IMPAX Asset Management

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A lens on the transition
Trends shaping the future economy

Impax's analysis of key sustainability themes and sectoral shifts

Sector in focus:
Consumer

Sustainability and thematic perspectives

In this paper, we summarise our sector experts' views on key themes disrupting the **Consumer sector** and their impact across a set of sub-industries.

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Themes in the transition

Views built on sector expertise

Impax Sector Expert Groups, comprised of fundamental analysts from both Listed Equities and Fixed Income, meet regularly to discuss and debate investment ideas, views and themes across the sector. Every 18 months, each Sector Expert Group provides a formal review of the medium-term sustainability-related opportunities and risks facing their investment universe in collaboration with the Impax Sustainability Centre. These reviews analyse the emerging issues, risks and opportunities that are affecting the sector and the evolving role of the sector and related sub-industries in the transition to a more sustainable economy.

Informed by Impax's Sustainability Framework

Impax's Sustainability Lens Framework is a proprietary tool used by Sector Expert Groups. The Lens evaluates all GICs sub-industries in terms of their exposure to eight opportunities and nine risks that our analysis finds can be financially material for companies.

Energy & Utilities
Sustainable energy solutions
Water infrastructure & technologies

Real Estate
Community infrastructure

Financials
Access to finance

Healthcare
Health innovation

Consumer

Wellbeing Education & jobs

Materials
Nutrition
Sustainable agriculture

Technology
Digital infrastructure

Communications
Community infrastructure
Digital infrastructure

Industrials
Resource efficiency & waste management
Environmental services & climate adaptation
Sustainable energy solutions
Transport solutions

The Lens is a proprietary tool which reflects Impax's internal views and methodologies and is subject to change. Investment performance is not guaranteed.

The transition today: what we're watching across sectors

Before diving into our review of the Consumer sector, here are some highlights from recent discussions concerning the global economy at-large.

Our sector groups analyse how each sectoral transition is being impacted by multiple drivers, meeting regularly to discuss emerging and evolving shifts driven by::

Technology	Consumer	Policy	Societal shifts

Enhancing agricultural efficiency

Technology

The stability of global food systems is under mounting and converging pressure, with food and commodity supply chains particularly vulnerable to climate shocks. The Middle East conflict has compounded this volatility in food prices: disruptions to oil, gas and fertiliser flows through the Strait of Hormuz drove a 46% month-on-month rise in urea prices in early 2026, with the World Bank projecting that fertiliser prices will rise by 31% on average this year, reaching their least affordable levels since 2022.[1]

Against this backdrop, the pressure on the agriculture industry to adopt efficiency-enhancing technologies is intensifying. Precision irrigation, climate-resilient seed varieties and more efficient farm machinery are being adopted to address rising water stress, more extreme weather and volatile energy costs — with energy accounting for 40% to 50% of variable crop production costs in developed economies.[2]

For investors, this creates a dual lens: on the risk side, consumer staples companies with exposure to agricultural input costs and fragile supply chains face a structurally more volatile environment; on the opportunity side, the companies enabling greater agricultural efficiency and resilience are positioned to benefit from an accelerating and non-discretionary adoption cycle.

1 World Bank, May 2026
2 IEA, 2022: How the energy crisis is exacerbating the food crisis

EV demand at a regional crossroads

Consumer

The electric vehicle (EV) story so far in 2026 has been defined by a sharp divergence between the US and the rest of the world. In the US, the picture has deteriorated: new battery-EV registrations fell 28% year-on-year in Q1 2026 following the expiry of a US$7,500 federal tax credit in October 2025. Meanwhile, major automakers have been cancelling planned manufacturing investments in the US and rethinking all-electric strategies.[3] The market is not collapsing, however, and used EV demand has hit record highs. Nonetheless, the near-term growth trajectory has been meaningfully reset.

The story in Europe is starkly different. Across Europe's five largest markets, battery EV sales surged 36% in Q1 2026, propelled by renewed government purchase incentives and the spike in fuel costs linked to conflict in the Middle East.[4] Adoption rates vary significantly between major markets: while EVs accounted for 55% of new car sales in China in 2025, the US figure is 10%.[5] The interesting question for investors is therefore not whether consumers want EVs, but how differences in energy security concerns and policy support create implications for where EV supply chains, battery investment and car manufacturers' strategies are headed.

3 Cox Automotive, March 2026
4 Strategy&, May 2026: Electric Vehicle Sales Review Q1-2026
5 IEA, 2026: Global EV Outlook 2026

Forward-looking statements are not guarantees of future performance. Actual results may differ.

Regulatory clampdown on PFAS

Policy

Per- and polyfluoroalkyl substances (PFAS), or so-called ’forever chemicals’, are synthetic compounds used across a vast range of consumer and industrial products. Their persistence in the environment and links to serious health impacts have made them subject to accelerating scrutiny from global regulators.

2026 marks a significant tightening of rules in the EU. France’s ban on PFAS in cosmetics, clothing textiles, footwear and waterproofing agents came into force on 1 January and the EU’s Packaging and Packaging Waste Regulation introduces PFAS concentration thresholds for all food-contact packaging across the bloc from August.[6] Meanwhile, the European Chemical Agency’s Committee for Socio-Economic Analysis is expected to adopt its final opinion on the most comprehensive PFAS restrictions ever proposed under its REACH regulations by the end of 2026.[7] This measure would affect manufacturers across electronics, automotive, consumer goods and medical devices.

In the US, the picture is more fragmented: the Environmental Protection Agency has refocused federal PFAS priorities on the two most harmful compounds: PFOA and PFOS.[8] Meanwhile, state-level regulation continues to accelerate in parallel, with new prohibitions and reporting requirements taking effect across six states at the start of 2026.[9] For companies with global supply chains, navigating this patchwork of overlapping and diverging requirements is a material operational and legal challenge.

6 Pinsent Masons, March 2026: PFAS regulation in the EU
7 Certivo, March 2026: EU REACH PFAS Restriction Proposal
8 DLA Piper, June 2026: 2026 mid-year PFAS update
9 Morgan Lewis, January 2026: State Regulation of PFAS in Consumer Products Continues to Gain Momentum in 2026

A fertility crisis across regions

Societal shifts

A global fertility crisis is reshaping the demographic foundations of major economies. The EU’s population is projected to peak this year, before beginning a gradual decline. Italy and Spain have recorded fertility rates of 1.2 and 1.1 respectively – barely more than half the rate of replacement.[10, 11] Germany, Japan and South Korea have meanwhile all become ‘super-aged’ societies in which more than one-in-five people are over-65.[12] Pro-natalist policies have repeatedly failed to move the dial and the direction of travel across most developed economies is clear.

As well as having macroeconomic implications – more youthful emerging markets are likely to boast more growth potential – these demographic shifts support opportunities in several areas. Potentially the most direct opportunity is in assisted reproduction. The World Health Organization estimates that approximately one-in-six adults globally now experiences infertility.[13] As challenges conceiving and delayed parenthood become more common, driving up demand for fertility treatment, assisted reproductive technologies are being adopted at growing scale: more than three million treatment cycles are now reported annually.[14]

Meanwhile as societies continue to age, demand will structurally rise for providers of senior housing and specialist care, as well as for treatments targeting age-related conditions. Automation and labour productivity technologies also look set to benefit as workforces shrink and technologies advance.

10 European Commission, 2025: Fertility and migration, and population decline – The EU at a demographic crossroads
11 Eurostat, March 2026: Fertility Statistics
12 Population Reference Bureau, 2020: Countries with the Oldest Populations in the World
13 World Health Organization, 2023: 1 in 6 people globally affected by infertility
14 European Society of Human Reproduction and Embryology, 2025

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Sector in focus: Consumer

Sustainability **opportunities** include:

Meeting basic needs, improved wellbeing and access to healthcare.

The consumer sector, spanning consumer staples and discretionary, is closely aligned with the opportunity to address fundamental human needs, support wellbeing and broaden access to essential goods and services. Companies focused on affordable nutrition, personal care and household products play a direct role in meeting basic needs.

At the same time, wellbeing has emerged as a powerful growth theme: the global wellness economy is estimated to have doubled in size since 2013, growing by 8% in 2024.[15] Rising consumer awareness around physical and mental health is reshaping demand toward functional foods, preventative health products and services that support long-term quality of life. The sector is also becoming an important channel for democratising access to healthcare-adjacent products, from over-the-counter therapeutics to wearable health monitoring. As digital and AI-enabled personalisation accelerates, many consumer companies are increasingly well positioned to tailor offerings to individual health and wellness needs at scale.

Together, we believe these trends create a widening opportunity set for companies enabling more accessible, affordable and human-centred consumption.

Sustainability **risks** include:

Product liability, pollution and waste externalities.

At its core, the consumer sector faces a fundamental tension that distinguishes it from other sectors: sustainable investment in consumption is inherently complicated by the reality that reducing environmental harm may ultimately require consuming less, not simply consuming differently. This structural challenge sits beneath all other risks. Companies whose growth models depend on volume expansion face a more challenging long-term narrative, with growing scrutiny from investors around whether incremental efficiency gains are sufficient.

Against this backdrop, product liability exposure remains significant: from safety failures and mislabelling to health claims that invite regulatory scrutiny, risks are rising as standards around ingredient transparency and product integrity tighten. The sector is also a major contributor to pollution and waste externalities: on average, 0.58kg of chemicals are used in the production of 1kg of textiles.[16] Single-use packaging, synthetic materials and chemical-intensive production generate substantial environmental costs that are increasingly being internalised through extended producer responsibility legislation.

Together, we believe these dynamics create a broadening set of risks for companies that fail to embed supply chain accountability and circular economy principles into their core operating models.

15 Global Wellness Institute, 2025: Global Wellness Economy Monitor 2025
16 Ellen MacArthur Foundation, 2017: A New Textiles Economy: Redesigning Fashion's Future

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Lens sustainability **opportunities** and **risks**

Access to finance

Digital infrastructure

Enhancing productivity

Meeting basic needs

Resource efficiency

Healthcare access and innovation

Wellbeing and nutrition

Addressing climate change and pollution

Health & safety vulnerability

Labour constraints

Pollution & waste externalities

Supply chain dependency

Product liabilities (including cybersecurity)

Bribery & corruption

Resource constraints (including biodiversity)

Climate – transition & physical

Anti-trust and government regulation

	Opportunities	Risks
Automotive Parts & Equipment	High	High
Homebuilding	High	Neutral
Education Services	High	Low
Automobile Manufacturers	Neutral	High
Restaurants	Neutral	High
Broadline Retail	Neutral	High
Food Retail	Neutral	High
Merchandise Retail	Neutral	High
Consumer Electronics	Neutral	Neutral
Leisure Products	Neutral	Neutral
Footwear	Neutral	Neutral
Drug Retail	Neutral	Neutral
Household Products	Neutral	Neutral
Leisure Facilities	Neutral	Low
Household Appliances	Neutral	Low
Tobacco	Low	High
Packaged Foods & Meats	Low	High
Apparel, Accessories & Luxury Goods	Low	Neutral
Brewers	Low	Neutral
Home Furnishing Retail	Low	Low

High / Low / Neutral

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Themes in focus: Consumer

Key themes driving the sector over the next one to two years

01 A new generation of consumers is encouraging a shift towards a more circular economy and more transparent supply chains

- Recommerce platforms are gaining significant traction among younger consumers, with 31% of digitally-native 'Generation Z' (Gen Z) expecting brands to offer resale options, reflecting a broader backlash against the waste of fast fashion.[17] This shift in preferences is translating into tangible market growth: the global second-hand fashion and luxury market is expanding at 10% a year - three times faster than the first-hand market - and is expected to reach up to US$360bn by 2030.[18]
- Brands such as Lululemon, Patagonia and Lands' End are responding to this demand by partnering with third-party providers to offer 'resale-as-a-service', rather than building resale infrastructure in-house. For investors, these enablers can offer exposure to the recommerce theme but with lower capital intensity and reduced sensitivity to the unit economics of individual resale transactions.
- Traceability is important to consumers of all ages, both to authenticate the provenance of resold items and to validate sustainable sourcing claims. Consumers are increasingly suspicious of greenwashing. This includes older cohorts, 64% of whom say supply chain transparency increases brand trust.[19] Consumer preferences for more sustainable supply chains are underpinned by regulatory tailwinds, with the EU's Corporate Sustainability Reporting Directive and Deforestation Regulation, California's Transparency Act and Germany's Supply Chain Act all putting pressure on smaller retailers and larger firms alike.

17 Russell, Z., March 2026: Survey: Transparency, resale options key for sustainability-minded millennials, Gen Z. *Chain Store Age*
18 Boston Consulting Group & Vestiaire Collective, October 2025: Resale's Next Chapter
19 Russell, Z., March 2026: Survey: Transparency, resale options key for sustainability-minded millennials, Gen Z. *Chain Store Age*

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02 Health and wellness, supported by wearable technologies and uptake of GLP-1s, is changing consumer preferences

- There is an ongoing shift from treating illness to preventing it, with consumers increasingly prioritising their 'healthspan'. The global wellness economy reached US$6.8 trillion in 2024, growing at nearly 8% year-on-year and consistently outpacing global GDP growth, according to the Global Wellness Institute.[20]
- Uptake of smartwatches and apps to monitor health is serving a market desiring greater health awareness and optimisation, with 92% of smartwatch users now relying on their devices for health and fitness tracking. The global smartwatch market is forecast to grow by 8% a year over the next five years, reaching US$52bn by 2031.[21]
- The wellness trend is reshaping demand across food and personal care. Consumers are trading up to functional nutritional products containing high-value components, such as added protein and probiotics, and brain-boosting drinks. Demand for gentle skincare products is also rising, including among younger cohorts.
- These trends are compounded by the impacts of growing demand for appetite-suppressing GLP-1 drugs. The GLP-1 market is at an inflection point due to widening Medicaid/Medicare eligibility in the US, the expansion of non-US markets and the development of oral alternatives. Wider adoption is likely to reinforce demand for healthier diets and lifestyles, negatively affecting fast food retail and packaged goods.

03 The AI-enabled consumer: personalisation, efficiency and new competitive moats

- The application of AI technology is rapidly evolving from tools that reduced costs (such as in customer service, logistics and inventory management) to those that can drive growth through better-quality servicing, most notably hyper-personalisation. According to McKinsey, personalisation can drive up to 15% revenue uplift and increase marketing efficiency by 30% for e-commerce businesses.[22] Amazon attributes up to 35% of its revenue to AI-driven recommendations.[23]
- Value is therefore migrating to companies with proprietary first-party consumer datasets, including transaction histories, behavioural signals and preferences, which are best positioned to update consumer preferences in real-time, integrating purchase history, browsing, social media and location data to increase conversion. Yet despite 66% of customers expecting companies to understand their individual needs, only 34% believe companies actually do.[24]
- AI also carries a meaningful sustainability co-benefit that is becoming a commercial advantage in its own right. AI-driven efficiencies in inventory management, route optimisation and waste reduction can support profit growth while reducing carbon intensity, with food retailers experiencing the largest reductions. A study by Retail Economics found that retailers who embraced AI-driven sustainability practices saw their carbon intensity fall by 25%.[25]

20 Global Wellness Institute, 2025: 2025 Global Wellness Economy Monitor
21 Statista, June 2026: Smartwatches - Worldwide
22 McKinsey & Company, 2024: The Value of Personalization at Scale
23 Firney, November 2025
24 Salesforce, 2024: 6th Edition of State of the Connected Customer
25 Retail Economics, 2024: Transformative AI: Maximising efficiency while minimising carbon

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Growing opportunities

Sub-industry in focus:
Broadline retail

The sub-sector captures retailers offering a wide range of consumer discretionary goods, including general and discount merchandise retailers, department stores and online retailers and marketplaces. It can support resource efficiency, digital infrastructure and meeting basic needs.

How are opportunities changing?

Many broadline retail platforms, especially online marketplaces, are well-placed to help satisfy consumers' growing preference for resale options. The second-hand market accounted for an estimated 10% of global clothing spending in 2025.[26]

Demand from consumers for greater supply chain transparency, and the need to authenticate resold goods, promises to create opportunities for companies that offer retailers with transparency and authentication services.

These platforms, and broadline retailers more generally, can capitalise on the application of AI to more accurately meet consumer preferences. The acquisition, management and analysis of data will be a key source of differentiation in this emerging era of 'hyperpersonalisation'. Innovative retailers can look to increase their share of wallet by leveraging assorted sources of data – from transaction history to social media – to offer products or services tailored to individual consumer preferences.

Hyper-personalisation also offers great potential for waste reduction, and so margin enhancement. Markdowns, overstocking and item returns all carry financial and environmental costs. Returns represent a particularly acute waste problem: 86% of US shoppers returned at least one item in the past year, with many returned products ending up in landfill due to the cost of processing them.[27]

Additionally, AI can increasingly be leveraged by retailers to better assess consumer creditworthiness. Enhanced credit underwriting should enhance risk management and help extend credit to previously underserved segments. This is likely to be particularly useful in emerging markets where banking penetration – and so traditional evidence of creditworthiness – is typically lower.

How are risks changing?

Trends in retail marketing pose risks to traditional advertising agencies who risk being increasingly disintermediated by the rise of social media. Digitally-native retailers and platforms are increasingly able to market directly to their customers, or via influencers and other non-traditional forms of advertising.

Meanwhile, despite ongoing cost pressures, customer cohorts – particularly Gen-Z – remain concerned over sustainability issues than older generations. These concerns could begin to ramp up pressure on fast-fashion companies given the contribution of 'wear-it-once' items to the 92mn tons of textile waste that are estimated to be generated annually.[28]

An additional risk faces online retailers and platforms: the potential for regulatory intervention on dynamic pricing. For example, Chinese regulators have intervened in algorithm-based pricing in online shopping on anti-monopoly grounds.[29]

26 Thredup, April 2026: 2026 Resale Report
27 The Future of Commerce, 2025: Retail returns: Stats reveal what consumers hate and how to tackle the problem
28 Aponte, N.O. et al., 2023: Fast fashion consumption and its environmental impact: a literature review. *Sustainability: Science, Practice and Policy*
29 Feng, C., 17 November 2025: China targets AI-powered price manipulation in new antitrust guidelines. South China Morning Post

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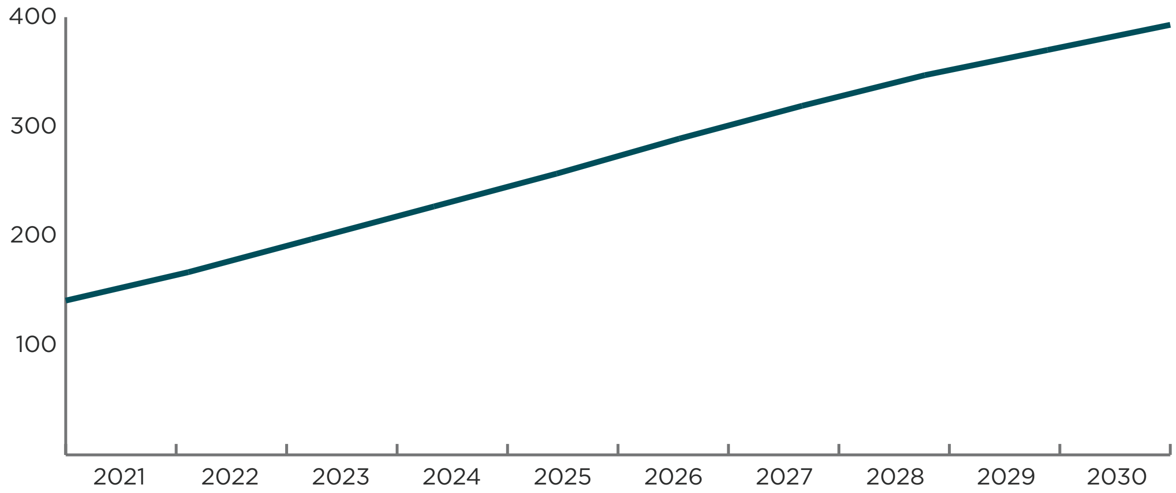
Key uncertainties and milestones to watch

The ability of various segments of the retail sector to utilise AI to meaningfully boost earnings will vary. Larger retailers boast the advantages of scale. However, conversely, consumers looking for a more ‘authentic’ and personalised retail experience may be attracted to more specialist retailers aligned with their values.

Pre-loved items are in fashion

Estimated value of global second-hand clothing market (US$bn)



Source: Thredup, April 2026: 2026 Resale Report

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Sub-industry in focus:
Leisure facilities

Growing opportunities

This sub-sector includes owners and operators of leisure facilities, including sport and fitness centres, stadiums, golf courses and amusement parks, excluding those in the Movies & Entertainment sub-industry. Its contribution to sustainability is through its positive effects on health and wellbeing.

How are opportunities changing?

The global leisure market – including tourism, entertainment and arts and culture – is valued at between US$5tn and US$8tn, according to Barclays estimates.[30]

There is growing demand for in-person leisure activities, partly as a response to the social isolation driven by digital and social media. A 2025 survey by the American Psychological Association found that over half of US adults reported feeling isolated, left out or lacking companionship some of the time.[31] Leisure facilities are well placed to address this. Nearly half of Gen Z cite community as the primary reason they remain loyal to their fitness facility, pointing to the gym's evolving role as a social anchor as much as a fitness venue.[32]

The broader shift in focus towards preventive health is translating into structural growth in gym membership. US fitness facility membership rose 5.6% in 2024,[33] extending the industry's strongest two-year growth streak on record, with one-in-four Americans now holding a gym membership.[34] Younger generations are far more likely to use fitness facilities (see chart on page 13).

Rising adoption of GLP-1 drugs is a further structural tailwind for the sector. A recent survey found a three-percentage-point increase in gym memberships after starting the medication, with 72% reporting they were working out more often.[35] Users of weight-loss drugs are clinically advised to exercise to preserve muscle mass and bone density, while weight loss itself reduces joint and back pain, lowering the barrier to physical activity.

How are risks changing?

The leisure sector is driven by discretionary spending and so is vulnerable to a weakening economic outlook. In the last quarter of 2025, for example, UK spending on gym memberships and playing sport declined by 5.2%, according to figures from Deloitte.[36]

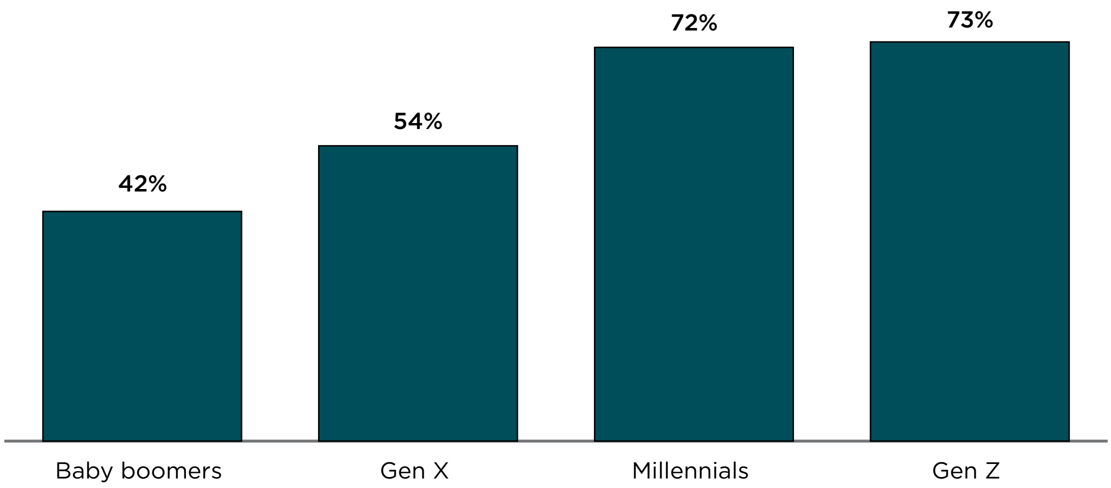
30 Hargreaves, R., 6 April 2026: How to profit from the global leisure and travel boom. *Moneyweek*
31 American Psychological Association, 2025: Stress in America 2025
32 Glofox, March 2026: Gym Membership Statistics You Need to Know
33 Health & Fitness Association, October 2025: How 77 Million Fitness Members Work Out
34 Glofox, March 2026: Gym Membership Statistics You Need to Know
35 Freedman, A., 19 May 2026: GLP-1s Are Boosting Gym Memberships, Data Shows. *Athletech News*
36 Deloitte, February 2026: Leisure sector quarterly update

Key uncertainties and milestones to watch

The sector benefited from a post-pandemic bounce as the removal of restrictions on in-person gatherings boosted sport and fitness centres. That bounce has ended, with membership and attendance figures reverting to pre-pandemic norms.

Gym Z

Share of US generations using fitness facilities



Source: Glofox, March 2026: Gym Membership Statistics You Need to Know.

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Sub-industry in focus: Packaged foods and meats

Worsening risks

This sub-sector includes producers of packaged foods including dairy products, coffee, tea, fruit juices, meats, poultry, fish and pet food. It can contribute to meeting basic needs.

How are opportunities changing?

Opportunities are emerging for segments of the packaged food market to meet evolving consumer preferences. Within fish and meat, for example, sourcing transparency is becoming a meaningful point of differentiation. Producers like Wild Planet source tuna via pole-and-line methods with less than 0.1% bycatch, while Farmer Focus offers fully traceable chicken with a farm ID on every product.[37] In dairy, an interesting growth channel is functional reformulation to meet consumer demand for healthy products like probiotic drinks.

Within pet food, the combination of demand for higher-quality nutrition and better sustainability credentials is creating one of the more durable structural growth stories in the broader packaged food space. Overall, the pet care market is valued at US$207bn, with cat food being the fastest-growing segment between 2020 and 2025.[38] Notably, 44% of pet food ingredients are now sourced from upcycled materials (animal byproducts and co-products from human food manufacturing).[39]

How are risks changing?

The packaged foods and meats sub-sector has faced pressure for some time from consumers' growing preferences for healthier and organic foods. A recent survey of UK consumers found 26% plan to reduce their consumption of ultra-processed foods in 2026; 23% plan to reduce their sugar, fat and salt intake.[40]

Increased use of weight-loss medication (GLP-1s) is also likely to lower demand for packaged foods. The introduction of generic weight-loss drugs, their uptake by public health systems, and the roll-out of oral alternatives to injections is projected to increase use dramatically. It is estimated that in the US alone, around 25mn people will be on GLP-1 treatments by 2030, up from around 10mn in 2025.[41] This is likely to have profound impacts on patterns of food consumption: research suggests that consumers taking a GLP-1 for weight loss reduce their daily food consumption by more than 700 calories.[42]

37 New Hope Network, 2020: 5 companies innovating in 'responsible meat and dairy' trend
38 Euromonitor International, November 2025: World Market for Pet Care 2025. The cat food segment grew by 6% a year between 2020 and 2025.
39 North Central Companies, November 2025: Trends in Pet Food Ingredients: What's Driving Demand in 2025 & Into 2026
40 YouGov/AHDB Pulse survey, November 2025
41 IQVIA data in JP Morgan, February 2026: How demand for (and supply of) weight loss drugs is playing out in 2026
42 Dilley, A. et al., August 2025: Characteristics and food consumption for current, previous, and potential consumers of GLP-1 s. *Food Quality and Preference*

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Key uncertainties and milestones to watch

There are some indications that the trend towards rising rates of vegetarianism has plateaued.[43] Many meat alternative products have failed to meet consumer expectations on taste or price. Moreover, the highly processed nature of many meat alternatives has discouraged uptake on health grounds.

Similarly, many users of GLP-have been encouraged to increase protein consumption in response to the side-effect of muscle loss. Rising adoption of weight-loss medication could therefore potentially increase demand for meat products.

43 Marsh, S., 21 February 2026: 'Doubling down on meat': is the UK's love affair with vegetarian food over? *The Guardian*

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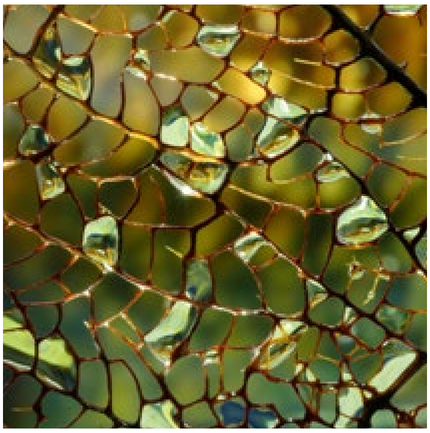
Important information

A lens on the transition: trends shaping the future economy

Sector in focus: Consumer



Sustainability Lens methodology

The Impax Sustainability Lens is a proprietary rules-based framework which seeks to identify investment opportunities and risks associated with the transition to a more sustainable economy, based on Impax's fundamental insights. More information is available upon request.

The Sustainability Lens tool reflects Impax's internal views and methodologies and is subject to change. Investment performance is not guaranteed.

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