how PE firms and their portfolio companies can learn from these leaders and strengthen their own decarbonization capabilities, we identified five common practices among those decarbonizing most effectively.

Figure 2: In lagging industries, Scope 3 is the primary contributor to higher emissions



Note: n=430 companies
Sources: CDP; Bain & Company analysis

1. Focus on both business value and climate impact.

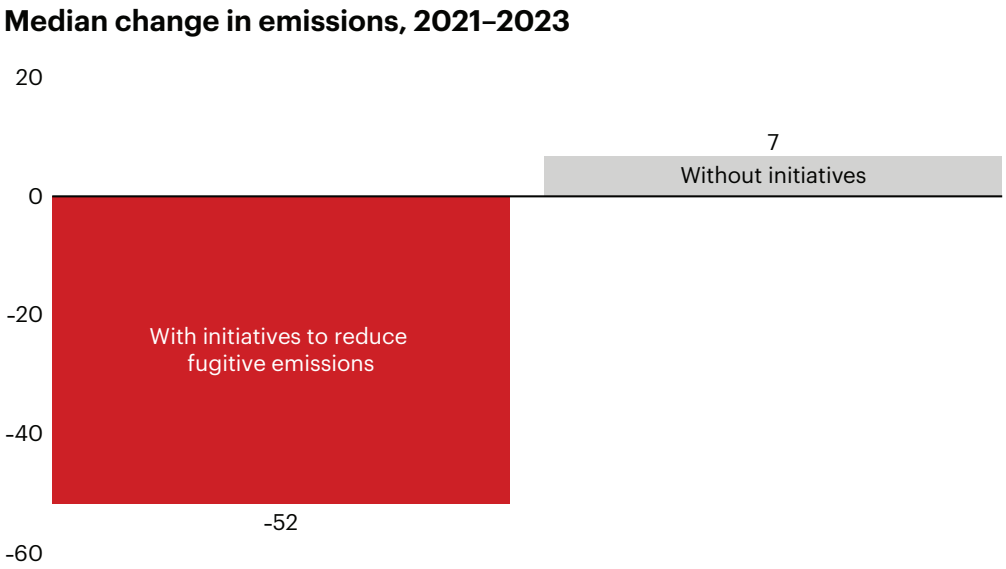
Successful companies integrate decarbonization into their core business operating model and strategy, prioritizing initiatives that improve emissions and build financial value. They do so by launching or supporting ongoing initiatives to reduce greenhouse gas emissions, and by setting goals and tracking results.

The environmental benefits can be striking. Among the 824 companies we examined, those that implemented initiatives to reduce fugitive emissions—gases or vapors unintentionally released by industrial processes, equipment, or facilities—achieved a median reduction of 52 tons per million dollars of revenue between 2021 and 2023. That compares to a median increase of 7 tons for those without such initiatives *(see Figure 3)*.

A well-executed roadmap can help companies reduce emissions, deliver measurable financial returns, generate operational savings, and enhance customer loyalty. For example, Apollo, which managed $733 billion as of September 30, 2024, has funds that hold portfolio companies in sectors such as manufacturing that have leveraged energy efficiency programs to reach their decarbonization targets earlier than expected while driving incremental EBITDA.

To support this type of investment, private companies are rapidly becoming more transparent. Ninety-five percent reported their Scope 1 emissions in 2024, and 91% reported Scope 2, a significant improvement since 2022.

Figure 3: Companies with dedicated initiatives—such as natural gas methane leak capture or refrigerant leakage reduction—cut more emissions



Note: n=770 companies
Sources: CDP; Bain & Company analysis

2. Set science-based, absolute targets.

Companies with clear, measurable targets make the most progress. Among the top carbon reducers studied, 35% set science-based reduction targets, compared to just 16% of low performers. Companies with long-term (10 years or longer) and near-term (5- to 10-year) targets reduced more carbon emissions than companies with short-term targets of fewer than 5 years. Of the companies examined by Bain, 43% had long-term targets, 60% had near-term targets, and 21% had both. Those with absolute targets that aim to cut emissions by a fixed amount outperform those with intensity targets focused on reducing emissions relative to a business metric such as revenue per unit. Well-defined, measurable targets help companies prepare for climate transition and build business resilience.

Since 2022, there has been a qualitative improvement in targets, with 65% of private and public companies using absolute targets in 2024 and 19% combining both short- and long-term goals, up from 12% in 2022.

Among the investors focused on science-based targets is Investindustrial, a Europe-based firm with $13.8 billion of assets. Investindustrial is on track to meet its 2026 goal of having science-based targets in place at half its PE investments. By 2030, it expects all portfolio companies will have such targets. One Rock Capital Partners, a private equity firm with approximately $8 billion of cumulative capital commitments that typically focuses on middle-market "real economy" investments, does not set portfolio-wide, near-term science-based targets but helps its fund portfolio companies develop, establish, and validate their own.

Apollo's flagship private equity strategy aims to reduce median carbon intensity over the period of ownership. The firm has a sustainability team with operational expertise that directly engages with the management teams of its funds' portfolio companies, prioritizing returns-focused sustainability initiatives and working with portfolio companies to create value, monitor key performance indicators (KPIs), and assist with carbon accounting.

3. Assign explicit decarbonization goals to operational leaders and ensure senior-level sponsorship.

Decarbonization succeeds when operational leaders are directly accountable. From fleet managers addressing Scope 1 emissions to procurement leaders tackling upstream Scope 3 challenges, this alignment ensures that those closest to the action drive results.

High-level sponsorship is still needed, however. Most of One Rock's portfolio companies tie approximately 10% of C-Suite bonuses to sustainability performance, typically including one climate-related metric, as a way of emphasizing the importance of this work.

Having an empowered chief sustainability officer (CSO) with deep expertise pays particular dividends. Among the companies Bain studied, those with CSOs overseeing decarbonization outperformed the companies that had more traditional roles, such as CEOs or CFOs, overseeing these efforts. In 2024, 93% of private companies reported having a management-level position dedicated to environmental issues—up from 89% in 2022—reflecting a more structured approach to climate governance.

4. Collaborate across supply chains on Scope 3 emissions.

In 2024, 68% of private companies reported their Scope 3 emissions, up from 49% in 2022. Deep partnerships with suppliers and customers are critical to addressing these emissions. Companies that invest in such collaboration consistently achieve greater emission reductions than their peers, even in challenging industries such as retail and manufacturing. Among manufacturers in the top quartile of Scope 3 emissions reduction, 92% are working with suppliers to abate emissions. Seventy-six percent of top-quartile retailers and 84% of top-quartile manufacturers are actively engaged with customers on the topic.

At Jadex, a manufacturer and material sciences company owned by One Rock funds, buyers and sales teams are trained on sustainable sourcing, training that advances over time to cover topics like full lifecycle analysis of specific raw materials. This expertise helps buyers work with suppliers to reduce emissions while building business value through sustainable product innovation and price premiums. One example is Jadex's home-compostable disposable cutlery, which was priced higher than virgin plastic alternatives when introduced.

5. Integrate climate-related risk into a holistic risk management process.

Climate risks—from reputational damage to physical disruptions—are company specific but increasingly significant for all businesses. Incorporating climate considerations into risk assessments can unlock

climate-related financial and operational benefits while mitigating potential losses. Consider the case of Constantia Flexibles, one of the world's largest producers of flexible packaging and a One Rock fund holding. The company conducts physical climate risk assessments and invests in precautionary protective measures. For instance, Constantia engineered and built a protective floodwall between one of its manufacturing plants and a nearby river. In October 2024, the floodwall helped defend the plant during a significant flood, minimizing the impact on Constantia's operations and customers.

We are in a dynamic moment. Yet one thing remains clear: Long-term decarbonization is an important value driver in PE portfolios, and leaders are finding ways to ensure strong business outcomes.

Next steps

For PE firms and portfolio companies hoping to accelerate decarbonization, these three "no-regret" actions are a good place to start:

1. **Assess current performance.** Establish a carbon footprint baseline and then make formal disclosures of your climate goals, results, and risks, illuminating areas for improvement. This builds trust with stakeholders, including investors and customers. CDP can help fund managers meet compliance requirements of limited partners, and portfolio companies can meet compliance requirements and customer needs through standardized disclosures. For some leaders, this can help unlock financing benefits and preferred supplier partnerships.

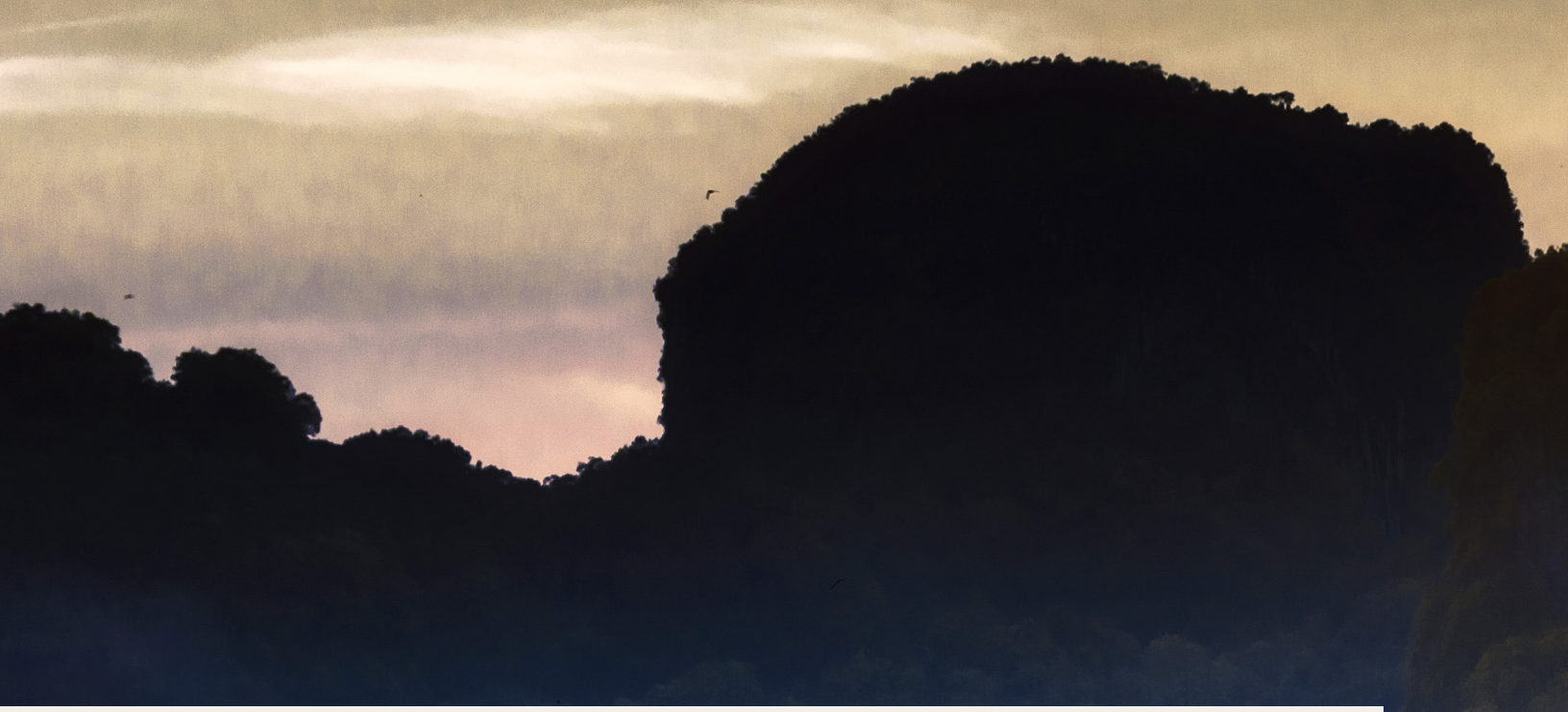
2. **Map a decarbonization pathway.** Set clear targets and prioritize initiatives based on business value. Use tools such as the Private Markets Decarbonization Roadmap (PMDR) to chart your path, strategize, prioritize, and track both financial and decarbonization progress.

3. **Communicate with one another and with external stakeholders.** PE firms need to closely engage with portfolio companies because they are the ones effecting change. For both investors and portfolio companies, it's important to highlight decarbonization achievements and any associated financial benefits to differentiate from competitors and strengthen exit strategies. Investindustrial uses the PMDR to disclose publicly its assets' decarbonization evolution, helping leaders align on decarbonization strategy priorities; ensuring investment teams agree on strategy implementation; and keeping stakeholders, including investors, informed, all while highlighting a competitive advantage.

A strategic imperative for private equity

We are in a dynamic moment. Yet one thing remains clear: Long-term decarbonization is an important value driver in PE portfolios, and leaders are finding ways to ensure strong business outcomes. Although some initiatives will never be ROI positive and others will offer only temporary returns, it is still possible to turn today's carbon challenges into opportunities. By effectively managing trade-offs, organizations can build financial value and resilience, positioning themselves for the transition to a low-carbon economy.

The authors would like to thank Mégane Muehlestein, Simone Canu, Helen Gasche, and Lauren Karzen for their contributions to this chapter.



Transitions

TRANSITIONS

Why Leaders Must Focus on Carbon Removal Markets Now

The business case for building the net-zero future.

By Henning Huenteler, Dale Hardcastle, and Torsten Lichtenau

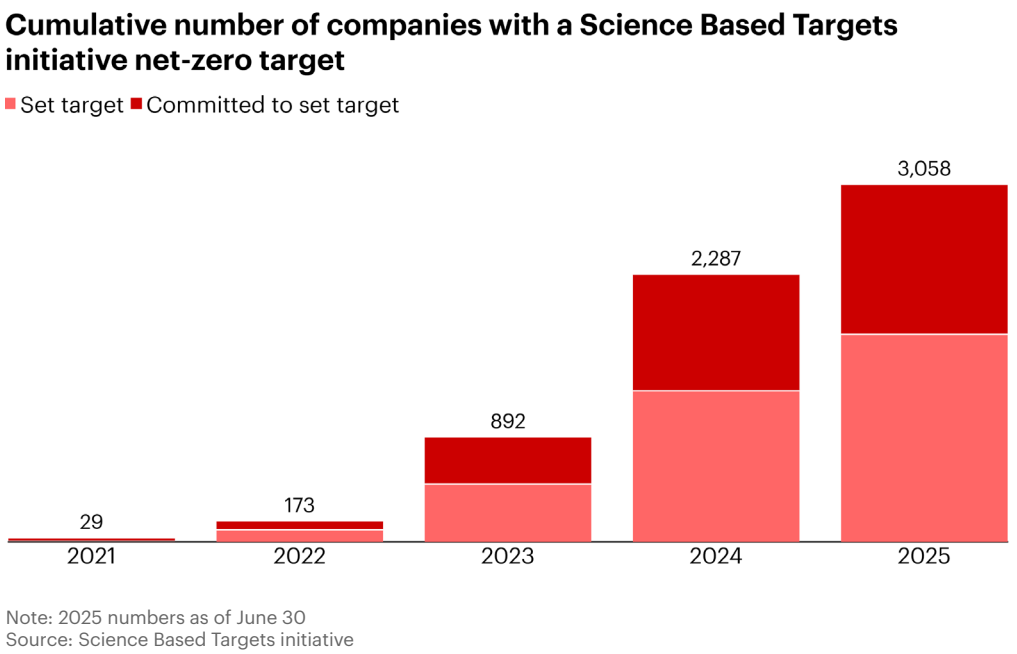
At a Glance

- Companies cannot reach 2050 net zero without durable carbon dioxide removals (CDRs).
- The supply of CDRs already trails demand and will need to scale nearly 5,000 times just to meet current net-zero projections.
- Proactively investing in CDRs has several benefits, including building carbon transition credibility and enhancing low carbon's value proposition.
- CEOs can take three steps today that will integrate CDRs into climate and business strategy while limiting regulatory and inflation exposure.

More companies are setting climate goals as it becomes clear that their long-term business value and organizational resilience depend on it. In the first six months of 2025, the number of companies that set a net-zero target using the Science Based Targets initiative climbed by 34% *(see Figure 1)*.

Companies will not be able to meet these goals without carbon dioxide removals (CDRs), which take carbon dioxide (CO_2) from the atmosphere and store it durably for many years. In hard-to-abate sectors,

Figure 1: Science-based net-zero pledges are on the rise



Note: 2025 numbers as of June 30
Source: Science Based Targets initiative

such as cement, chemicals, and aviation, any net-zero ambition must include a commitment (either implicit or explicit) to buy CDRs.

CDRs can be nature-based solutions, such as reforestation, or any of a variety of technological solutions. One example is direct air capture and storage, which extracts CO_2 from the air and stores it underground in mineralized form. Some proposed technological solutions could store CO_2 durably for thousands of years, reducing the risk of rereleasing the stored CO_2.

Consider the cement industry. Today, approximately 23% of industry emissions can be abated with a positive return on investment, according to Bain analysis. Another 55% will cost around $100 per ton to abate. The rest will cost significantly more, making them economically and technically impossible to address. While today most CDRs are not cost competitive, in time, as technologies mature, they could become an affordable way to offset emissions otherwise infeasible to address.

Early adopters are helping to make that happen. Airbus, Bayer, Bain, JPMorgan Chase, LEGO, Microsoft, and Mitsui OSK Lines are some of the companies proactively procuring CDRs. By demonstrating demand for CDRs, these companies help technology developers and suppliers justify scaling up their operations.

Not every company can invest at this scale, but every company does need to start mapping their path toward net zero. Wait too long, and the odds of meeting corporate carbon goals at a reasonable cost will drop fast. Forward-looking buyers are already beginning to lock in deliveries of CDR credits from the most promising and scalable technologies many years into the future.

Big demand, little supply

Today, many CDRs are prohibitively expensive and remain below the scale necessary to meet corporate net-zero commitments. AlliedOffsets, a leading carbon markets data provider, projects that the global supply of durable CO_2 removal will grow to approximately 21 million tons in 2030, 70 times the current capacity, but that demand, already greater than supply, will grow even faster *(see Figure 2)*.

Reasonable estimates say that the global economy will need 5 to 10 gigatons of durable CO_2 removals annually by 2050 to reach net zero. Nature-based solutions will only cover a fraction of that. Technological solutions, currently producing less than 1 million metric tons of carbon removals, will have to fill the gap.

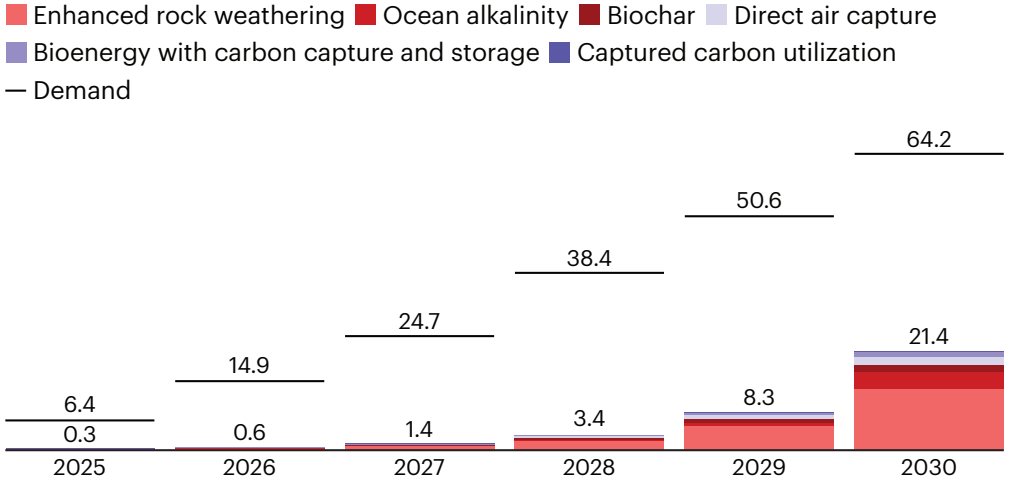
A number of CDR technologies could reach the scale at which they remove 1 gigaton of emissions annually, but similar to any large-scale industrial technology, they will require substantial upfront capital investment before their costs come down. That much capital won't flow without a clearer picture of the value that investors can realize from financing removals.

Creating value with CDRs

The value of carbon removal purchases varies from company to company, depending on industry, jurisdiction, climate commitments, and stakeholder preferences. CDRs can create value in four ways, starting with foundational benefits gained today, followed by near-, mid-, and long-term returns:

Figure 2: Technical carbon dioxide removal options are growing, but so is demand

Estimated cumulative annual carbon dioxide removal capacity and demand, in million metric tons



Source: AlliedOffsets

- **Foundational: Build knowledge to maximize investment value.** Early engagement in the CDR market helps companies develop essential capabilities and insights. With new technologies rapidly emerging and media narratives often creating confusion, understanding the diversity of removal technologies and the integrity of resulting carbon removals helps companies maximize the value of their CDR investments.

- **Short term: Unlock sales of green products.** B2B customers are increasingly prioritizing sustainability in their procurement decisions, and companies can complete their low-carbon product with CDRs to create a net-zero value proposition for customers.

  Consider a global building materials company that has launched a line of low-carbon cement and concrete. The product line includes options with varying levels of emissions reduction, with the most sustainable option incorporating CDRs to achieve up to 100% emissions reduction. This has helped the company attract climate-conscious customers and significantly reduce its customers' Scope 3 emissions.

- **Medium term: Hedge against price inflation.** As net-zero deadlines near and regulatory scrutiny intensifies, companies that delay action risk being priced out of the market. By signing multiyear offtake agreements, early movers secure prices and protect themselves against future market volatility. This is important because demand is already outstripping supply. Although the first durable CDR credits were purchased in 2021, deliveries only significantly increased in 2024. In 2025, purchases are projected to reach 14 million tons of CO_2, but actual deliveries will cover less than half a million tons, according to AlliedOffsets *(see Figure 3)*.

- **Medium to long term: Enhance credibility of net-zero targets.** Corporate climate claims are facing increasing scrutiny, and standards are evolving to include durable CO_2 removals. Over the long term, companies will need to invest in CDRs alongside decarbonization for their net-zero claims to be credible.

Three steps CEOs can take now

Leaders can integrate climate and business strategy with three steps:

Develop a robust climate transition action plan. Build a comprehensive, enterprise-wide plan that connects climate targets with concrete actions and financial planning by:

- laying out a realistic decarbonization roadmap across Scopes 1, 2, and 3;

- integrating climate strategy into corporate budgeting and capital allocation; and

- accounting for the timing, scale, and types of CO_2 removals required.

Get explicit about carbon credit needs. Treat carbon credits as a strategic lever in the transition to net zero by:

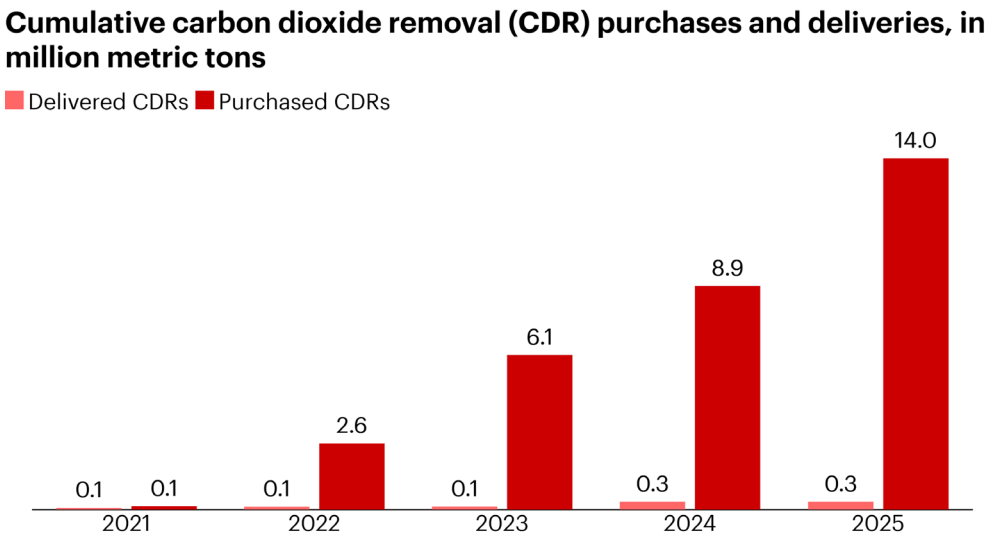
- defining the company-specific value proposition of investing in CDRs;
- assessing the trade-off of CDR costs and impact with other decarbonization levers;
- quantifying long-term needs for CO_2 removal;
- setting clear procurement criteria aligned with corporate net-zero claims; and
- allocating financial resources and managing the risks proactively.

Secure long-term access to the required carbon credits. Lock in availability and pricing in an increasingly constrained and volatile market by:

- signing multiyear agreements with high-integrity CDR developers;
- reducing long-term exposure to price shocks and supply shortfalls; and
- enabling suppliers to invest and scale through predictable revenue streams.

Reaching net zero depends on building the infrastructure and technology needed for a decarbonized world. Every removal contract signed today sends a signal, shapes a market, and enables innovation. The future of net zero will be determined by the steps companies and CEOs take today.

Figure 3: Delivery of durable carbon dioxide removals significantly lags demand



Note: 2025 numbers as of May
Source: AlliedOffsets

TRANSITIONS

Circular Business Models Unlock New Profit and Growth

Companies are using circular strategies to reap economic benefits.

By Joshua Hinkel, Hernan Saenz, Xavier Houot, and Abhijit Prabhu

At a Glance

- More than 70% of manufacturing executives believe that circular business solutions will boost their revenue by 2027, a recent survey shows.
- Some 65% of businesses expect circular solutions to improve their resilience.
- High upfront investments and ongoing costs remain a hurdle to embracing circular business models.

Supply chain shocks and resource constraints have led many companies to develop circular business models. While these models first emerged to boost sustainability, leadership teams are finding that they can improve resilience, increase revenue, and lower costs.

A recent Bain and World Economic Forum survey of 420 global manufacturing leaders revealed that 97% of businesses that implement circular solutions do so for a broad set of reasons beyond sustainability, including profitability and competitive advantage. More than 70% expect circular business solutions to increase their revenue by 2027, and nearly two-thirds believe that these strategies will improve

operational resilience. More than 50% anticipate cost savings even when accounting for high upfront investments *(see Figure 1)*.

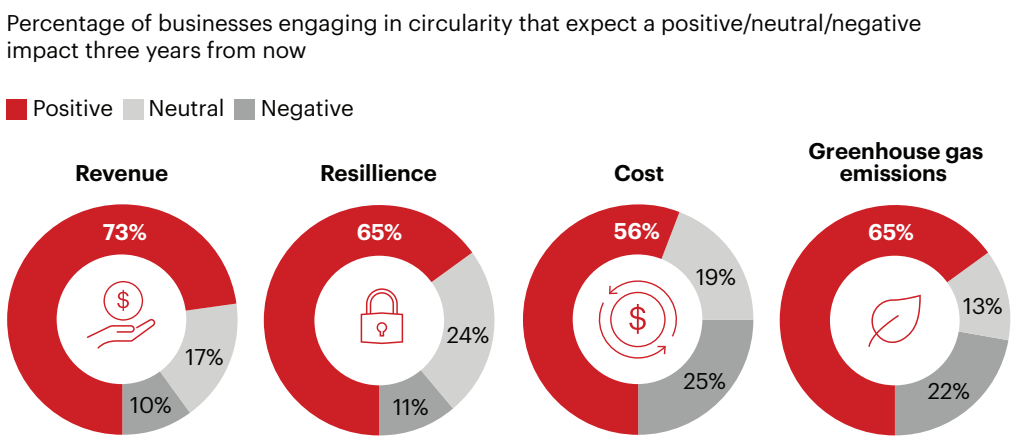
A circular business model keeps materials and products in circulation for as long as possible, slowing resource consumption. The three key types of circular solutions are recycling resources, increasing product lifespans, and sharing capacity. These strategies go far beyond reducing waste: They enable businesses to reimagine how they create, deliver, and capture value.

But the shift from a traditional linear business model to a circular one is challenging. Leadership teams must rethink core business processes, from product design and sourcing to sales models and customer relationships. Some 65% of businesses cite financial concerns, particularly high upfront investments, as a key barrier to implementing circular models. Sixty percent say that organizational hurdles, including gaps in capabilities and shareholder engagement, are obstacles. And 60% say that the lack of regulatory alignment and limited access to recycled materials can slow or deter implementation. These are the main obstacles to scaling circular models.

Despite these concerns, a growing number of multinationals have launched multiple circular solutions. A quarter of the respondents to our survey have scaled all three types of circular solutions. An additional 20% have scaled at least two types of solutions. And companies that have tapped all three report higher economic value than those that are only using one or two. In short, the experience curve applies to circular models as much as to linear models.

Companies with successful circular business models follow a few key guidelines. They first identify the key sources of value in a circular value chain (such as recyclable materials or predictive maintenance data) and then determine how to gain preferential access to them. At the same time, they recognize how

Figure 1: Executives say that circular solutions will unlock economic value



Source: Bain and World Economic Forum Circular Transformation of Industries Survey 2024 (n=420)

circularity is likely to alter the industry's profit pools and competitive advantage. Timing is important. These leaders determine when circular products will become cost competitive and seek to lower production costs to accelerate consumer adoption. They also create partnerships to gain access to materials and information.

The power of circular feedstocks

One of the most direct ways that businesses create circular value is by replacing virgin materials with circular feedstocks such as recycled metals, plastics, or bio-based alternatives. This shift not only reduces environmental impact but also strengthens supply chain resilience, a critical factor in industries facing material shortages and price volatility. This circularity approach works well for most manufactured goods companies and especially for products with short lifespans. Recycling to reduce virgin material use exceeds 50% in industries with strong customer and regulatory pressure such as chemicals and packaging.

Hydro, a global aluminum producer, has made aluminum recycling the cornerstone of its circular strategy. Recycling aluminum requires just 5% of the energy needed to produce primary aluminum, drastically cutting emissions while lowering costs.

To ensure a consistent supply of high-quality recycled aluminum, the company invested in advanced sorting technologies and long-term partnerships. Hydro's proprietary HySort technology enables precise separation of post-consumer scrap, producing alloys tailored to meet the specific needs of its customers, including Porsche and Mercedes-Benz. Industry partnerships give Hydro early access to scrap and enable the codevelopment of materials. By embedding circularity into product design and partnering with automakers, Hydro helps reduce its customers' carbon footprints while building a strong market for its low-carbon aluminum.

Hydro's recycled aluminum products command premium prices, and demand for recycled aluminum is expected to grow at an annual 5.4% rate, which is double the rate for virgin aluminum. To meet this rising demand, the company is scaling its efforts significantly. By 2030, it aims to process up to 1,200 kilotons of post-consumer scrap annually, a move that could generate up to $750 million in EBITDA, depending on market conditions. Scaling up comes with challenges, however, including the rising cost of scrap and substantial investments in advanced sorting and processing facilities. Hydro opened a $150 million greenfield recycler in 2023 and approved a $200 million investment into another in 2024.

Hydro's efforts demonstrate the potential of circular feedstocks to create economic value while reducing carbon footprints. The company's recycled aluminum currently has an average carbon footprint of just 1.9 kilograms of carbon dioxide equivalent per kilogram of aluminum—eight times lower than the industry average for primary aluminum. As more businesses prioritize low-carbon materials, companies that invest in high-quality circular feedstocks will gain a competitive edge in an increasingly resource-constrained world.

Extending product lifespans

Another approach to circularity is extending product lifespans. By designing for longevity, offering repair and refurbishment services, and creating secondary markets for used goods, companies can reduce costs, increase resilience, and create new revenue streams. This strategy is well adapted to high-value, durable goods industries, such as machinery, automotive, or technology hardware, with products that often are customized and costly to replace.

Businesses can increase the lifespans of their products by designing for circularity, offering repair, refurbishment, or upgrade services, and promoting marketplaces for used goods. Designing for circularity is the most common lifespan extension strategy, according to our survey. Cisco, for example, has adopted 25 circular design principles for its product development process. One of its standout innovations is the modular design of the Catalyst IR1101 rugged router, which allows customers to upgrade or replace individual components as technology evolves. The design not only extends the router's lifespan but also reduces waste and improves energy efficiency. Compared with previous generations, the updated design cuts idle power consumption by 45%. Improved customer retention is another advantage of this economic model.

Rail transport companies also are developing lifespan extension strategies. Siemens Mobility created a circular strategy that spans the entire life cycle of its rolling stock. By using predictive maintenance, refurbishment, and advanced recycling techniques, the company has extended the operational life of its trains while significantly reducing material waste. Its AI-driven Railigent-X platform optimizes fleet performance and reduces maintenance costs by up to 15%. Additive manufacturing supports circularity by enabling on-demand production of spare parts, even for obsolete models. This approach has reduced material waste by 70% while ensuring 100% availability of critical components.

By integrating circularity into its business model, Siemens has reduced its reliance on raw materials and strengthened its competitive position. The company's ability to offer sustainable rail solutions has helped it secure major tenders as customers increasingly prioritize circularity in procurement decisions.

Lifespan extension can reduce costs, but these business models are labor intensive and require high initial investments. They also transform traditional business cycles. Companies accustomed to annual product launches and frequent model updates (such as automotive and consumer products) need to adapt to longer cycles and rethink how they design, manufacture, and support their products over time. And as companies go circular, financial markets will need to evaluate them differently, focusing less on sales of new units and more on sales of used equipment and services (at higher margins). For businesses with the right capabilities, extending a product's lifespan delivers new revenue streams, long-term cost savings, resilience, and customer loyalty benefits.

The capacity-sharing advantage

A third path to creating circular value involves rethinking ownership models. Instead of selling products outright, businesses can offer them as a service, providing customers with access to equipment rather than requiring full ownership. This approach works particularly well for expensive, infrequently used products—such as industrial machinery; heating, ventilation, air conditioning (HVAC), and refrigeration systems; and specialized tools.

Trane Technologies implemented this model by launching rental services for HVAC and refrigeration systems. Instead of requiring customers to invest in costly equipment, Trane allows them to rent units based on their needs, reducing capital expenditures and providing flexibility. It also offers older units for short-term rental instead of scrapping them, giving a second life to its assets. This model has fueled rapid growth in Trane's rental business, particularly in Europe, the Middle East, and Africa, where demand for energy-efficient cooling solutions has surged by more than 10% annually over the past three years.

By keeping production design consistent and recovering valuable end-of-life components, Trane minimizes costs, creates new revenue streams, and bolsters resilience. The company's circular business model also fosters strong supplier relationships and ensures stable production levels, even in volatile markets.

Capacity-sharing solutions that create recurring revenue streams provide increased financial stability compared with one-time product sales. Retaining asset ownership allows businesses to manage maintenance and upgrades more effectively, ensuring optimal performance and extending product lifespans. And companies that control the full life cycle of their products can recover valuable end-of-life materials, further strengthening their circular strategies.

While capacity-sharing presents structural challenges—particularly for businesses that have traditionally relied on one-time sales—it offers significant advantages, including revenue diversification, higher margins for services, customer retention, and resilience. As industries continue to shift toward service-based models, companies that adapt early will be well-positioned for long-term success.

A circular future

Linear models are reaching their limits. Shortages of raw materials and global disruptions are a growing risk. Circularity offers a path forward. Businesses that embrace circular strategies will enhance financial performance, strengthen competitiveness, and future-proof their operations—all while creating more sustainable outcomes.

The transition is not easy. Leaders are reimagining their business models and investing for the future. But our research offers reasons for optimism. A growing number of companies are demonstrating that the challenges of moving to circular business models can be overcome. Leadership teams that pioneer new circular solutions will not only thrive in a resource-constrained world but also create lasting economic and environmental value.

TRANSITIONS

Can Food Companies Unwrap a New Strategy?

Industry relevance is up for grabs as macro forces disrupt the old order. Bold moves will herald the sector's future leaders.

By John Blasberg and Sasha Duchnowski

At a Glance

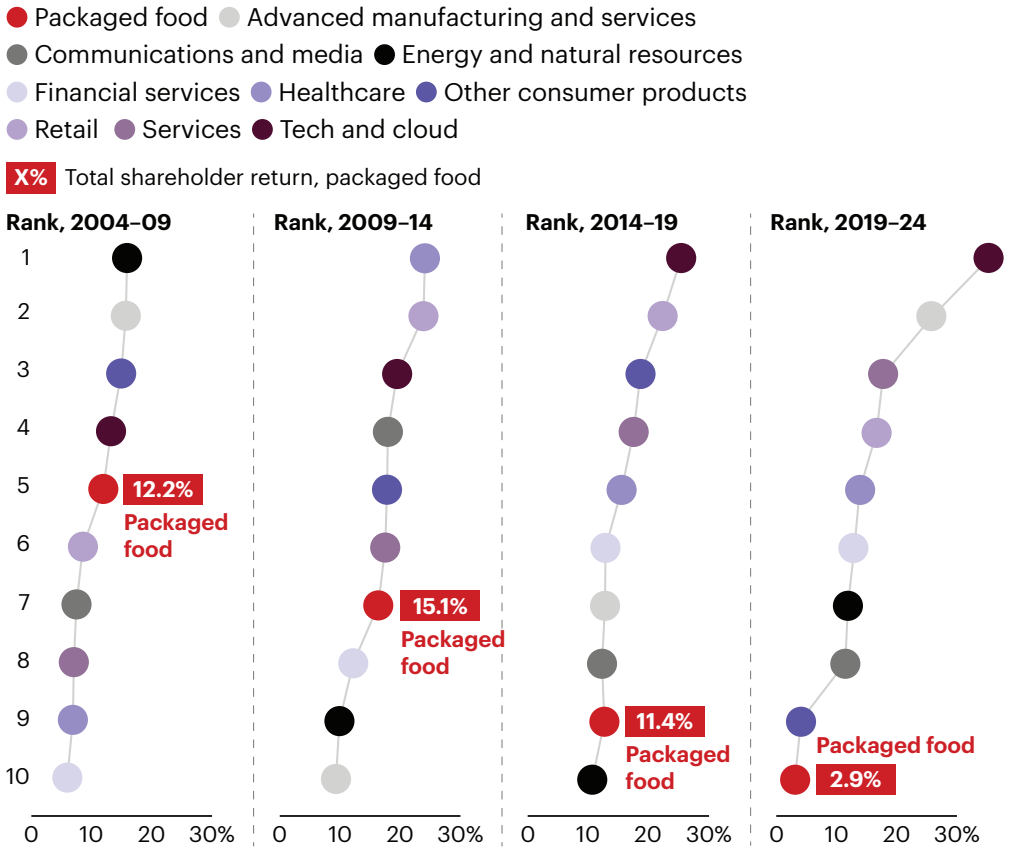
- A decade ago, packaged food companies delivered 15% shareholder returns; that's dropped to just 2.9%.
- The food sector is ripe for change, but so far, no breakout leader has emerged.
- Focusing on three strategic imperatives will help executives find opportunity in structural sector disruptions.

In developed markets, the way people eat is changing. Taste, price, and convenience remain central, but consumers are buying more prepared meals, takeout, and private label foods. Health consciousness, climate pressures, and digital tools are all playing a role.

Legacy packaged food companies have been slow to adapt. A decade ago, packaged food companies delivered a 15% total shareholder return; today, it's just 2.9%, the lowest for a major sector *(see Figure 1)*.

Whether jump-starting that performance is a matter of minor tweaks or major transformation depends on one question: Is today's disruption cyclical or structural? While there are some elements that are cyclical,

Figure 1: Packaged food companies' total shareholder return has been declining for 20 years



Note: Analysis of top ~2,000 companies by market capitalization as of the last date of each end period, categorized by industry
Sources: S&P Capital IQ; Bain analysis

including consumer confidence and discretionary income, we believe that most of the challenges facing the food industry are here to stay. Some are accelerating.

The sector is ripe for change, but so far, no breakout leader has emerged. For packaged food companies, this is a moment of both uncertainty and opportunity. The race is on, and it's theirs to lose or win.

Structural trends shaping the future of food

Five trends disrupting the food sector today—namely, health consciousness, climate disruption, information transparency, food tech, and geopolitics—should be considered structural.

- **Health consciousness:** Increasing concerns about the nutritional value of ultra-processed foods and popular appetite-suppressing anti-obesity drugs are accelerating a shift away from traditional packaged foods.

- **Climate disruption:** Climate volatility is upending some global supply chains. Drought risk is rising, and certain crops are getting increasingly expensive and their supply unreliable.
- **Information transparency:** From front-of-pack labeling regulations to AI-led grocery planning and information tools such as Yuka and Instacart, consumers have never had more access to information about their food.
- **Food tech:** Over the past five years, venture capital (VC) investment in food technology has outpaced the combined R&D spending of the top 10 global food companies by a factor of 1.7 times. With regards to breakthrough innovation, food companies are falling even further behind, since 70% of food companies' R&D spending is focused on brand extensions and improvements to existing products. Comparing VC food tech investment with just food company breakthrough innovation expenditures, food companies are being outspent almost six to one.
- **Geopolitics:** Wars and trade barriers can materially impact the flow and cost of food ingredients.

Typically, a disrupted industry eventually finds a new heavyweight. In tech, it was Apple. In autos, Tesla. In food, however, the field remains open.

What is clear is that there is a lot of growth to be had by companies that combine health, taste, and convenience. Packaged food companies are already masters of convenience and taste, have massive scale, and have created strong consumer brands. With innovation focused on true unmet needs, they could become the disrupter rather than the disrupted. Grocery retailers with strong private label brands and a variety of formats (e.g., ambient, refrigerated, fresh, frozen, prepared, etc.) could seize the advantage. Or fast-casual restaurants could win with fresh, tasty, convenient options. Tech platforms' AI-powered meal planning and grocery shopping might play a key role. Or scale insurgents, such as Chobani, could continue to build themselves into food leaders of the future.

Several paths could succeed at once. All will require bold, forward-looking action.

What to do now: Three strategic imperatives

Focusing on three things will clarify the products, capabilities, processes, and business plans that can help build toward sustainable, accelerating growth:

- Future-proof the business.
- Make the core relevant again.
- Lead in the critical categories of the future.

Future-proof the business. To build resilience, packaged food companies should begin by understanding which disruptions could be on the horizon over the next 5 to 10 years and then develop plans to mitigate those risks.

For example, in a warming world, ingredients such as tomatoes or water may become scarce. That has real implications for everyday favorites such as ketchup or beer. Companies must think through not only the climate's impact on their business but also potential macroeconomic or geopolitical shocks to the supply chain, as well as possible regulatory constraints focused on health or other topics.

What's the policy outlook? Front-of-pack labels, in-store marketing restrictions, and sugar taxes are already affecting packaged food company profits in countries from the UK to Chile. If innovations such as GLP-1s and other anti-obesity drugs gain wider use, companies will have to consider the impact that possibility will have on indulgent snacks. More than 70% of US users of GLP-1s already report eating less, especially less salty snacks and desserts.

Consumer attitudes must always be in focus as well. Today, 65% of consumers in the US and Europe believe that ultra-processed foods are unhealthy. In lieu of ultra-processed foods and unhealthy options with high sugar, fat, and salt content, consumers are buying more natural foods. But other considerations sway food choices as well, including time, cost, taste, and access.

Former Kraft Heinz CEO Miguel Patricio has credited innovation and future-back planning with reinvigorating his employees. Patricio has said that had the company taken this approach 10 years ago, demographics would point to different moves, such as selling its baby food business in China (where the birth rate is dropping) and shifting investment into pet food.

While planning for the future, executives can ask themselves three key questions:

- From supply chain to consumer perceptions of health, which are the individual and collective disruptions that could threaten our business resilience and license to operate?
- Which steps can we take today to prepare and safeguard our business for the future we envision? Should we be considering alternative formulas, for example, or sourcing from new geographic regions?
- Which early signals of change should we be tracking?

Make the core relevant again. This is the greatest challenge facing packaged food companies today, but if the core business fades, the rest won't matter. Winning back consumers starts with revitalizing existing categories and product portfolios.

This approach is already reinvigorating classic categories, including yogurt, cottage cheese, and frozen meals. Chobani redefined a sleepy, largely irrelevant yogurt category with higher-protein, low-sugar natural Greek yogurt. Even excluding contributions from recent acquisitions, Chobani's US retail gross revenue increased by almost $590 million year over year for the 12-month period ending June 14, 2025. That's a 23% climb in a time frame during which the 10 largest food companies combined lost more than $1.4 billion in the US, according to Nielsen. Good Culture has similarly breathed life into cottage cheese by improving taste and packaging while also pitching its high nutrition and protein.

Incumbents often struggle to reinvent their category, but some leading companies are making progress. Coca-Cola has added $3 billion in North American trademark Coca-Cola retail gross revenue since 2021, according to Nielsen, a 9.7% compound annual growth rate. That growth has come as the company pursues a "total beverage company" strategy that includes a focus on the core, occasion-based marketing, flavor rotation, and a test-and-learn marketing approach combined with expansion into adjacent beverages and addressing health concerns. Agrolimen is preparing its European business for 2035 by investing in new growth opportunities, such as the chilled category with its recent gazpacho acquisition, while simplifying its core portfolio and refocusing on a limited number of core platforms, with an emphasis on food that is healthy and sustainable.

Six emerging trends already powering insurgents are likely to define the next era of growth.

Executives reinvigorating their core are focused on the following key questions:

- Which consumer needs do our core categories address?
- If we were a new entrant, what offering would we create that best meets consumer needs? How would that vary by segment?
- How can we build on the equity of our brands to lead this category reinvention?

Lead in the critical categories of the future. Six emerging trends already powering insurgents are likely to define the next era of growth:

- food as medicine—prescribed meals tailored to specific health needs such as diabetes;
- guilt-free indulgence—treats without excess sugar, salt, and fat;
- low-effort, high-reward meals—delicious, nutritious, convenient, and affordable options;
- AI-powered convenience—meal planning, grocery shopping, and delivery;
- smart nutrition—alternative proteins and functional ingredients; and
- climate-adaptive ingredients—resilient, nutrient-rich, often native crops.

Companies are moving into new categories to serve different customer needs. Mars' acquisition of Kevin's Natural Foods and Chobani's acquisition of Daily Harvest add frozen meals to both companies' respective

offerings. Coca-Cola's 2020 acquisition of Fairlife ultra-filtered milk diversified its portfolio and tapped into a growing segment of the health and wellness market.

Massive growth will be possible for packaged food companies that address these emerging consumer needs. To explore which trends a company should focus on, executives can ask a series of questions:

- How should we define our business? By our existing capabilities (e.g., "we are an ambient snacking business") or by the consumer needs we strive to address (e.g., "we provide convenient snacks and on-the-go fueling in whatever product format the consumer desires")?
- Which future consumer needs and occasions are we convinced will be big and attractive opportunities?
- What new capabilities are required to meet consumer needs?
- How do we build or acquire those capabilities?

In the end, affordable, tasty, healthy convenience will win, but who the winner or winners will be is not yet known. That's today's window of opportunity. Leaders that act with discipline and imagination can shape the structure of tomorrow's food industry. This is their moment to lead.

Bold ideas. Bold teams. Extraordinary results.

Bain & Company is a global consultancy that helps the world's most ambitious change makers define the future.

Across the globe, we work alongside our clients as one team with a shared ambition to achieve extraordinary results, outperform the competition, and redefine industries. We complement our tailored, integrated expertise with a vibrant ecosystem of digital innovators to deliver better, faster, and more enduring outcomes. Our 10-year commitment to invest more than $1 billion in pro bono services brings our talent, expertise, and insight to organizations tackling today's urgent challenges in education, racial equity, social justice, economic development, and the environment.

BAIN & COMPANY

For more information, visit **www.bain.com**