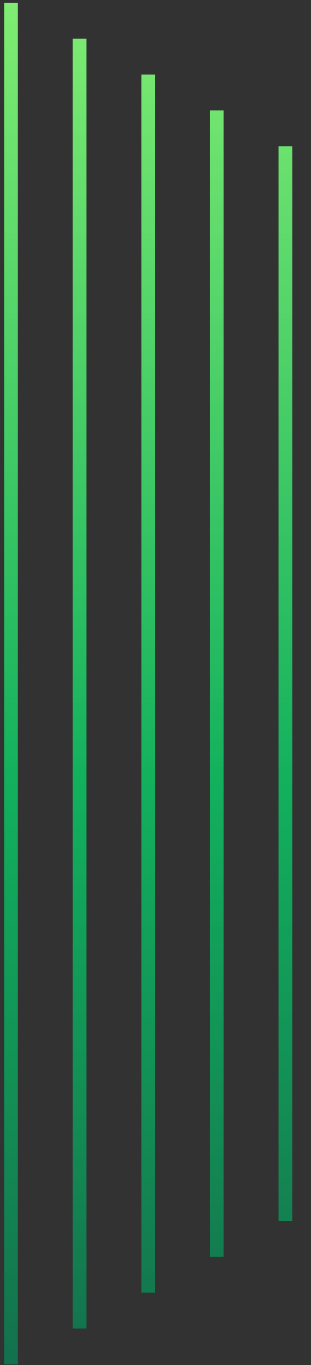




Future-Built Companies Embrace Sustainability

NOVEMBER 2023



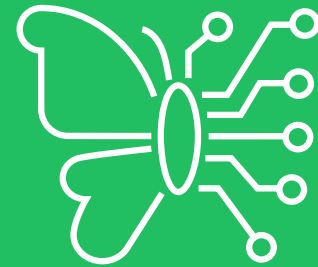
Despite high ambitions, few companies are making meaningful progress on sustainability

Ambition



82%

of companies aspire to improve their sustainability maturity.



53%

of companies consider sustainability in prioritizing digital transformation initiatives.

Reality



12%

of companies have built the requisite sustainability enablers.¹



4%

of companies implement sophisticated sustainability use cases enabled by digital and AI across the value chain.

Source: BCG's Build for the Future Survey 2022 (n = 724).

¹Enablers include strategic alignment, sustainability transformation, sustainability funding, targets, and prioritization, sustainability-focused talent, and digital/tech solutions to measure sustainability-related metrics.

A common challenge is that companies struggle to **embed sustainability into their strategy and business model**

Common pitfalls:

- 1** Sustainability **strategy** is separate from the core business.

- 2** **Decision-making processes** are slow and make it difficult to react quickly.

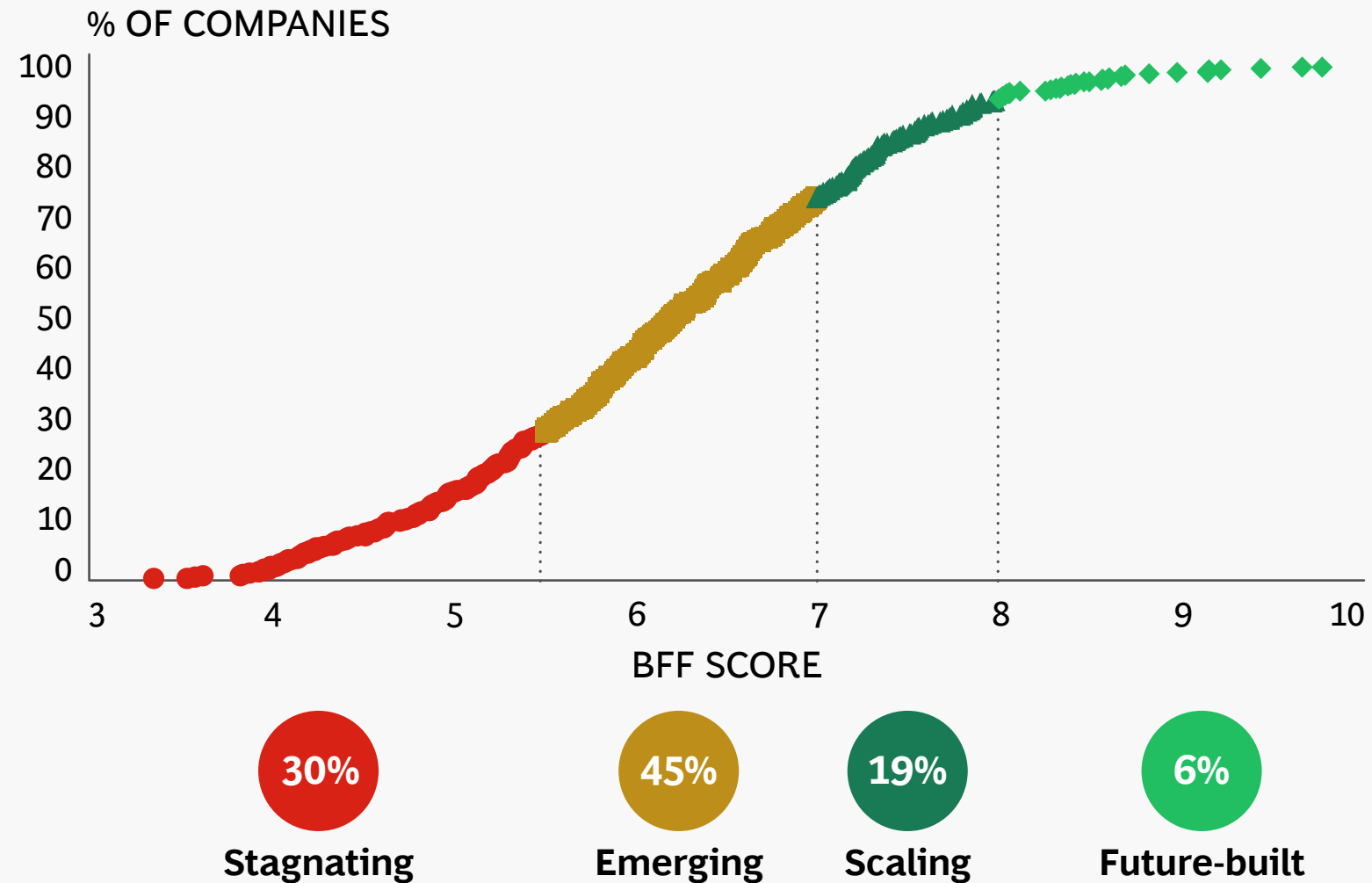
- 3** **Sustainability incentives** are limited and lack the depth or breadth necessary to drive meaningful change.

- 4** Sustainability **capabilities are not embedded** within business units or functions.

- 5** There is a lack of emphasis on **leadership, culture, and change management**.

- 6** **Sustainability leaders** lack sufficient influence over business operations.

A select group of companies have figured out what it takes to become future-built . . .



... and are realizing financial and nonfinancial benefits

3.4x¹ Revenue
3-year revenue growth²

3.1x Profit
3-year EBIT growth²

1.9x People advantage
More likely to have high Glassdoor ratings³

3.4x Climate and sustainability
Improved sustainability scores⁴

2.7x Generative AI
More likely to scale generative AI use cases across the organization

Source: BCG's Build for the Future Survey 2022 (n = 724); BCG analysis.

Note: BFF = Build for the Future. EBIT = earnings before interest and taxes.

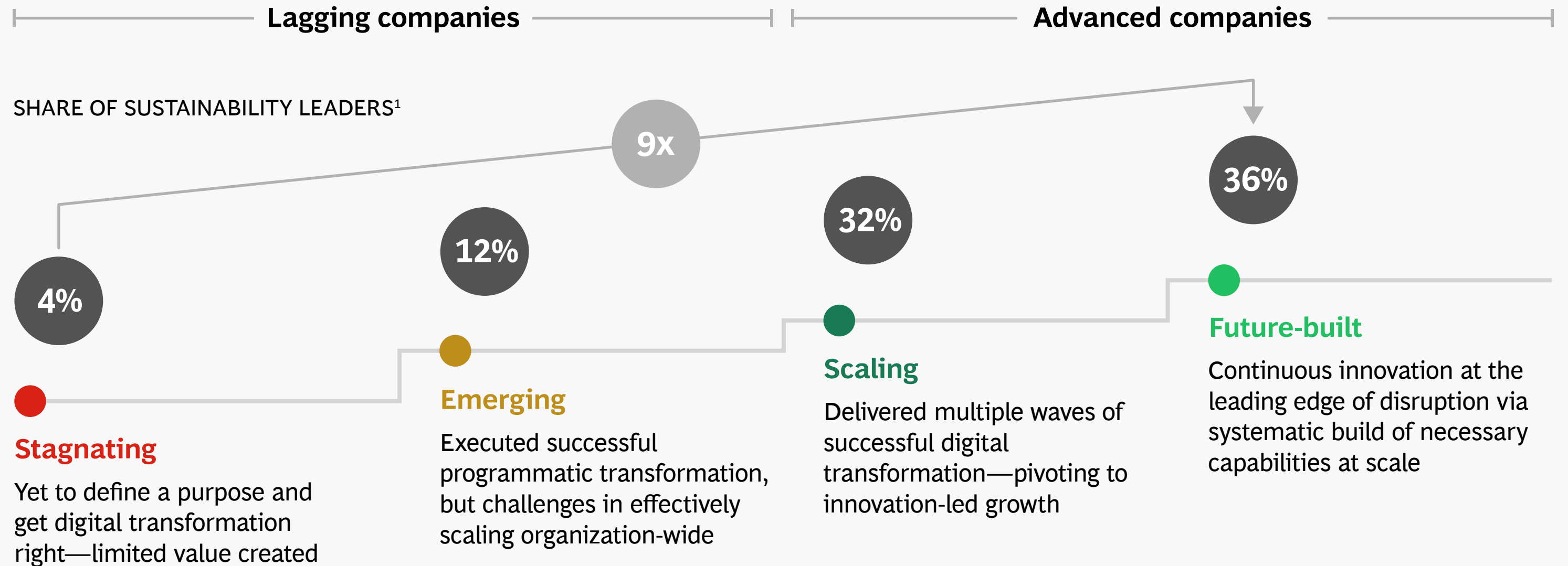
¹All metrics are future-built vs. stagnating.

²FY2019-FY2022 CAGR (Source: CapIQ).

³Based on % of companies with ratings of 4+ out of 5.

⁴Improvement in ESG score over 3-year period FY2019-FY2022 (Source: CapIQ).

Future-built companies also have a clear sustainability advantage

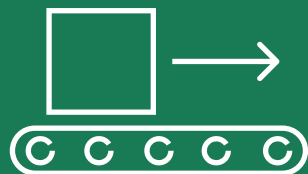


Source: BCG's Build for the Future Survey 2022 (n = 724).

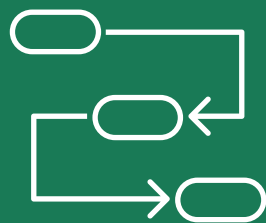
¹Sustainability score (1 to 5) assigned to each company based on their self-assessed rating of 5 key climate and sustainability sub-attributes. Sustainability leaders are defined as companies having an average score ≥ 4 .

Advanced companies create a sustainability advantage by focusing on two main areas

1. Making the core sustainable

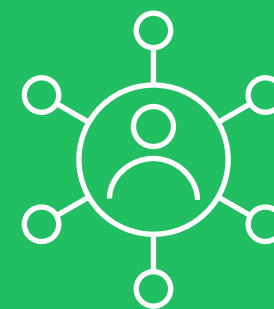


Sustainable operations (Scope 1 and 2) and organization: Embed sustainability into operations holistically by identifying emissions, considering employee value proposition, implementing solutions, and measuring financial impact.



Sustainable procurement and supply chain (Scope 3): Address the end-to-end value chain by increasing transparency, setting benchmarks, and achieving targets.

2. Driving new sustainable growth



Customer-centric sustainability: Unlock new growth by identifying unmet needs and innovating to develop new products and services—including rethinking the customer experience.

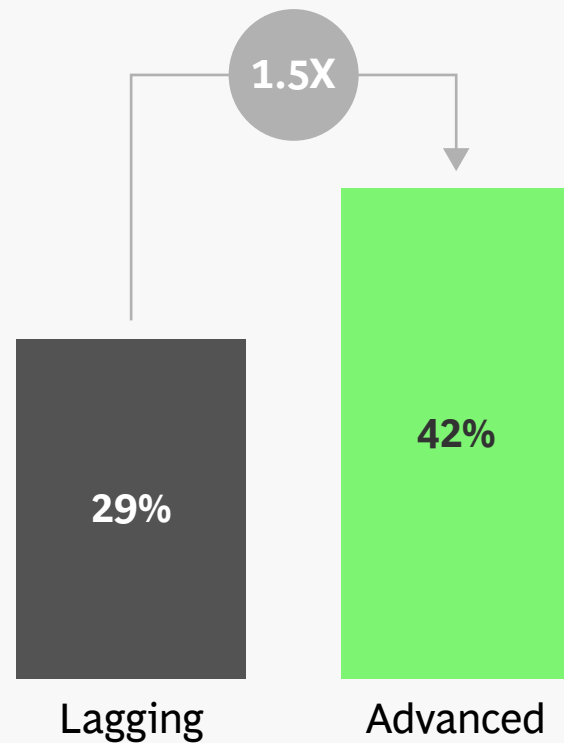


Green tech and innovation: Pursuing green business opportunities for growth including building, scaling, and investing in technologies.

Making the core sustainable | Advanced companies have made more progress implementing sustainability use cases across the organization

A higher share of advanced companies are implementing sustainability use cases . . .

% OF COMPANIES DEEPLY EMBEDDING SUSTAINABILITY USE CASES¹



. . . leveraging digital and AI maturity to deploy initiatives across the value chain

Sustainability use cases ²	Share of advanced vs. lagging companies ³	% of companies embedding use cases ¹
Board members with real time risk and compliance dashboards	2.4X	25%
Waste reduction driven by analytics	2.3X	15%
Digitally enabled transparency on key metrics for external stakeholders	2.2X	29%
Develop equitable digital products/offerings for diverse users	2.0X	25%
Create partnerships or coalitions to address social issues	1.8X	24%
Measure outcomes of social impact or social responsibility efforts	1.8X	25%
Reduction in energy consumption in offices, factories, and buildings	1.7X	19%
Digital monitoring/governance of ESG initiatives and risks	1.7X	30%
Ensure equitable selling practices	1.6X	28%
Digital enablement of employee upskilling for job performance	1.6X	26%
Real-time tracking/monitoring of risk	1.5X	41%
Software solutions, wearables to reduce employee risk	1.5X	30%

■ Governance ■ Customer outcomes ■ Operations ■ Supply chain

Source: BCG's Build for the Future Survey 2022 (n = 724); BCG analysis.

¹Defined as companies with overall average sustainability use case maturity score of 3.5 or greater out of 5 (i.e., adopting in most parts of the organization or fully deployed at scale).

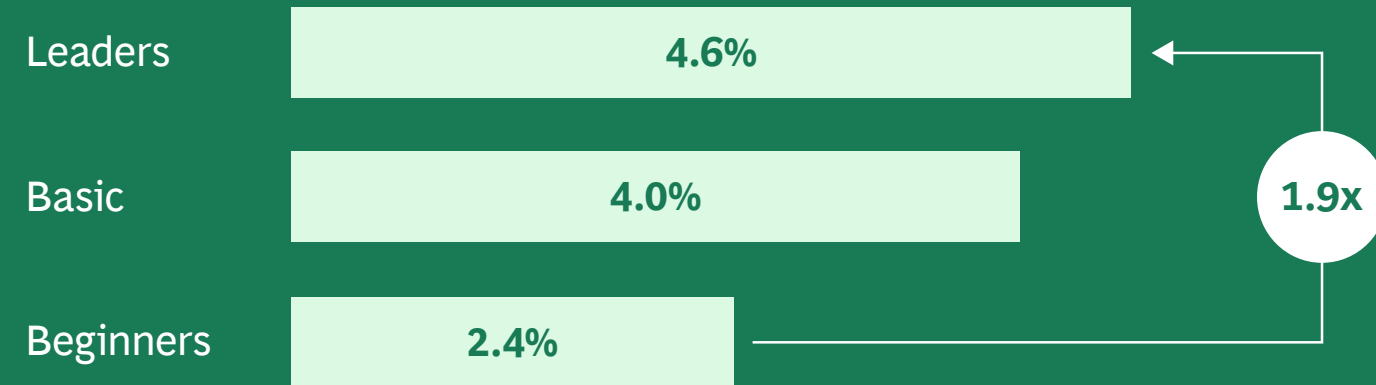
²Represents ESG use cases enabled by digital and AI. Survey question: "Have you adopted the below use cases for ESG? Rate current capability level (1–5 range where 1 is 'not deployed at all' and 5 is 'fully deployed at scale')."

³Advanced = scaling and future-built companies. Lagging = stagnating and emerging.

Driving new sustainable growth | Sustainability leaders accelerate sustainability growth through private placement and M&A transactions

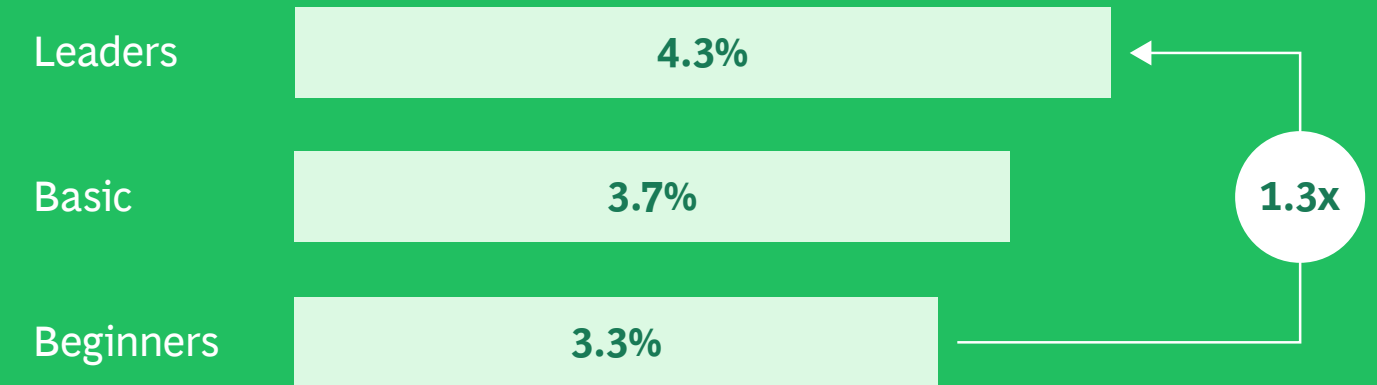
Sustainability leaders¹ conduct 1.9x as many green deal private placement transactions²

Green deal private placement transactions as a % of all private placement transactions



... and 1.3x as many green deal M&A transactions when compared to beginners

Green deal M&A transactions as a % of all M&A transactions



Source: BCG's Build for the Future Survey 2022 (n = 724); BCG analysis.

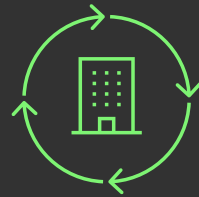
¹Defined as companies with overall average sustainability capability score of 4.0 or greater out of 5.

²BCG analysis of transactions (private placement or M&A) containing keywords such as green deal, renewable energy, sustainable energy, clean energy, green agenda, energy transition, pollution control, etc.

A company built for the future has sustainable competitive advantage by focusing on six key attributes



Alignment of leadership on a powerful purpose and strategy to integrate sustainability goals



An agile and resilient operating model to catalyze new business and sustainable growth



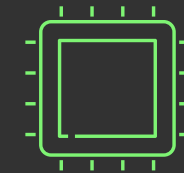
Differentiated people advantage to accelerate development of sustainability skills and capabilities



Innovation-driven culture to make existing operations sustainable and build the businesses of tomorrow

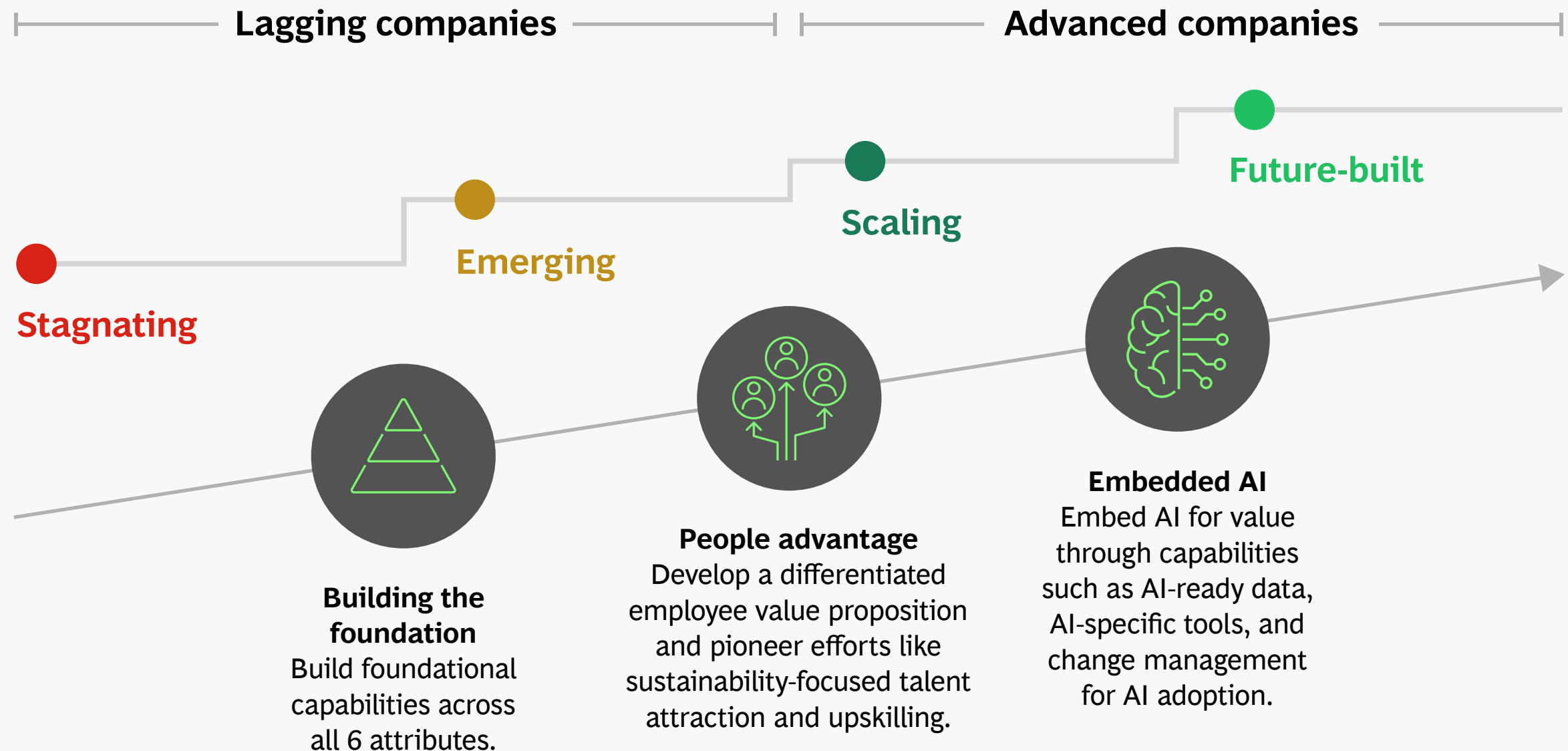


Fully embedded AI to scale performance improvements across the organization



A modern technology and data platform to realize sustainability priorities, identify opportunities for market disruption, and measure performance

All six attributes are important, but companies have different priorities based on their level of maturity



Companies have **different priorities** at each stage of the Build for the Future journey.