

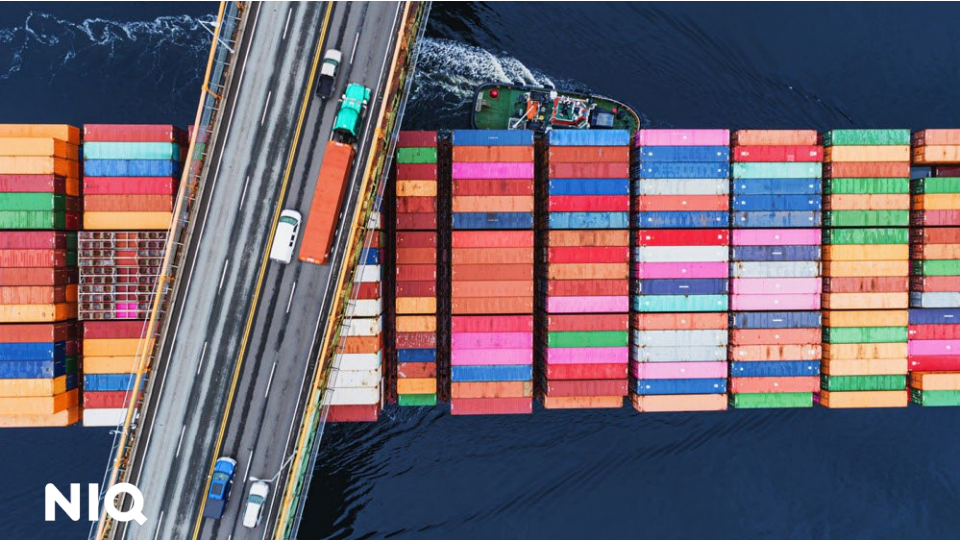
The evolving business case for sustainability

NACS CEO Summit – North America

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

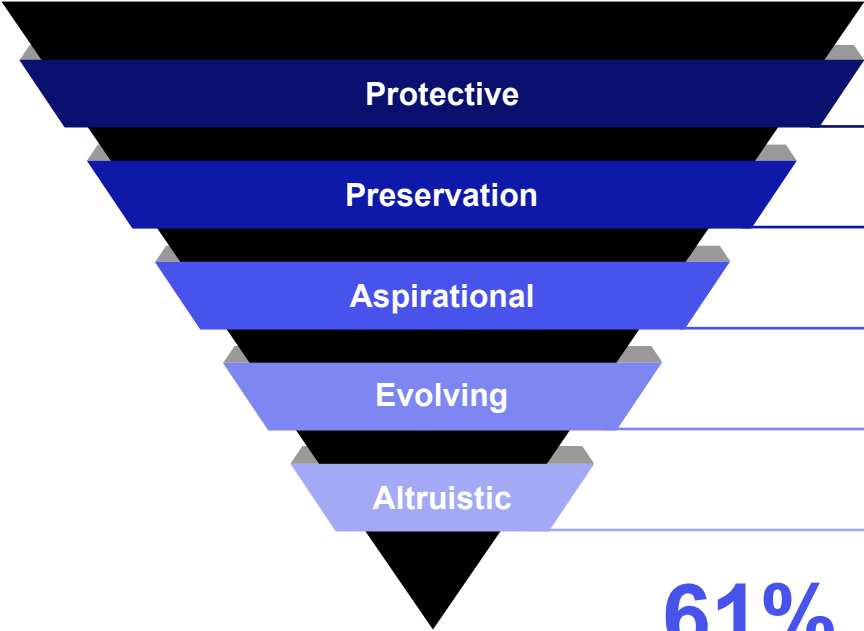


Escalating consumer demand

- Cost of living stress
- Availability of choice
- Shifting values & attitudes



Total Wellness Consumer Needs



Urgent care
Protecting myself and/or my family members from immediate health threats.

Self care
Improving my and/or my family's **current** physical or emotional wellbeing and connections.

Preventative care
Proactive actions to achieve & maintain specific health goals, or helping to avoid ailments in the **long-term**.

Innovative care
Seeking out the latest alternatives or developments to continuously meet my and/or my family's health & wellness goals.

Selfless care
Improving the world around me by advocating for environmental, ethical, humanitarian, and/or philanthropic causes.

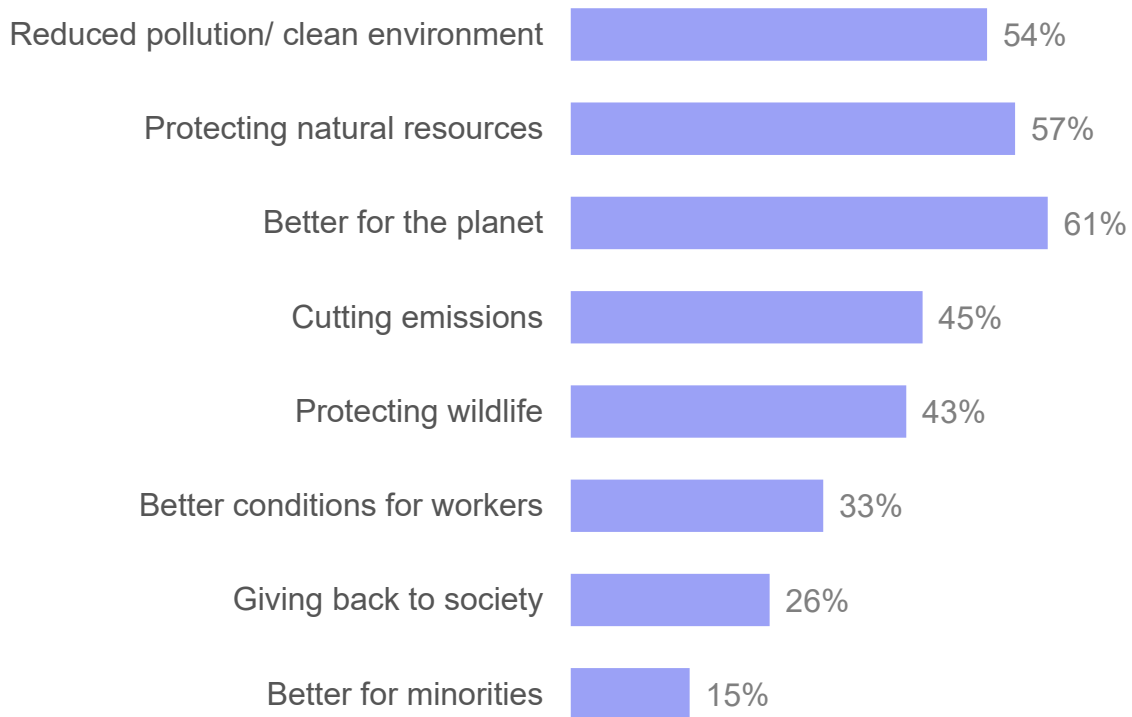
61%

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

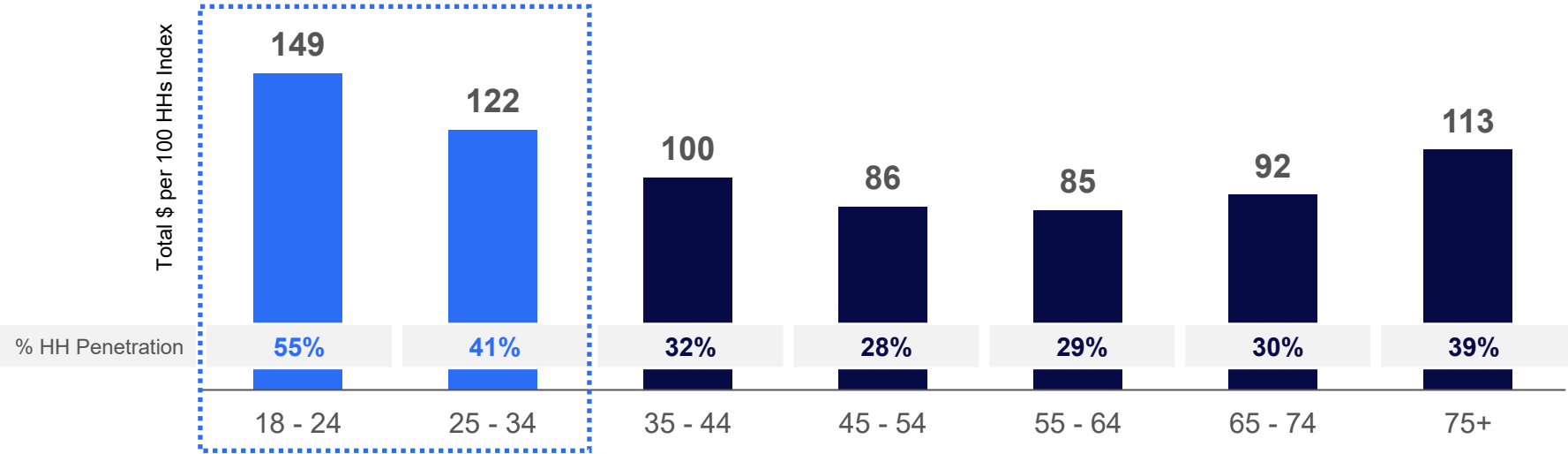


Source: NielsenIQ 2023 Sustainability Report. Q. When people talk about sustainability, it might mean different things to different people. In this list, what does it mean for you?

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

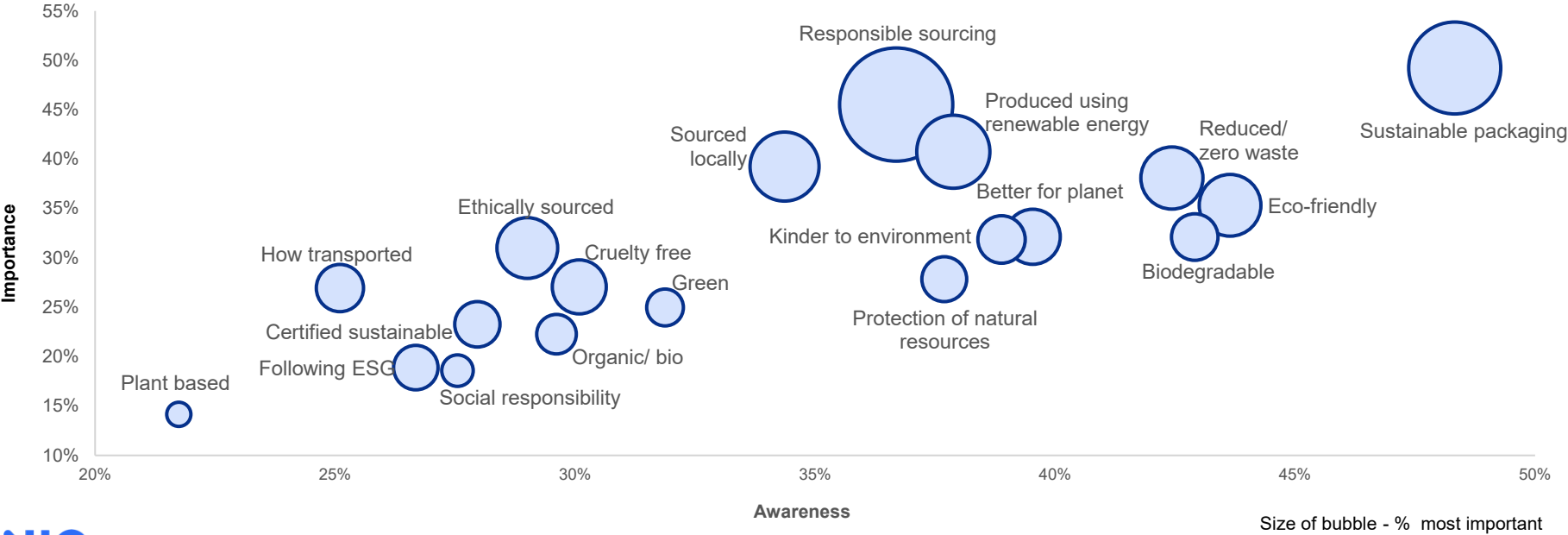


Source: NielsenIQ Spectra Homescan Panel; Consumer Profile by Demographics; Total US; \$ per 100 HHs Index –May 2022 YTD Sales and 2021 Census

What makes a brand sustainable?

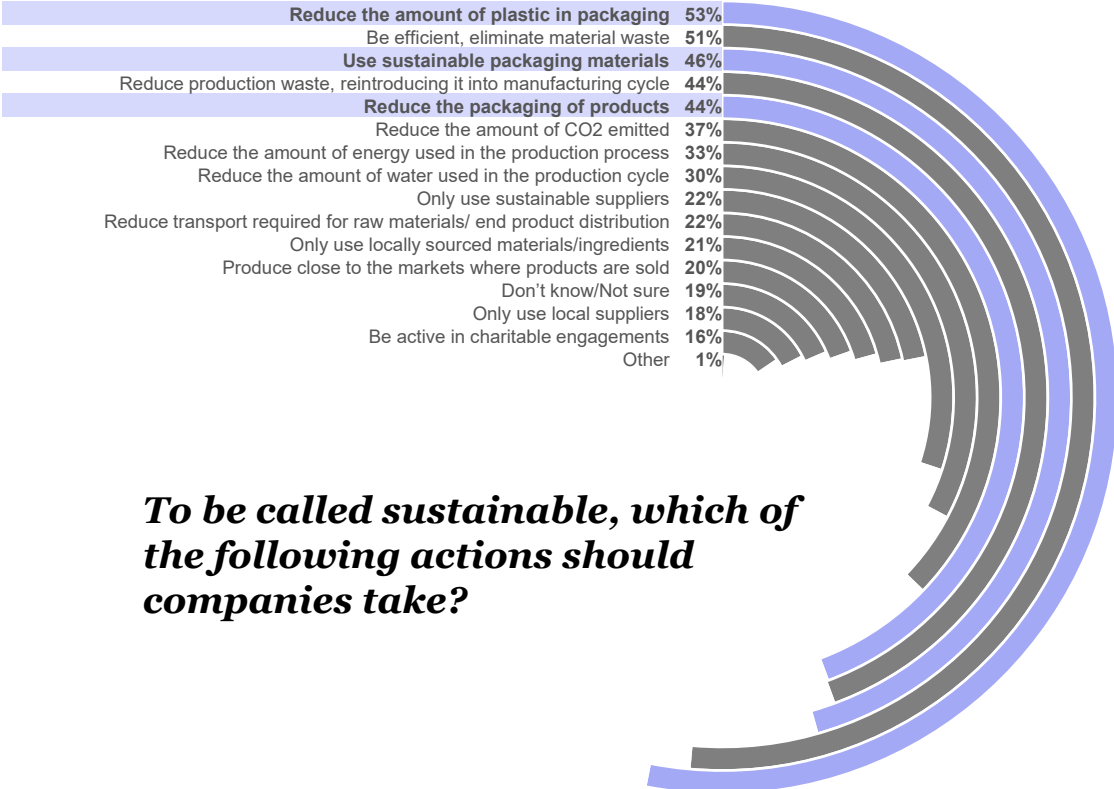
Is there a disconnect between companies and consumers?

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"?

Consumers want companies to take action



To be called sustainable, which of the following actions should companies take?

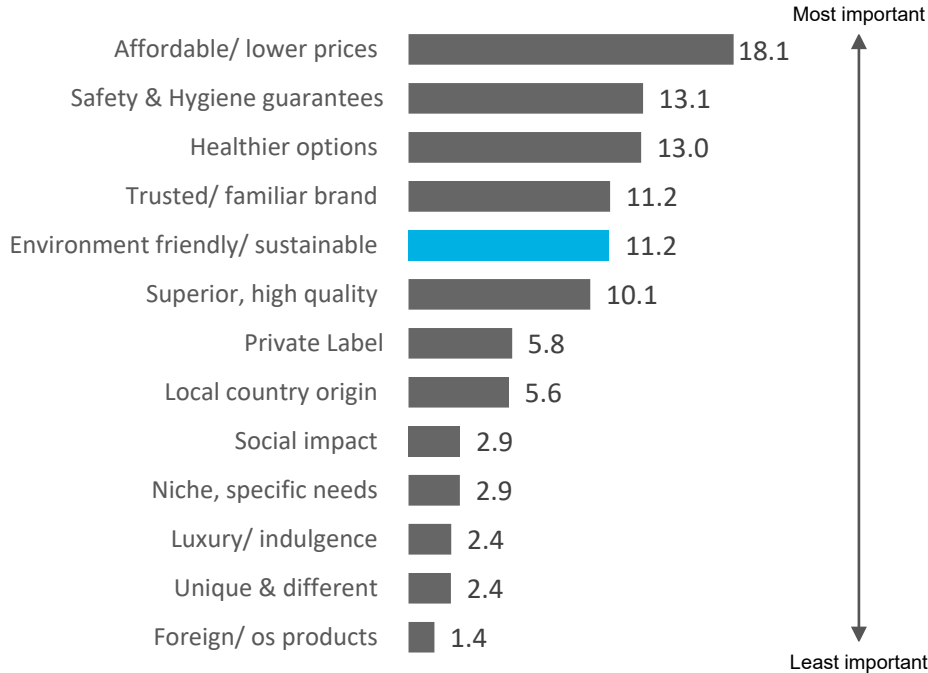


NielsensIQ Omnibus Survey, Dec 2021, Q4. To be called sustainable, which of the following actions should companies take? Please select all that apply.

Sustainability is one of many things considered when shopping

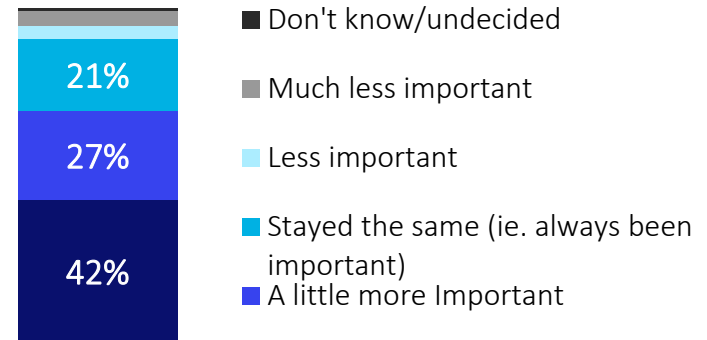
For more than half of respondents its more important than it was two years ago

Most important things when choosing a brand...

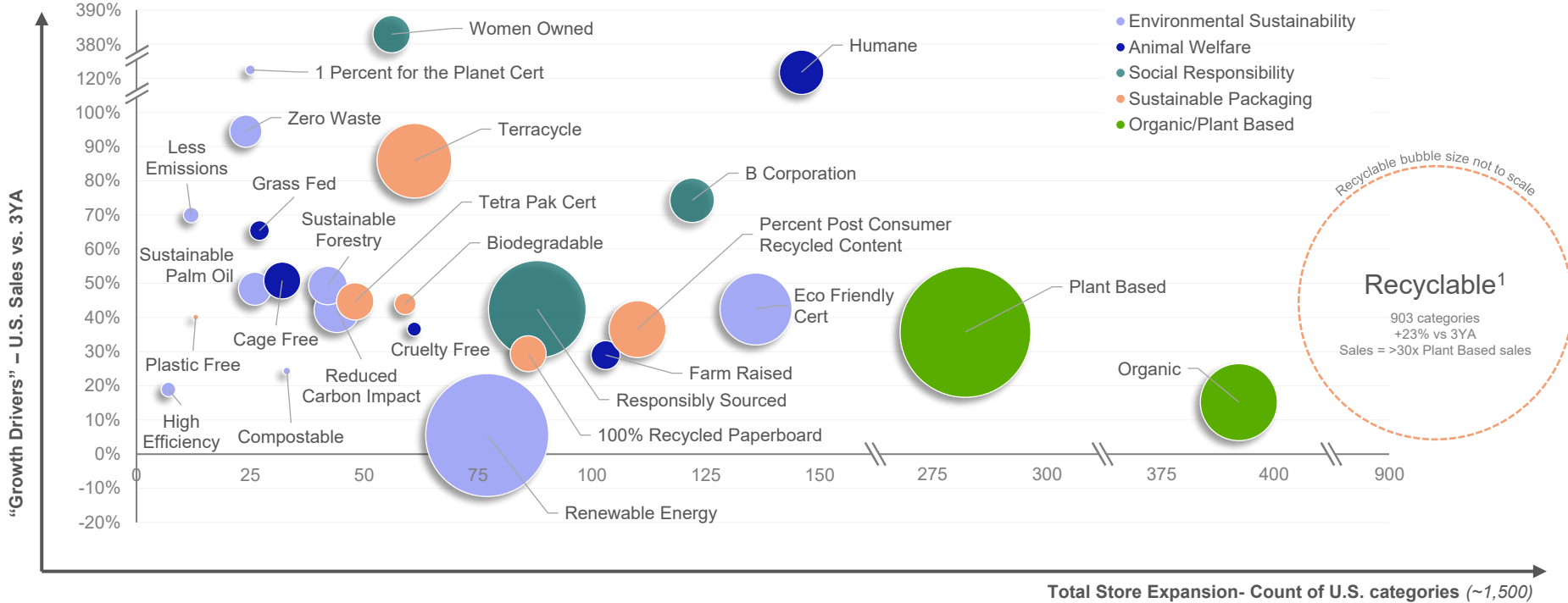


92%
*say sustainability is important
when choosing a brand today*

Change in importance vs. two years ago



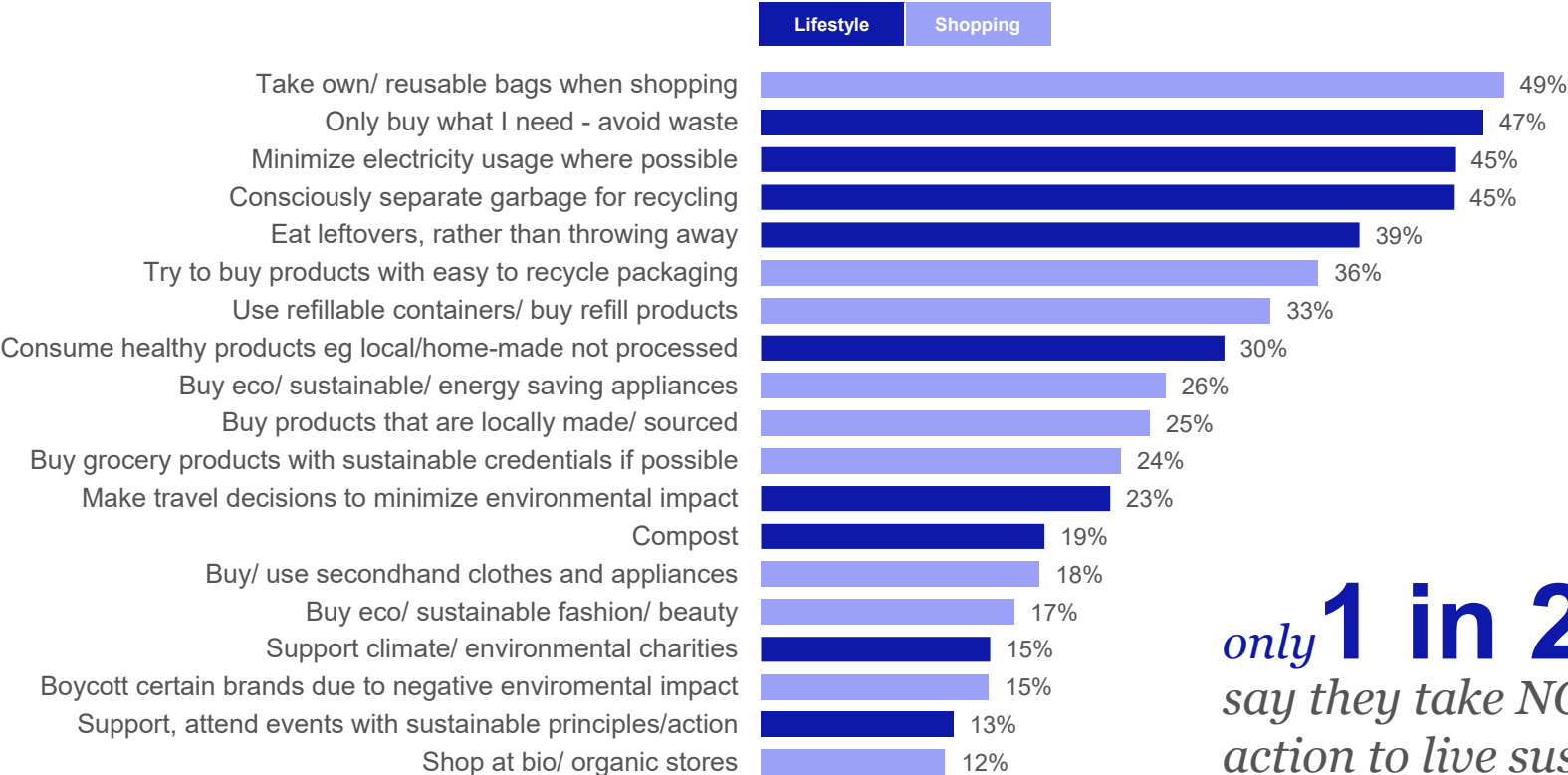
Sustainability claims growing across the c-store



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 Convenience Store; 52 weeks W/E 03/25/23 vs 3YA
 1 – Recyclable Stated is not represented in the total Environmental Sustainability pillar. We feel it overstates how we want to view sustainability across the store.

Does not represent all available sustainable attributes

Consumers trying to live sustainably



*only 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



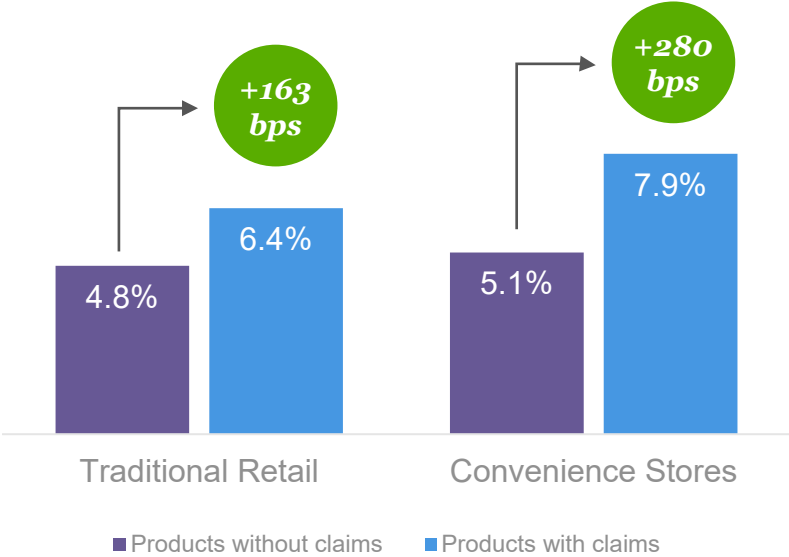
Types of claims	Animal Welfare	Environmental Sustainability	Social Responsibility	Sustainable Packaging	Organic Positioning	Plant Based
Sample claims	<ul style="list-style-type: none"> ▪ Cage free ▪ Cruelty free ▪ Farm raised ▪ Grass fed ▪ Pasture raised ▪ Not tested on animals 	<ul style="list-style-type: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

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

Is sustainability driving growth?

Retail Sales Growth Rate

CAGR Latest 52 weeks vs 4 years ago



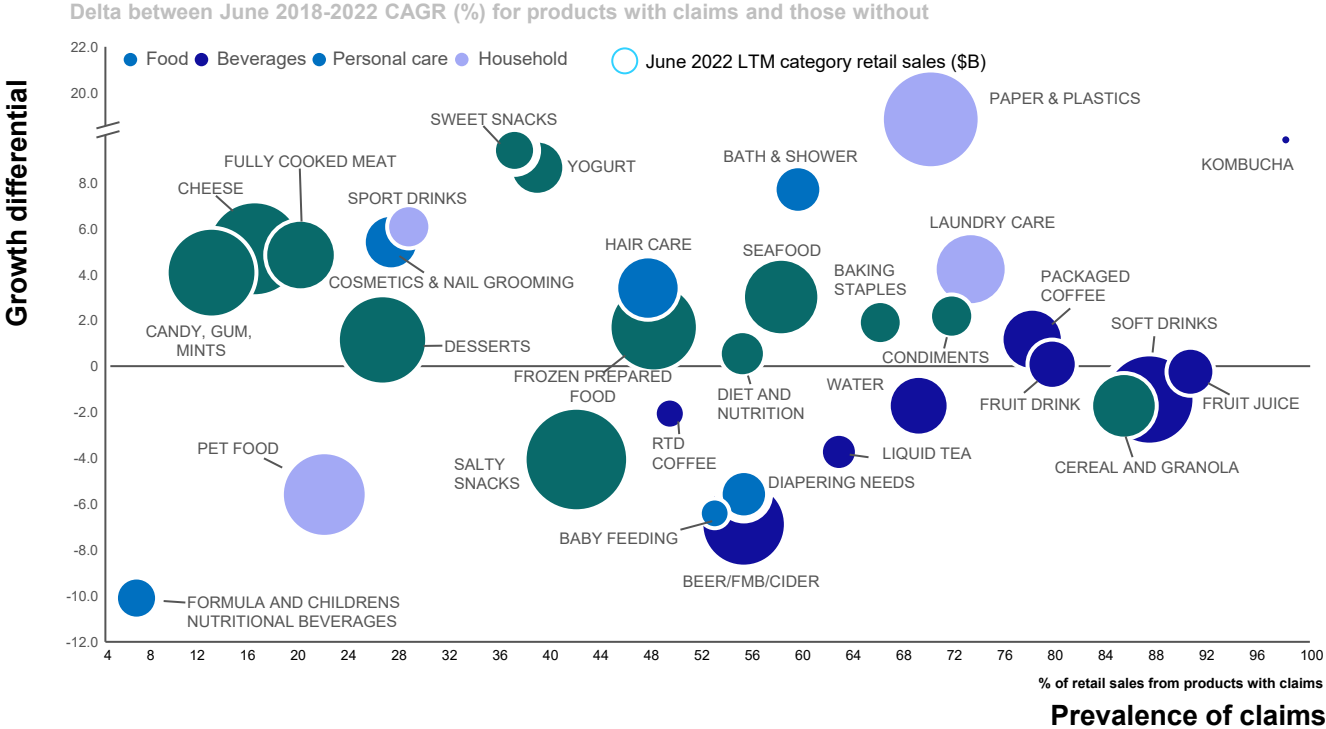
Growth in products with sustainability claims is greater in c-store than traditional retail over last four years



Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total Convenience Store; 52 weeks W/E 03/25/23 vs 4YA

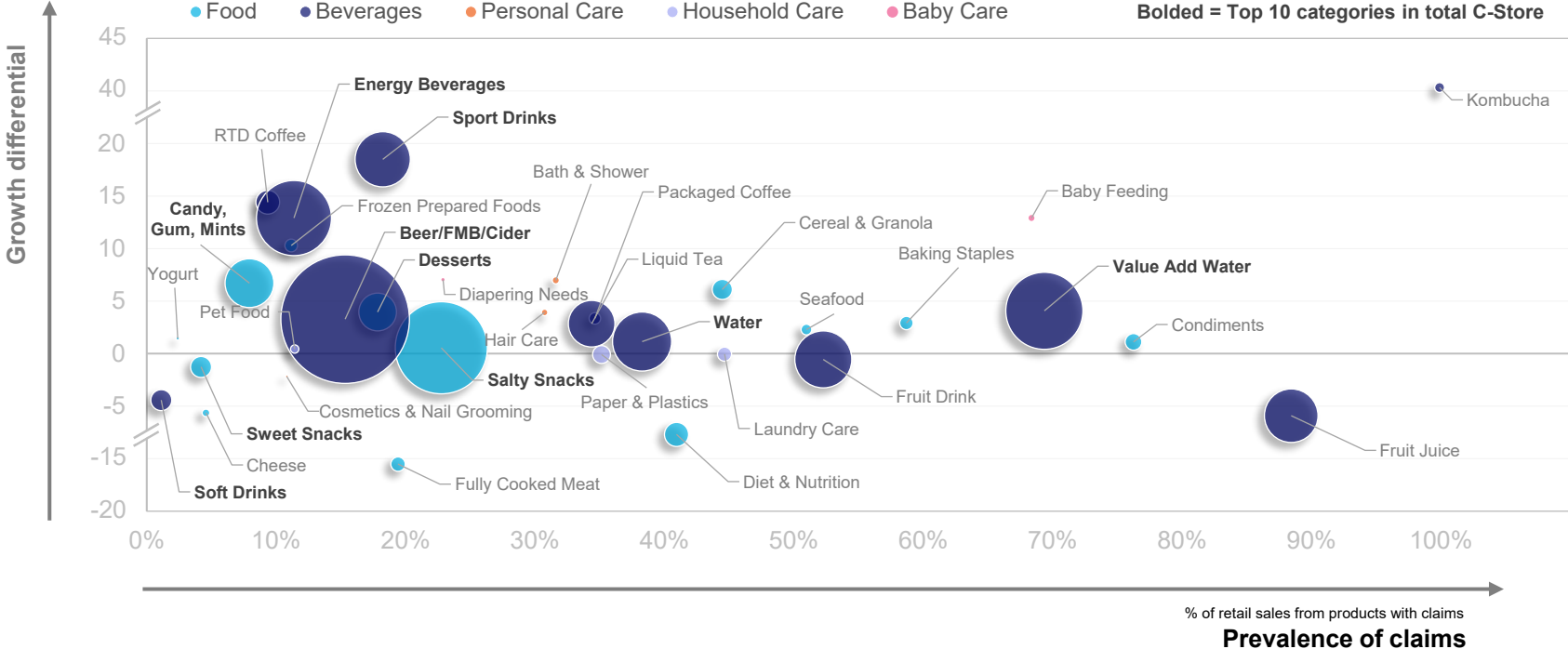
CPG categories are not a monolith

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



CPG categories are not a monolith and ESG performance varies across C-Store

Delta between latest 52 weeks and 4 years ago CAGR (%) for products with claims and those without



NIQ Bubble size denotes total sales of product with a sustainability claim
 Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US Convenience; 52 weeks W/E 03/25/23 vs 4YA

Who is driving sustainability growth?



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



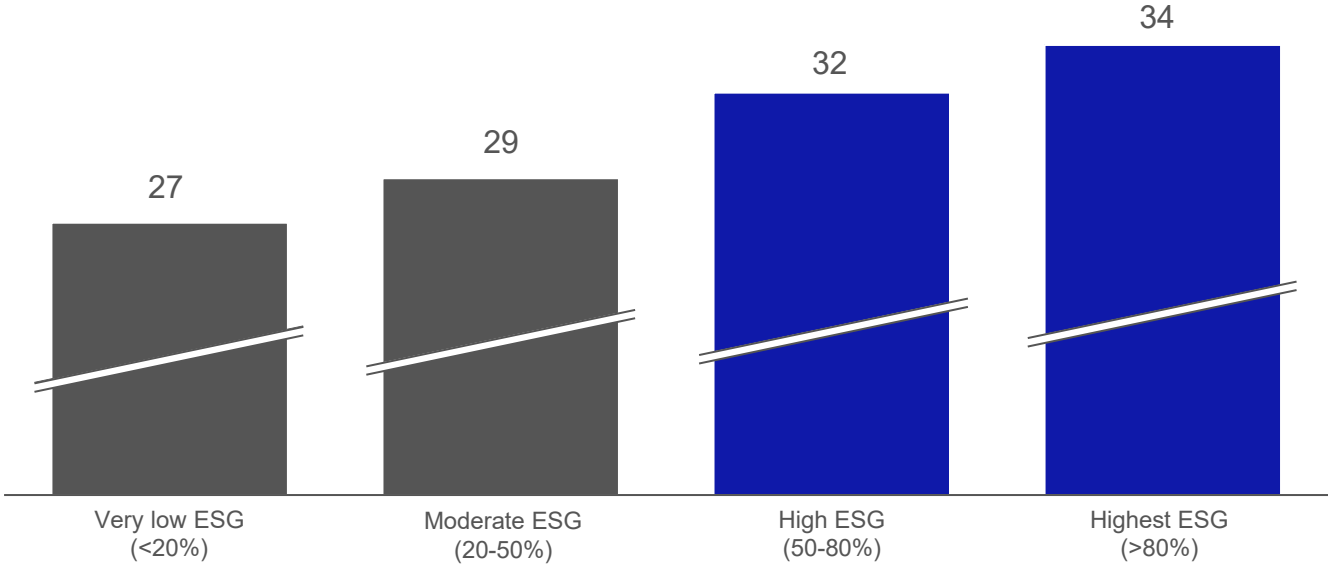
Claims are playing more of a differentiating role for established products than for new



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

Sustainability drives 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)

There are no 'silver bullet' claims that work universally

Claim performance differs significantly by category



Broader commitment resonates with consumers.
(claims from more than one attribute group)



However, few products move beyond a single type of claim
(65% of sustainable product sales associated with one type)

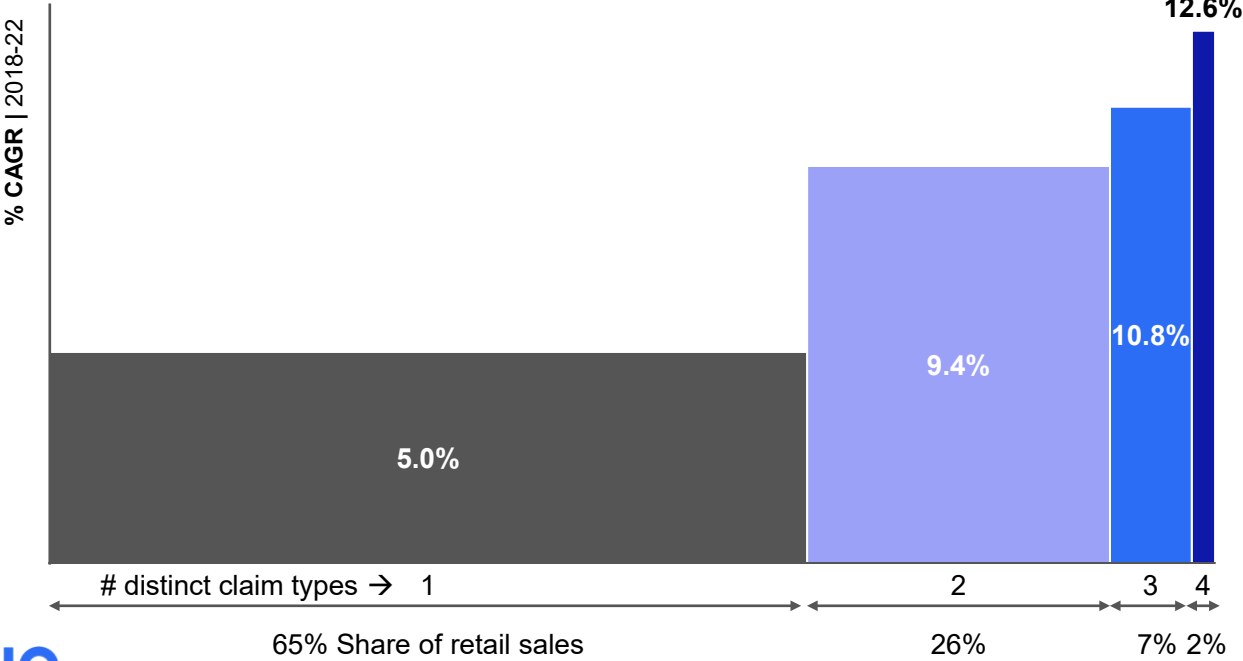
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Products with more types of claims grow ~2x faster than those with only one type of claim

Few products move beyond one claim

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



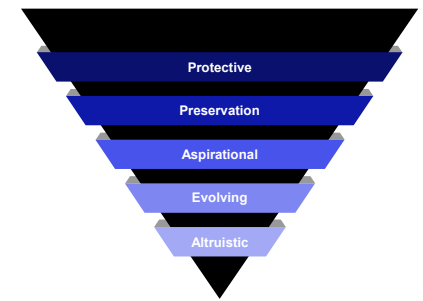
Stacking claims across pillars is associated with faster growth

- 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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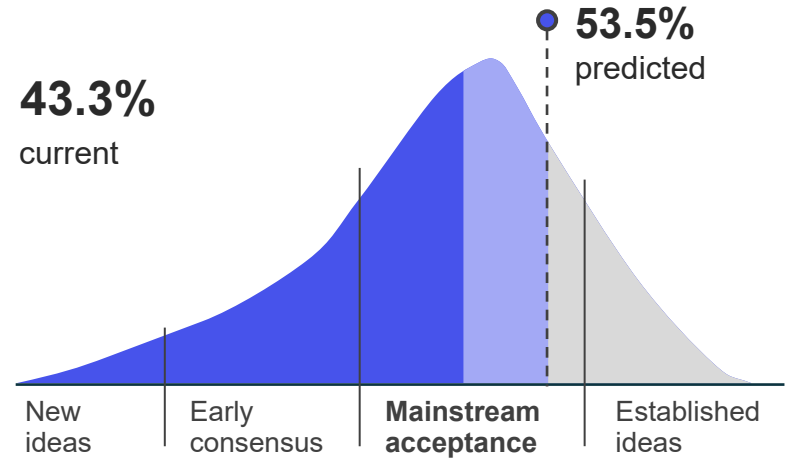
The evolving view of wellness and altruism



Micro-culture maturity curve

Health & Wellness in the context of “altruism”

Microculture	Key topics	Maturity
Aging with dignity	Senior care, small acts of service, community care	50.6%
Mental health advocacy	Mental wellbeing, de-stigmatizing, stressors	44.4%
Social bonds	Social health, interaction for health benefits	41.2%
Healthy eating for all	Nutritional diet, better eating for health of community	37.0%
Sustainable wellness	Sustainable lifestyle, support environment and own sense of wellness	33.9%



Source: MotivBase, a NielsenIQ Connected Partner

Social responsibility = wellness for all

69%

Want retailer regulation for fresh and healthy food availability/affordability for all

64%

Will pay more for products supporting communities and vulnerable groups

67%

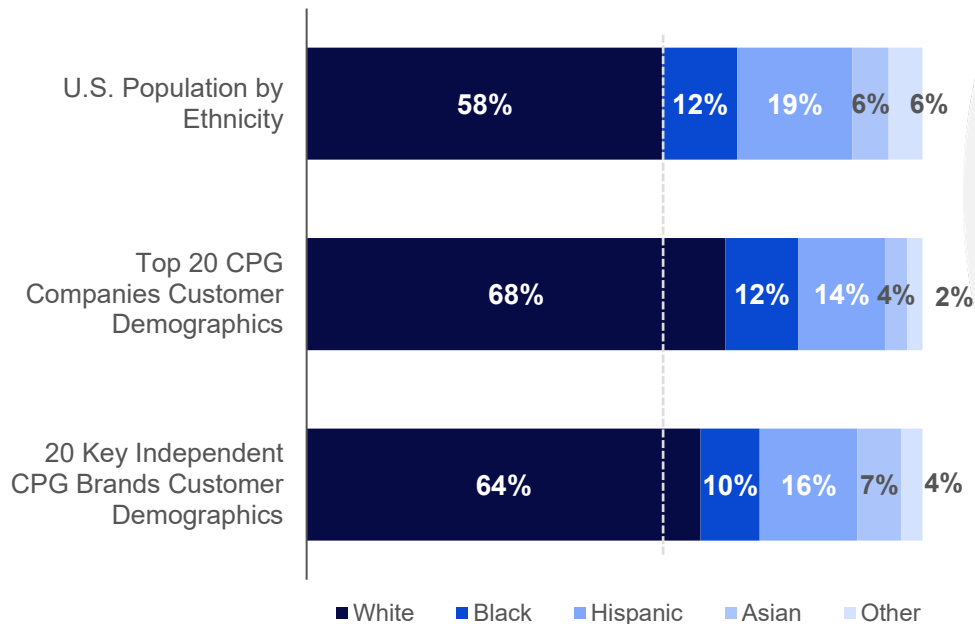
Companies have an obligation to ensure healthy products are less expensive than processed, unhealthy ones

+29%

Sales growth for socially-responsible products



Diversity, equity and inclusion key to growth



+13 pts

Faster growth for independent CPG companies with stronger consumer diversity¹



Source: NielsenIQ, U.S. Census, 2020, NielsenIQ 52 WE 8/27/22, Total Outlets
 1 - NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US xAOC; 52 weeks W/E 08/27/22 vs 2YA

Consumers are open to sustainability linked to retail transformation

Reduced plastic

78%



Reduced waste

74%



Renewable energy

71%



Regenerative agriculture

64%



Source: NielsenIQ Leading Edge Report

Q. Please select what best describes your awareness and willingness to trial about this innovation & on chart is those who have tried or aware (UK)

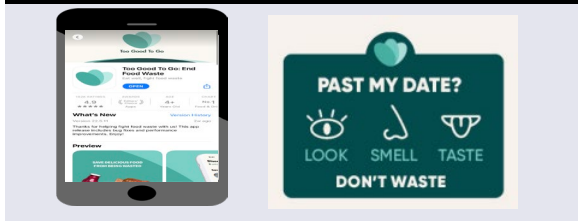
Base: Willingness to try based on consumers who are actively aware or heard of each investment

Change is coming...

Reduced plastics



Help manage food waste



Electric delivery fleets



Product labelling / transparency



Retail supplier collaboration



Renewable energy



Supply chain transparency



Supply chain visibility- Blockchain

Benefits blockchain can bring to business

- 1. Trust**
Enables trust between participants who don't know each other.
- 2. Decentralized structure**
Enables real-time data sharing among businesses, the suppliers and distributors while reducing points of awareness.
- 3. Improved security and privacy**
Creates an unalterable record of transactions with end-to-end encryption, which reduces fraud and unauthorized activity.
- 4. Reduced costs**
Creates efficiencies by reducing manual tasks, such as paper reporting and auditing data and by easing reporting and auditing.
- 5. Speed**
Enables intermediaries to transact faster than conventional methods.
- 6. Visibility and traceability**
Tracks the origins of a variety of items, such as medicines, to confirm they're legitimate instead of counterfeit and organic items to confirm they're indeed organic.
- 7. Immutability**
Ensures transactions can't be changed or deleted.
- 8. Individual control of data**
Gives entities the ability to decide what digital data they want to share, with whom and for how long, with limits enforced by smart contracts.
- 9. Tokenization**
Converts value of an asset into a digital token recorded and shared via blockchain. Non-fungible tokens are used to sell digital art.
- 10. Innovation**
Leaders across multiple industries are exploring and implementing blockchain-based systems to solve intractable problems and improve long-standing customer practices, such as verifying the info on a job resume.



New retail models



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 refill stations

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



Raise the profile of sustainability in-store

Create sustainable aisles

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



Incentivize shoppers

with “green delivery” windows for online orders



Replace with alternatives

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



Invest in the “circular economy”

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



Create the transparency

that consumers seek via climate labeling and information kiosks



Supermarket APP lets shoppers track the impact of their basket - [Read](#)

Vertical farming produce and in-store hydroponics - [Read](#)

Shoppers are rewarded loyalty points for choosing more sustainable products - [Read](#)

Electric vehicle delivery fleets - [Read](#)

Vastly different range and assortment
– More vegetarian, organic, local offerings - [Read](#)

Dedicated space for electric car charging - [Read](#)

Reduction in food waste - [Read](#)

Climate labelling on products - [Read](#)

Off grid energy – solar panels on roofs and parking - [Read](#)

No plastic, bring your own containers - [Read](#)

