

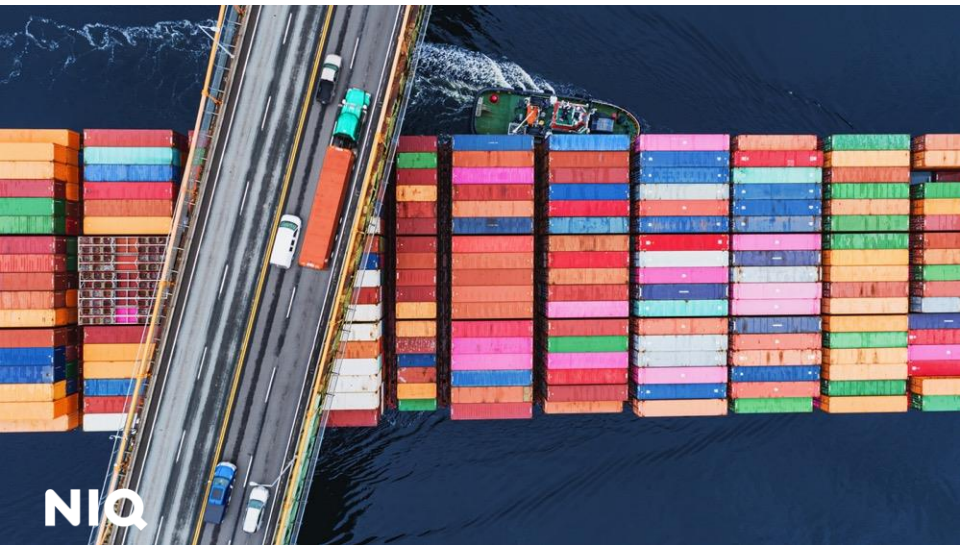
The evolving business case for sustainability

Expo West 2023

Sherry Frey, VP Total Wellness



NIQ



*We are the world's
consumer intelligence
company.*

Governance and cost will accelerate momentum beyond consumer demand

Role of governance and mandates

- Financial reporting requirements
- Sustainable investment
- Fines and taxes
- New legislation



Exploding costs due to the impact of climate change

- Rising energy prices
- Rising cost of goods
- Supply chain disruption



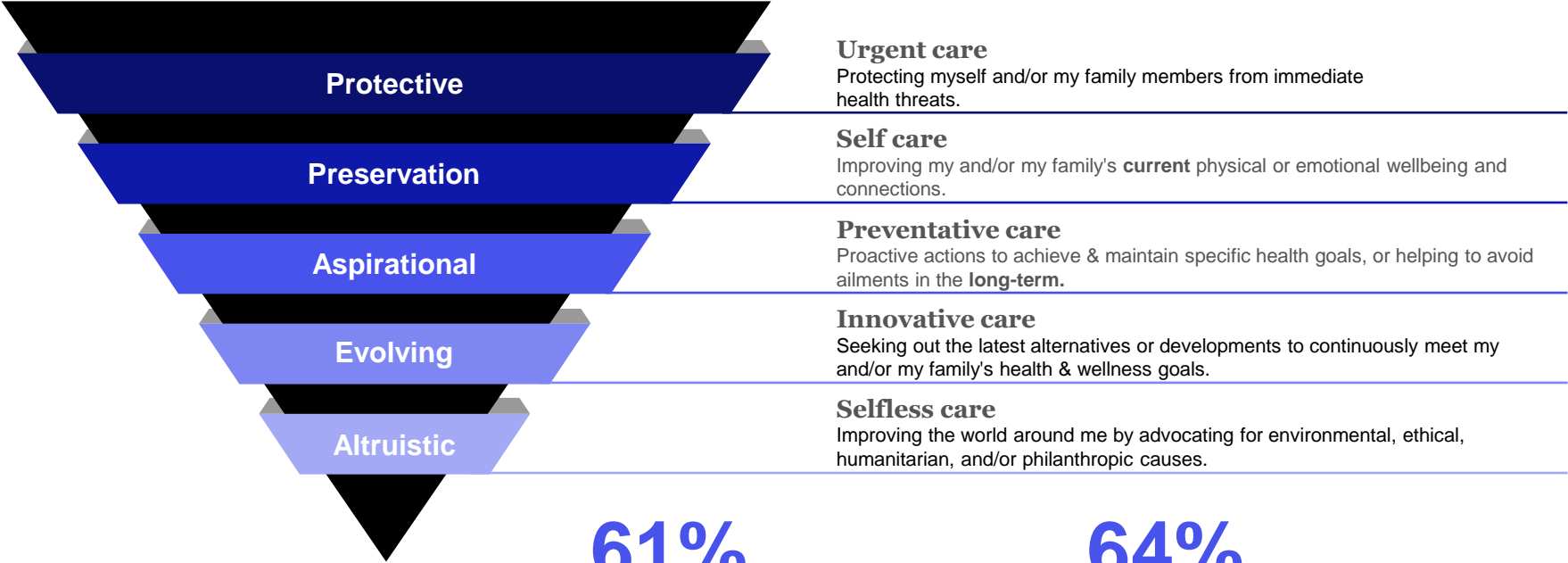
Escalating consumer demand

- Cost of living stress
- Availability of choice

- Shifting values & attitudes



Total Wellness Consumer Needs



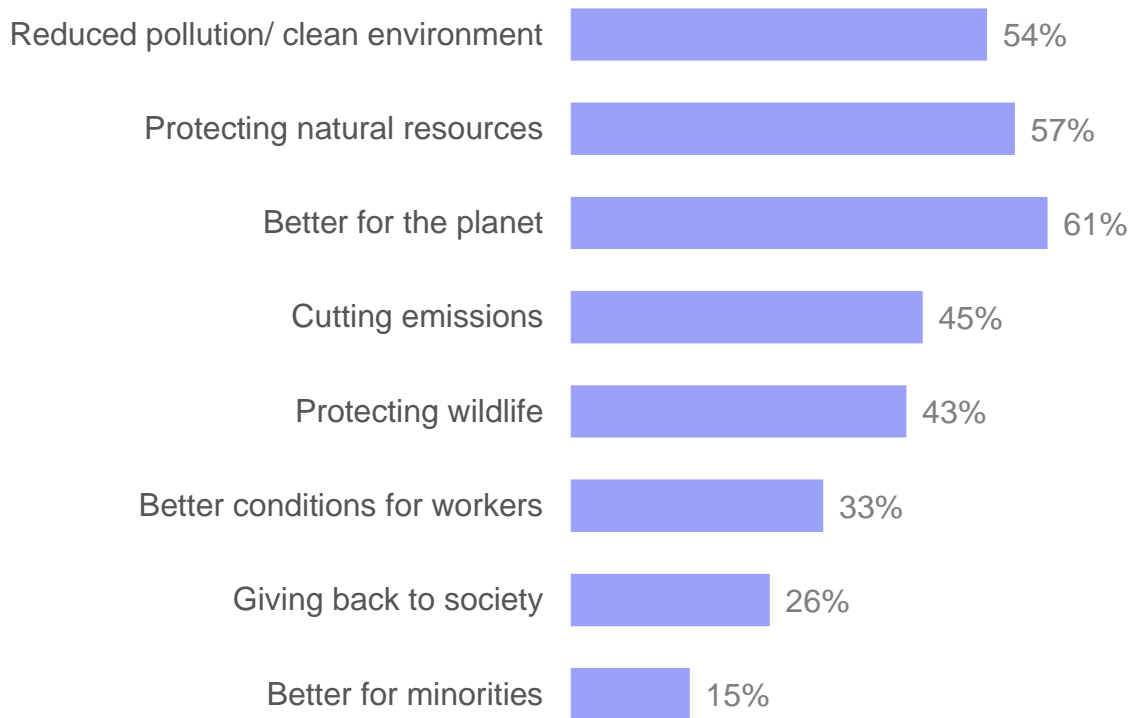
61%

Agree *environmental issues* are having an *adverse impact* on their current and future health

64%

Will pay more for products supporting communities and vulnerable groups

Sustainability means different things to people

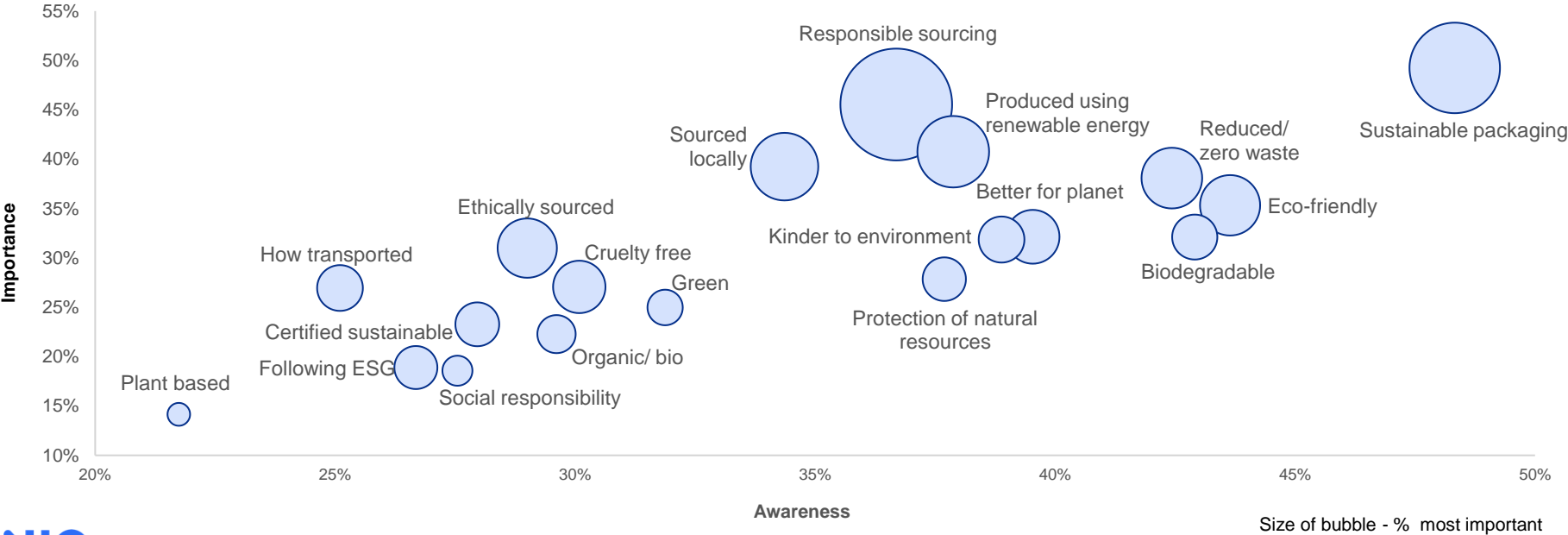


Source: NielsenIQ 2023 Sustainability Report. Q. When people talk about sustainability, it might mean different things to different people. In this list, what does it mean for you?

What makes a brand sustainable?

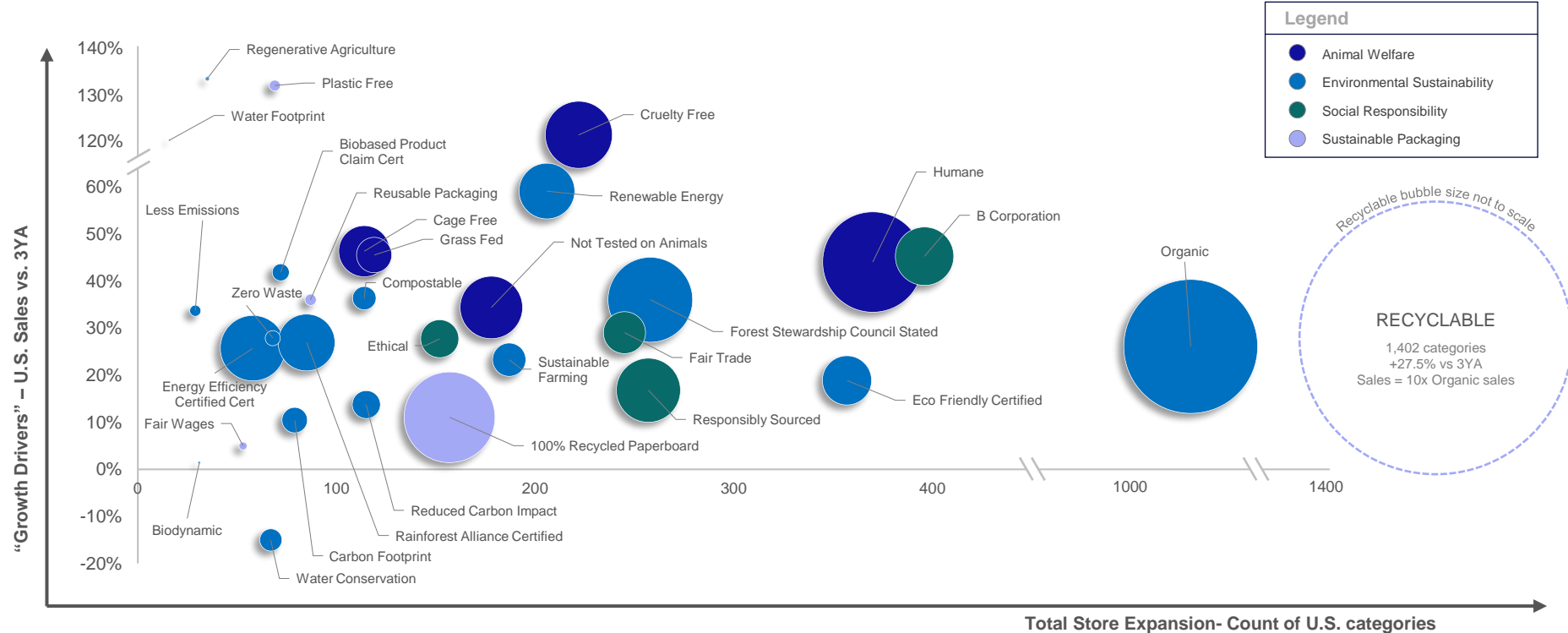
Is there a disconnect between companies and consumers?

Claims that make a brand *sustainable*



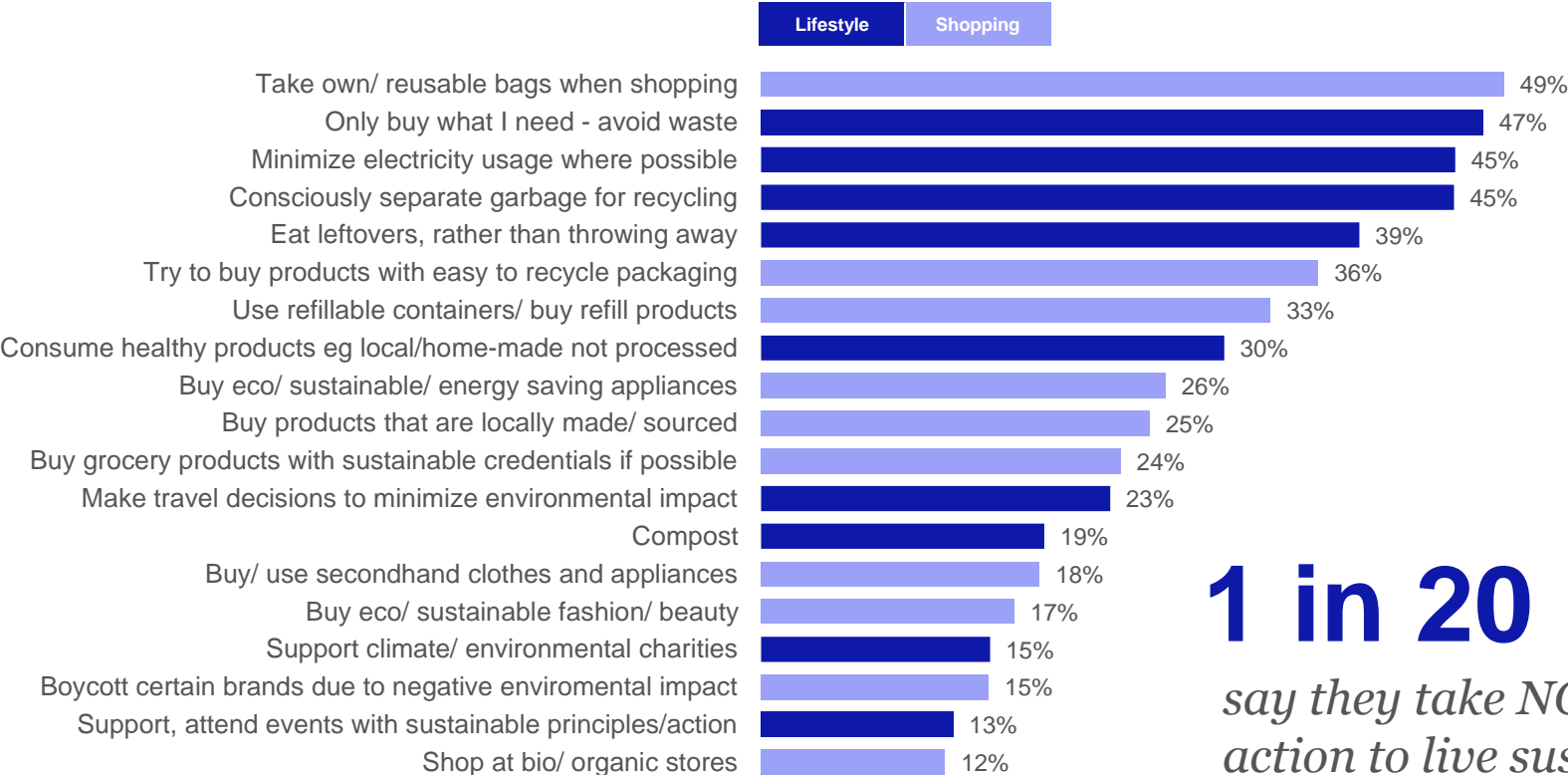
Source: NielsenIQ 2023 Sustainability Report - Q: Coming back to grocery brands, which of these claims do you believe make a brand "sustainable"?

Sustainability claims growing across the store



NIQ Bubble size denotes total sales in L52 week All attributes represent claims STATED on package unless indicated by an * symbol
 Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US xAOC; 52 weeks W/E 11/05/22 vs 3YA

Consumers trying to live sustainably



1 in 20
*say they take NO
 action to live sustainably*

The foundations of approaching sustainability



Protect

Stay compliant and protected



*Today's
Conversation*

Differentiate

Make sustainability a competitive differentiator



Collaborate

Build connections, horizontally and vertically, to address sustainability challenges you can't address alone

Methodology: based on label scans, products were tagged as having or not having 90+ claims spanning 6 pillars

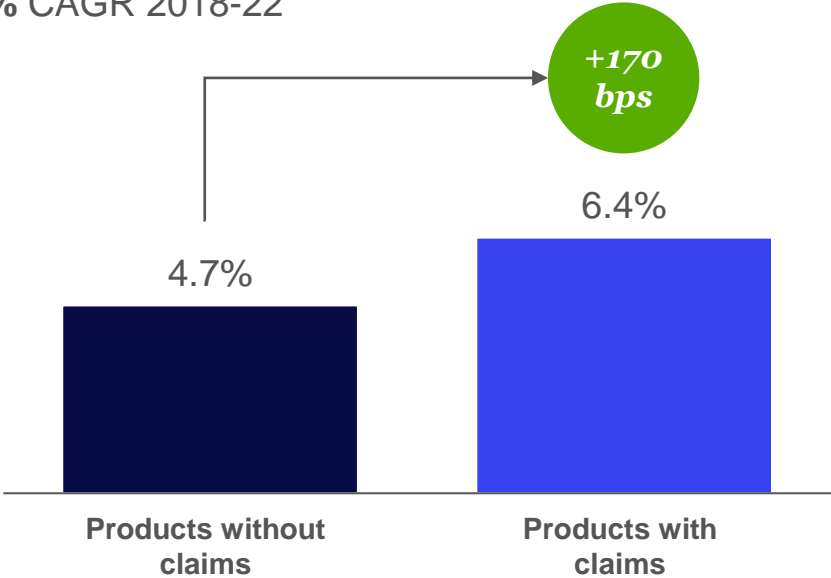


Types of claims	Animal Welfare	Environmental Sustainability	Organic Positioning	Plant Based	Social Responsibility	Sustainable Packaging
<i>Sample claims</i>	<ul style="list-style-type: none"> ▪ Cage free ▪ Cruelty free ▪ Farm raised ▪ Grass fed ▪ Pasture raised ▪ Not tested on animals 	<ul style="list-style-type: none"> ▪ Compostable ▪ Eco friendly ▪ Cradle to cradle ▪ Reduced carbon impact ▪ Sustainable palm oil 	<ul style="list-style-type: none"> ▪ Organic certification ▪ Organic marketing ▪ EU Organic Farming 	<ul style="list-style-type: none"> ▪ Plant based ▪ Vegan 	<ul style="list-style-type: none"> ▪ B Corporation ▪ Ethical ▪ Fair wage ▪ Responsibly sourced 	<ul style="list-style-type: none"> ▪ Eco friendly packaging ▪ Less packaging ▪ Plastic free ▪ Reusable packaging ▪ Biodegradable

Evaluated total store: 32 super categories, ~\$400B in retail sales, and ~550K products

Is sustainability driving growth?

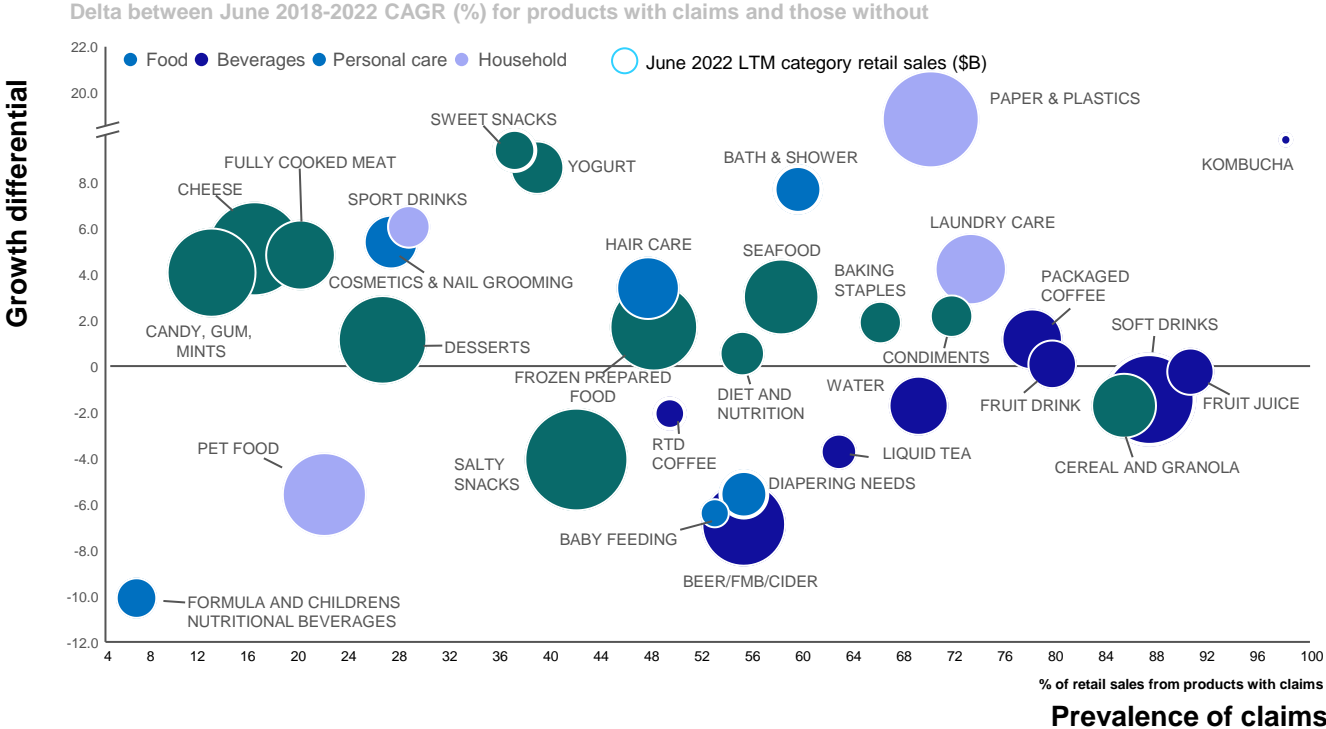
Retail Sales Growth Rate,
% CAGR 2018-22



Across **32 categories analyzed**, products with claims have experienced **170 bps p.a.** (8.1% cumulative) **more growth in the past five years** than products without them

CPG categories are not a monolith

Products with claims are growing faster than those without these claims in 20 out of 32 categories



Who is driving sustainability growth?



Private label and smaller challenger brands saw most frequent outsized growth for products with claims vs. larger brands



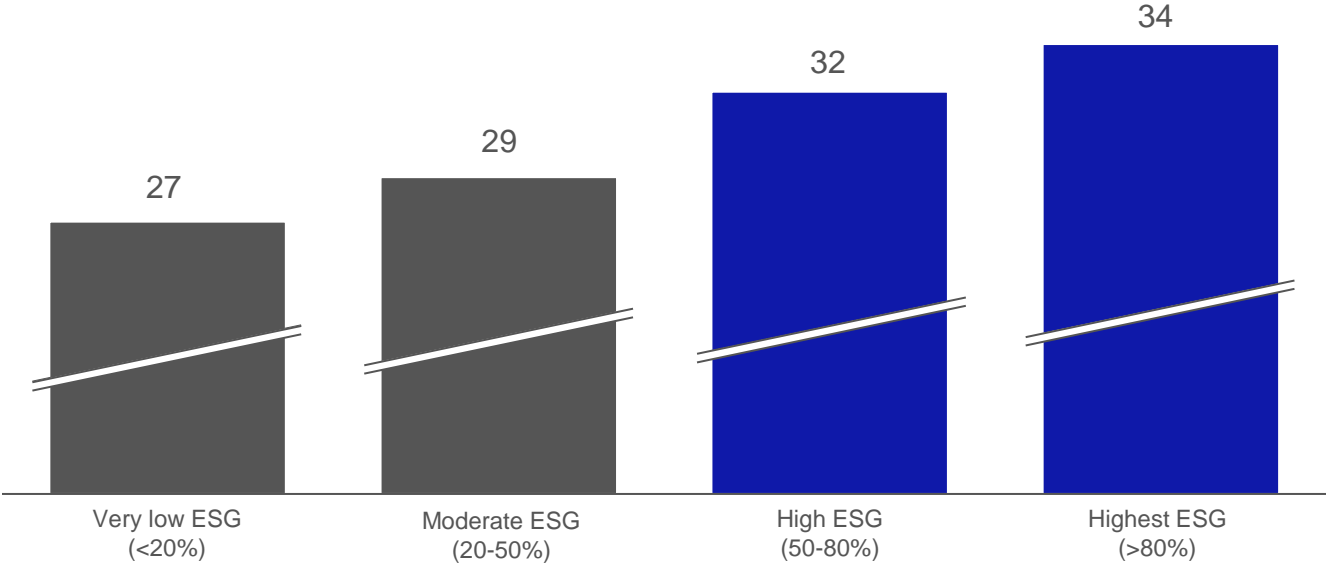
Claims are playing more of a differentiating role for established products than for new



Headroom abounds – even high prevalence claims offer upside for late adopters

Brands with a higher degree of ESG1-related claims enjoy higher loyalty

Brand repeat rate¹ by ESG-brand groups, % of households buying 3+ times



Brands with >50% of sales from products with ESG-related claims achieve repeat rates of up to 34%

% of a brand sales coming from products with ESG-related claims

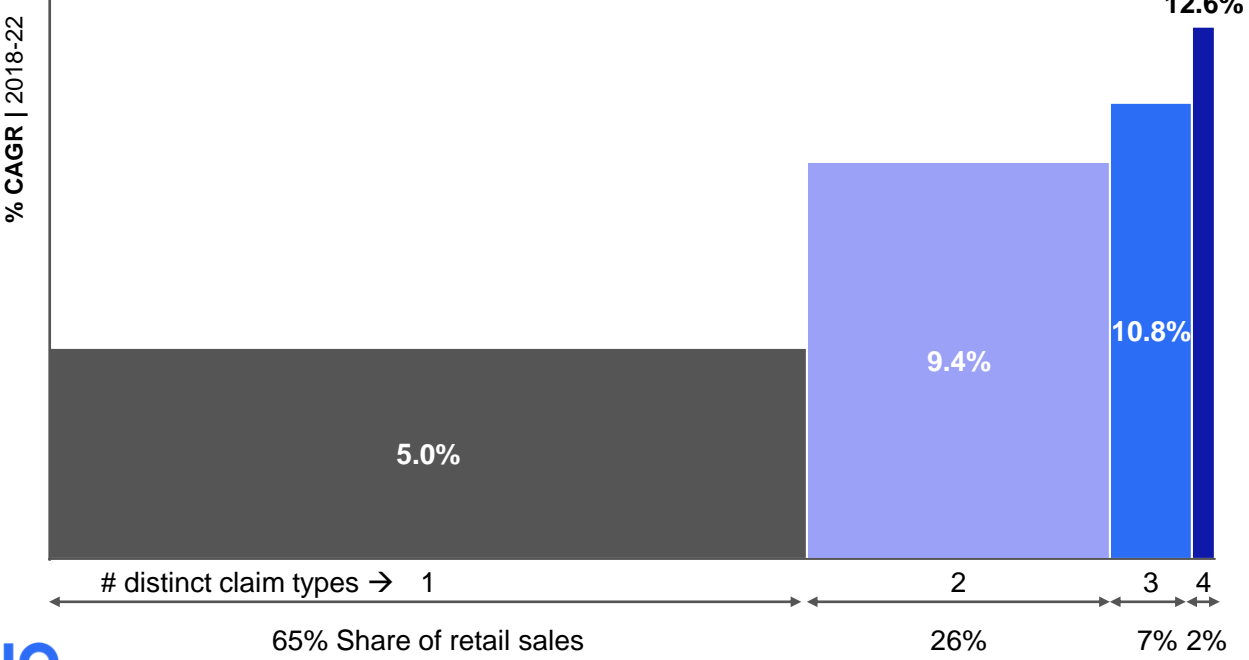


+2% differential CAGR for products with 40%+ prevalence over those without claims, +5% for products with 10-40% prevalence); Brands with a higher % of sales from products with claims enjoy greater loyalty (higher repeat rates)

Products with more types of claims grow ~2x faster than those with only one type of claim

Few products move beyond one claim

CAGR by number of types of claims touched by a product, %¹



Stacking claims across pillars is associated with faster growth

- Animal welfare
- Environmental sustainability
- Social responsibility
- Sustainable packaging

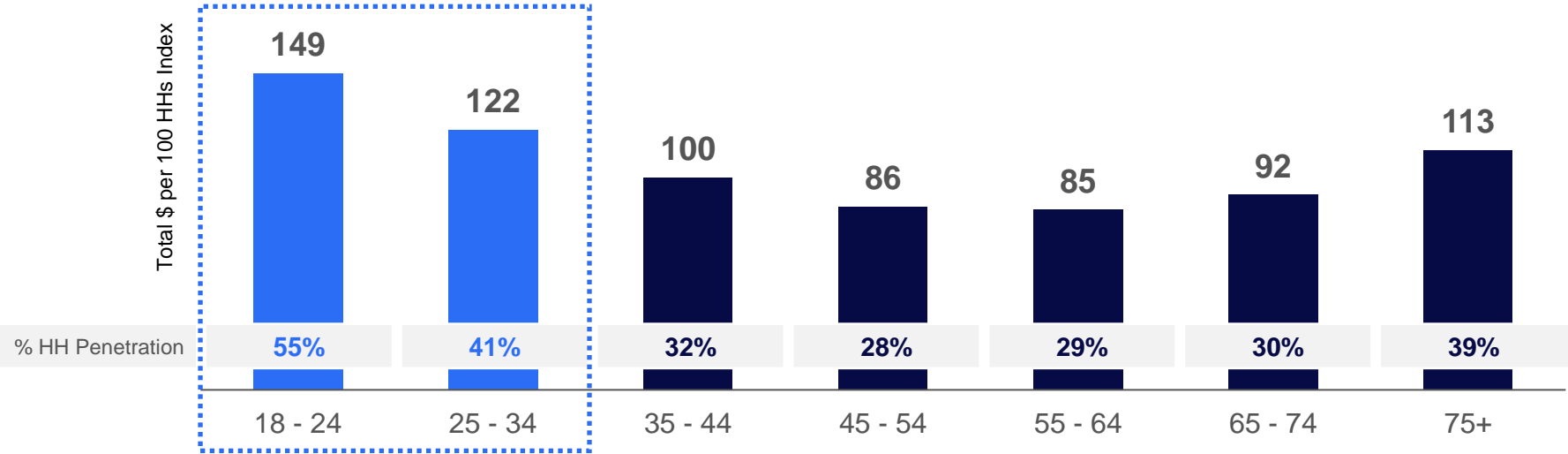


1. 6 types of claims exist - 4, 5, and 6 type scenarios not included due to low sample size
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Young consumers indicating sustainability importance will grow greater

Number of environmentally-conscious 18 to 34-year-olds is greater than all other age groups

All Environmental attribute purchases by low-usage households



Source: NielsenIQ Spectra Homescan Panel; Consumer Profile by Demographics; Total US; \$ per 100 HHs Index –May 2022 YTD Sales and 2021 Census



Kelly Stockdale
KeHE



Eric Schnell
Beyond Brands



Errol Schweizer
Errol Schweizer, LLC

Join us on March 14

Delivering on the Sustainability Promise

to learn how to leverage data into insights



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44% of consumers are very likely to choose a retailer if offered rewards/incentives for sustainable choices like reduced waste/recycling

Reward sustainable behavior

to help shoppers make sustainable choices (e.g. loyalty points, discounts, or support of environmental charities)



Create sustainable aisles

to facilitate easier shopping journeys (e.g. Health food aisles)



Replace with alternatives

Remove all single-use plastics and all plastic shopping bags and replace them with only sustainable alternatives



Raise the profile of sustainability in-store



Create the transparency

that consumers seek via climate labeling and information kiosks

Create refill stations

as viable and cost-effective alternatives to single-use plastic



Incentivize shoppers

with “green delivery” windows for online orders



Invest in the “circular economy”

as a depot for reuse, recycle initiatives for the reduction/reinvention of food waste; support of charitable donations

