

Consumers are rewarding brand's commitment to sustainability

November 9, 2023



McKinsey
& Company



Agenda

- 1 Understanding the evolving macro lens of sustainability
- 2 Analysis and insights into consumer's recognition of sustainable brands
- 3 Sustainable packaging solutions and actionable steps for implementation

NIQ

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Speakers



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McKinsey & Company
Senior Expert,
GM&S



Sherry Frey

NielsenIQ
Vice President,
Total Wellness



Roawin Luo

Amcor
Global Director of
Product Management

The foundations of approaching sustainability



Protect

Stay compliant and protected

Today's Conversation



Differentiate

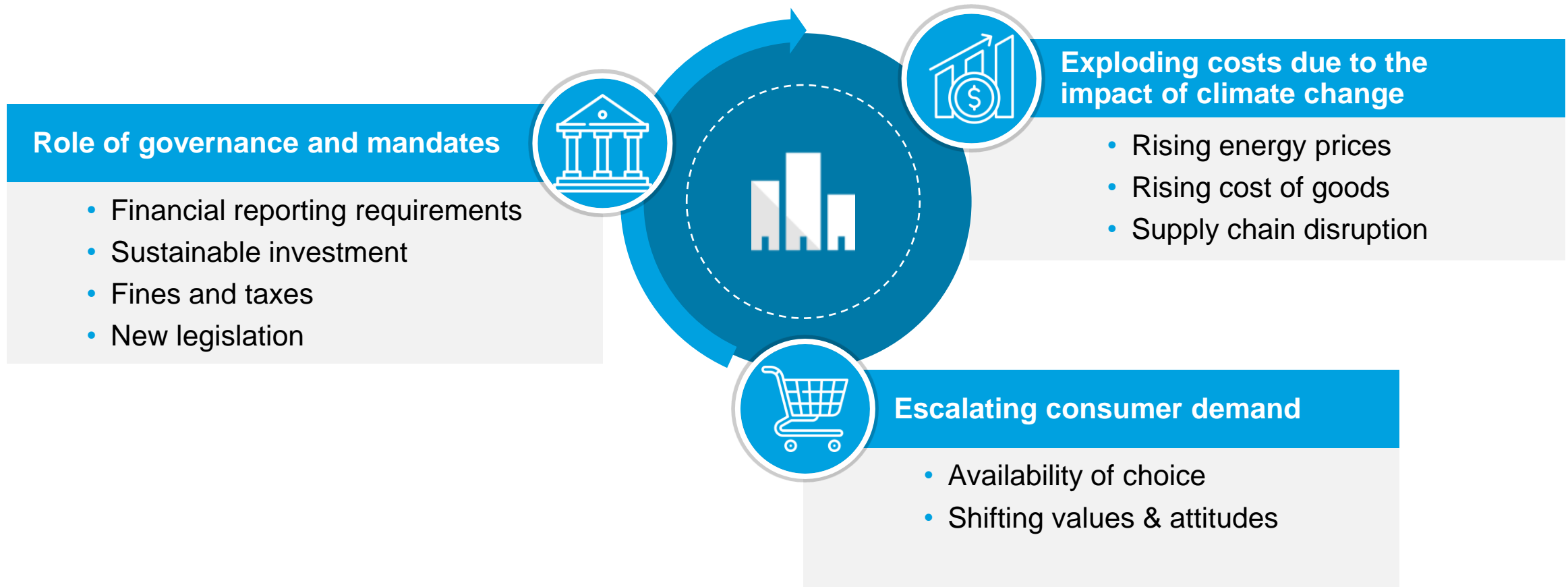
Make sustainability a competitive differentiator



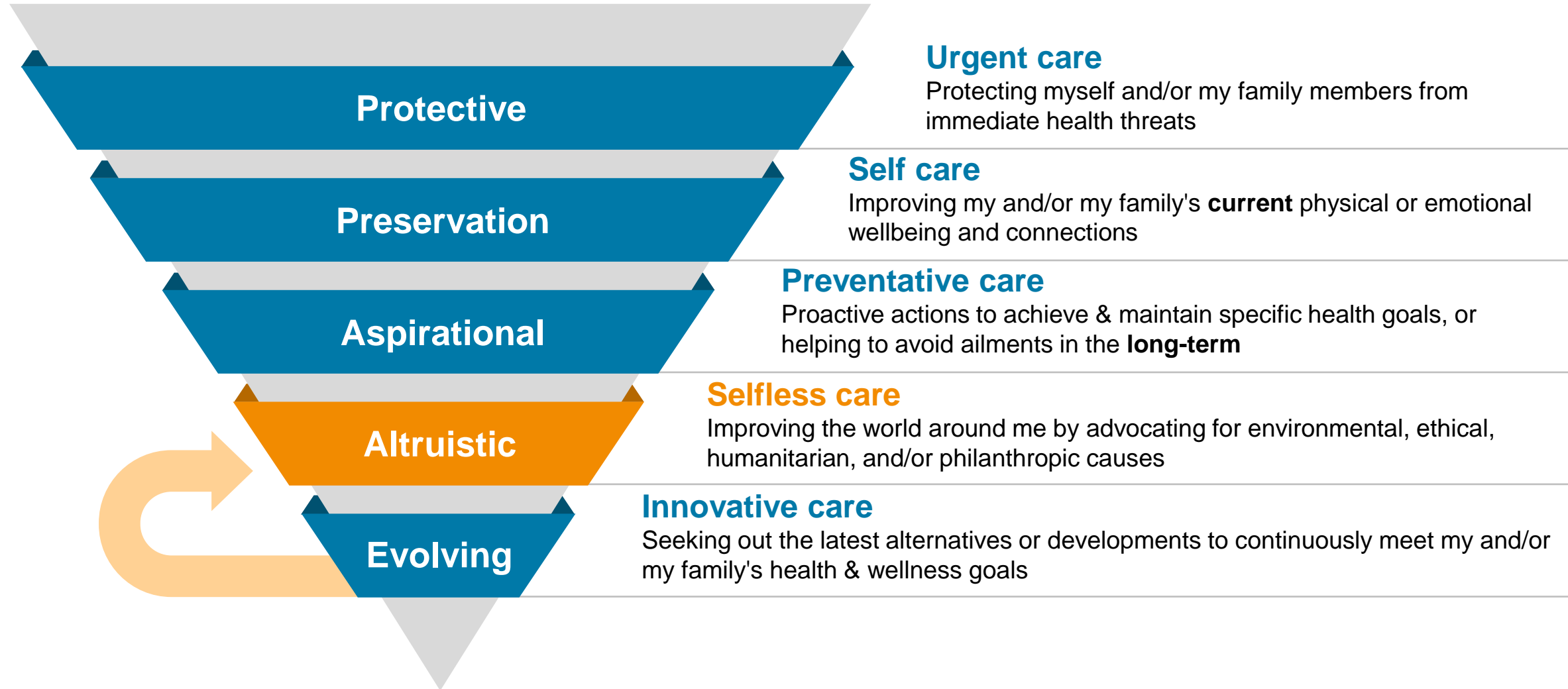
Collaborate

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

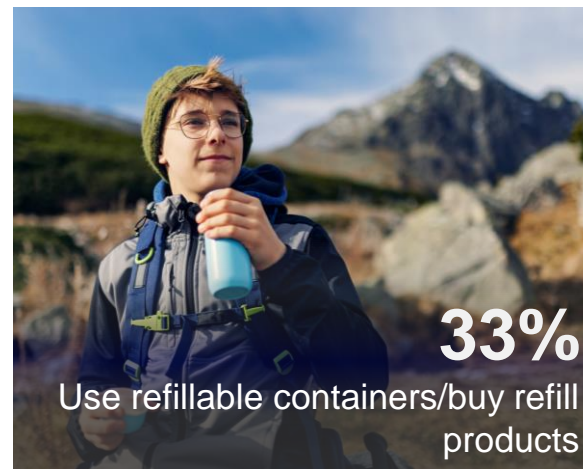
Governance and cost will accelerate momentum beyond consumer demand



Consumers increasingly connecting wellness with health of the planet and others



Consumers trying to live sustainably



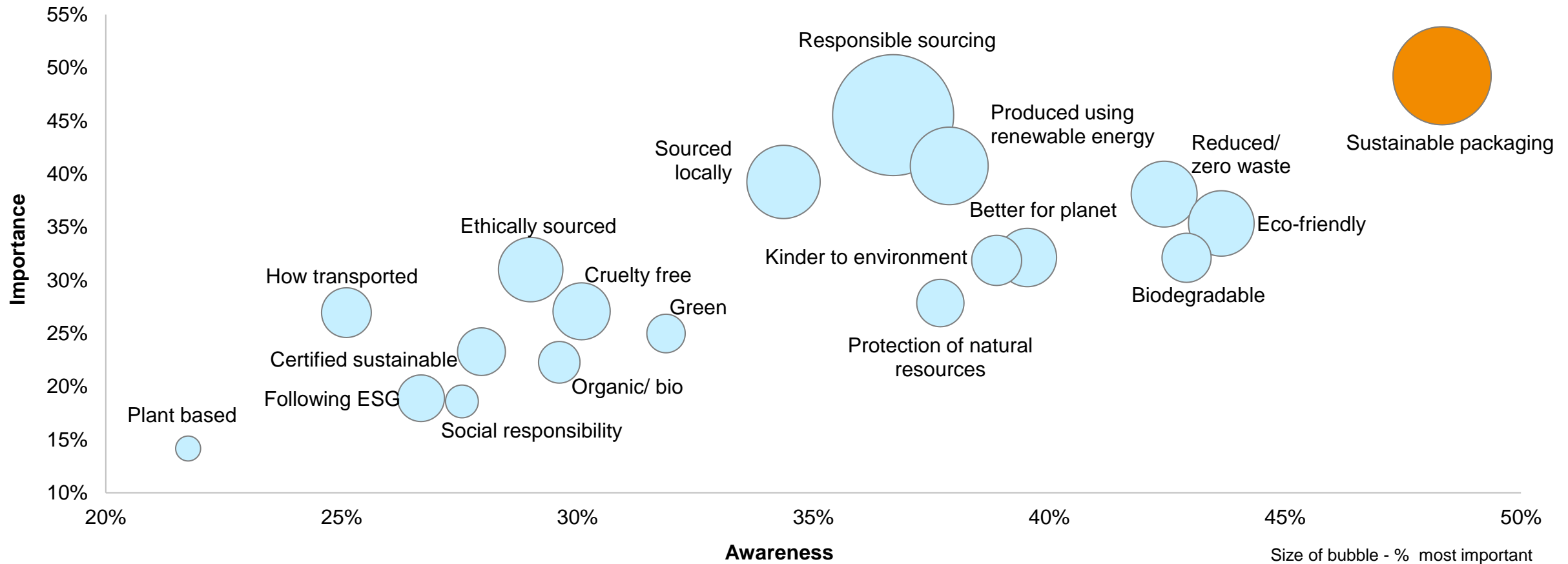
Only 1 in 20 consumers say they take NO action to live sustainably

Source: NielsenIQ 2023 Sustainability Report - What actions, if any do you currently do to live a sustainable lifestyle?

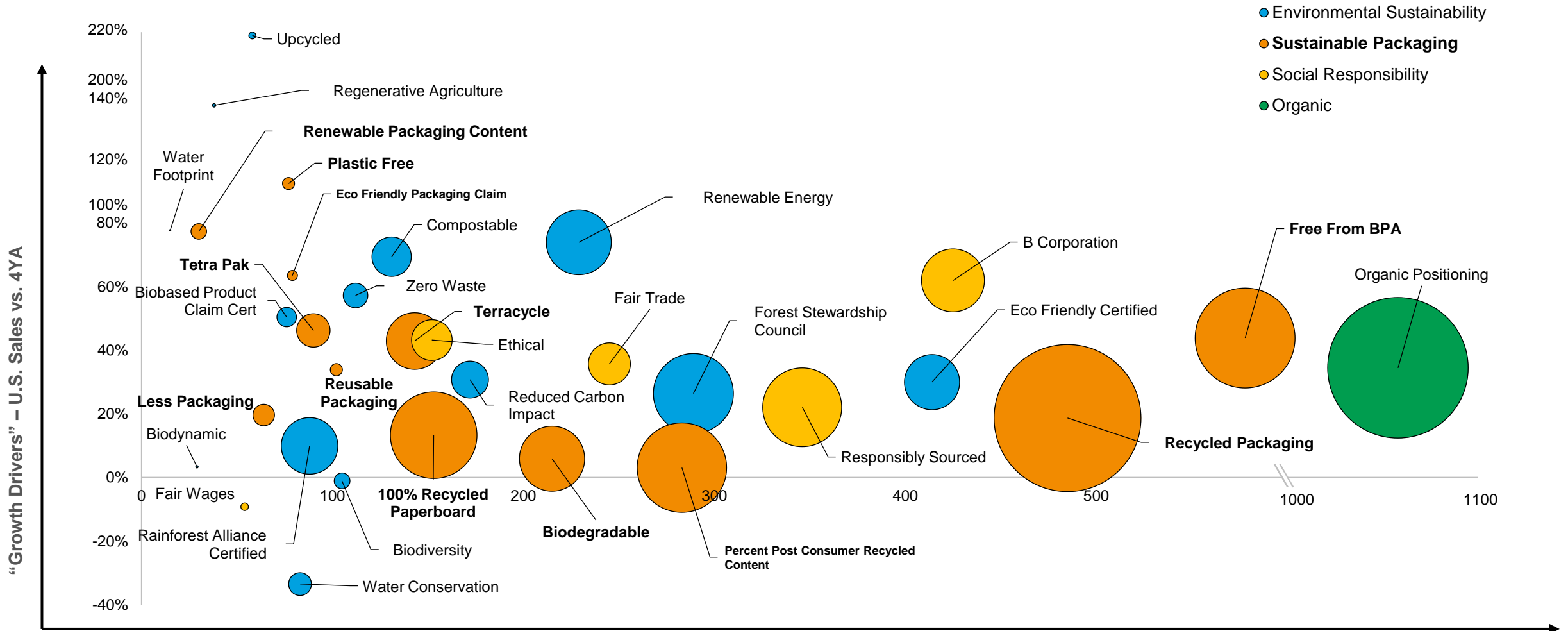
Sustainable packaging tops consumer awareness and importance

Is there a disconnect between companies and consumers?

Claims that make a brand *sustainable*



Wide range of packaging claims across the store, including well-penetrated claims and emerging, high-growth claims



Total Store Expansion- Count of U.S. categories

Does not represent all available sustainable attributes

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 05/20/23 vs 4YA

McKinsey & NielsenIQ have conducted groundbreaking research on consumer spending behavior on sustainable products



This study analyzed NielsenIQ POS data covering 32 super categories, ~\$400B in retail sales, and ~550K products in the US retail market

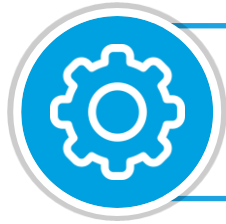
Approach examines relative growth rates for products with self-reported ESG claims. The methodology does not prove a causal relationship.

McKinsey and NielsenIQ did not independently assess the veracity of the ESG-related claims. Companies must back any ESG-related claim with genuine actions and steer clear of potential “greenwashing” practices.

Key Insights



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 growth potential

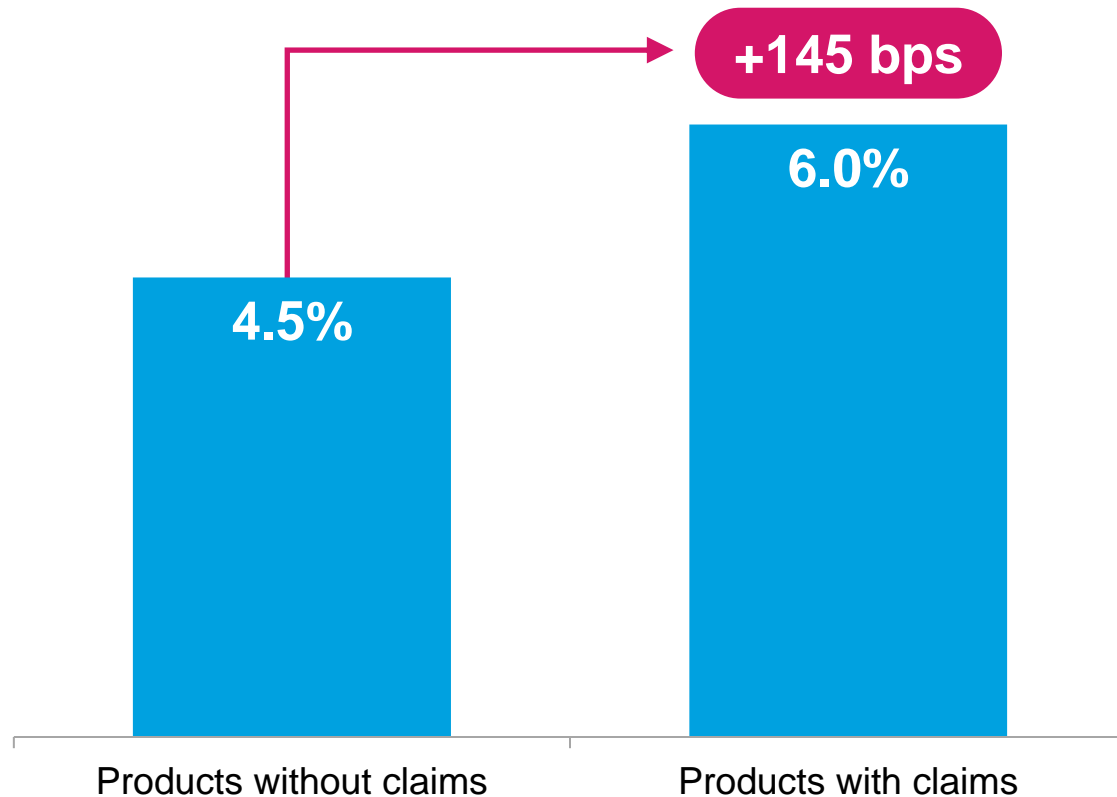


Sustainable packaging attributes do well overall and on average, but results can vary within categories and types of claims

Products with ESG Claims outpacing products without claims by nearly 150bps

Retail Sales Growth Rate | % CAGR 2018-2022

Total Store



Types of Claims (examples, not exhaustive)

Environmental sustainability

- Eco friendly
- Cradle to cradle
- Reduced carbon impact
- Sustainable palm oil
- Water footprint

Sustainable packaging

- Recycled packaging
- Eco friendly packaging
- Less packaging
- Reusable packaging
- Biodegradable

Social responsibility

- B Corporation
- Ethical
- Fair wage
- Responsibly sourced

Animal Welfare

- Cage free
- Cruelty free
- Farm raised
- Grass fed
- Pasture raised
- Not tested on animals

Organic

- Organic certification
- Organic marketing

Plant-based

- Vegan
- Plant-based

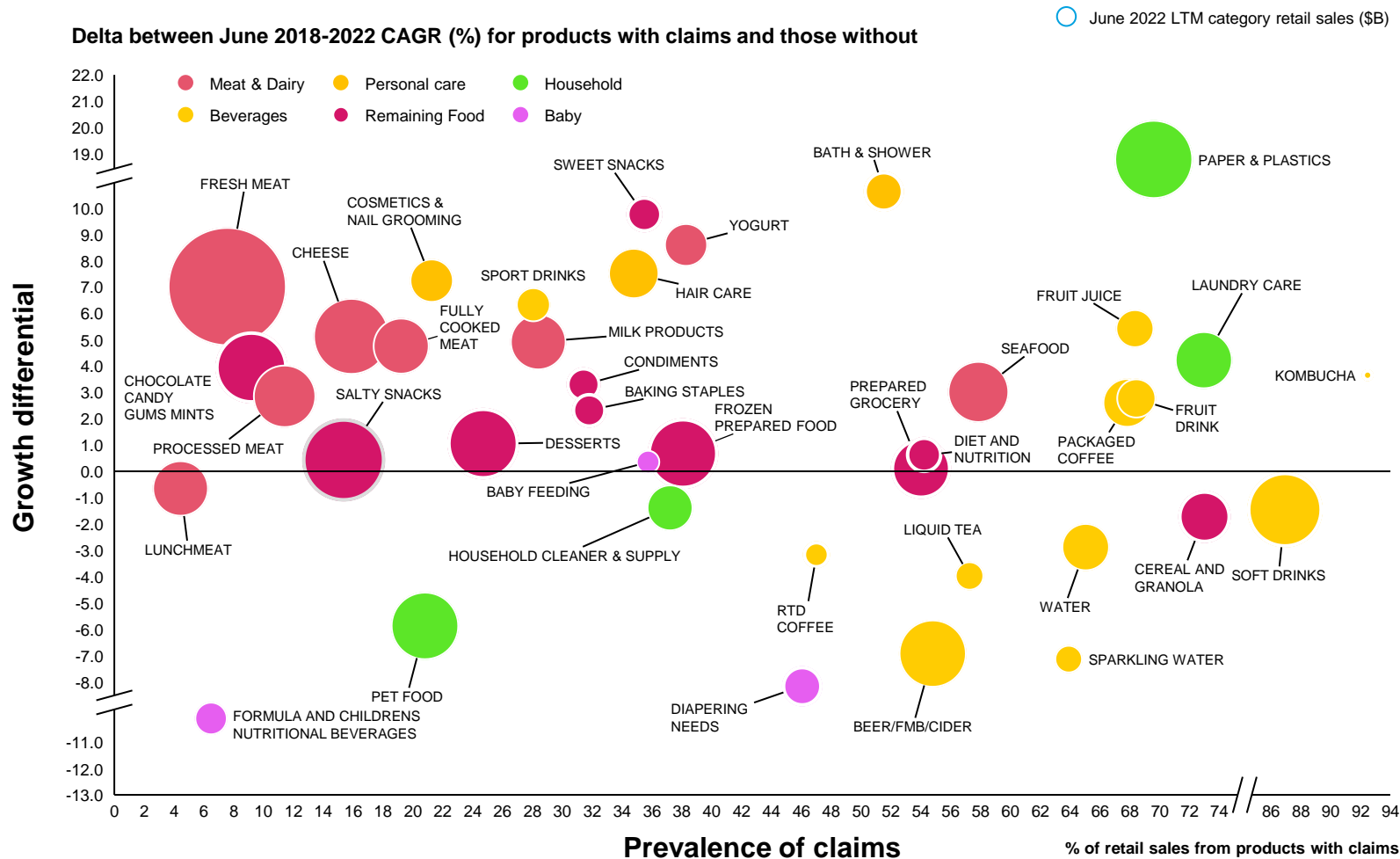
Personal Care refers to the aggregate of the following categories: Vitamins & Supplements, Upper Respiratory, Oral Hygiene, Pain Relief, GI Care, Medical Accessory, Feminine Care, First Aid, Adult Incontinence, Eye Care, Sexual Health, Foot Care, Sleeping & Alertness Aids, Ear Care, Eye Care

Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US xAOC; 52 weeks W/E 12/31/22 vs 4YA

CPG categories are not a monolith

– prevalence and claim performance varied by category

Prevalence of claims x differential growth for products with claims, %



Products with claims grew faster than those without these claims (delta CAGR > 0) in 27 out of 40 categories

Specific sustainable packaging claims have seen varying degrees of outsize growth, depending on the category

| Claim | Avg. 2022 prevalence ² | Base N | % Instances of outsize growth | Claim | Avg. 2022 prevalence ² | Base N | % Instances of outsize growth |
|-----------------------------|-----------------------------------|--------|-------------------------------|-----------------------------|-----------------------------------|--------|-------------------------------|
| Packaged Coffee | | | | Bath & Shower | | | |
| RECYCLED PACKAGING STTD | 30.3% | 9 | 67% | RECYCLED PCKGN CNTNT STTD | 13.7% | 8 | 88% |
| PRCN PST CNSM RCYC CNT STTD | 9.9% | 8 | 25% | RECYCLED PACKAGING STTD | 13.7% | 8 | 88% |
| RENEWABLE PCKGN CNTNT STTD | 0.3% | 1 | 100% | PRCN PST CNSM RCYC CNT STTD | 11.0% | 7 | 71% |
| 100 PRCNT RCCLD PPRBRD STTD | 0.0% | 1 | 100% | BIODEGRADABLE STTD | 22.5% | 4 | 100% |
| Cereals | | | | Laundry Care | | | |
| RECYCLED PACKAGING STTD | 35.0% | 8 | 38% | BIODEGRADABLE STTD | 16.7% | 8 | 38% |
| RECYCLED PCKGN CNTNT STTD | 8.9% | 8 | 50% | RECYCLED PCKGN CNTNT STTD | 25.8% | 8 | 25% |
| PRCN PST CNSM RCYC CNT STTD | 5.4% | 6 | 67% | RECYCLED PACKAGING STTD | 26.1% | 8 | 25% |
| 100 PRCNT RCCLD PPRBRD STTD | 3.1% | 5 | 40% | PRCN PST CNSM RCYC CNT STTD | 24.1% | 8 | 25% |
| SUSTAINABLE PACKAGING STTD | 0.2% | 3 | 100% | 100 PRCNT RCCLD PPRBRD STTD | 2.2% | 3 | 0% |
| LESS PACKAGING STTD | 3.1% | 1 | 100% | TERRACYCLE STTD | 1.0% | 2 | 100% |
| BBSD PCKGNG CLM CRT STTD | 0.2% | 1 | 100% | PLASTIC FREE STTD | 0.1% | 1 | 100% |
| TERRACYCLE STTD | 3.1% | 1 | 100% | LESS PACKAGING STTD | 0.8% | 1 | 100% |
| REUSABLE PACKAGING STTD | 4.6% | 1 | 0% | SUSTAINABLE PACKAGING STTD | 0.6% | 1 | 0% |
| ECO FRIENDLY PCKGN CLM STTD | 0.2% | 1 | 100% | RENEWABLE PCKGN CNTNT STTD | 2.7% | 1 | 0% |
| | | | | BBSD PCKGNG CLM CRT STTD | 0.4% | 1 | 0% |

On average, products with sustainable packaging attributes experienced outsized growth more often than not, but results varied across categories and types of claims

Bath & Shower showed high rates of outsize growth for most companies on most claims

Cereals shows mixed results depending on the claims

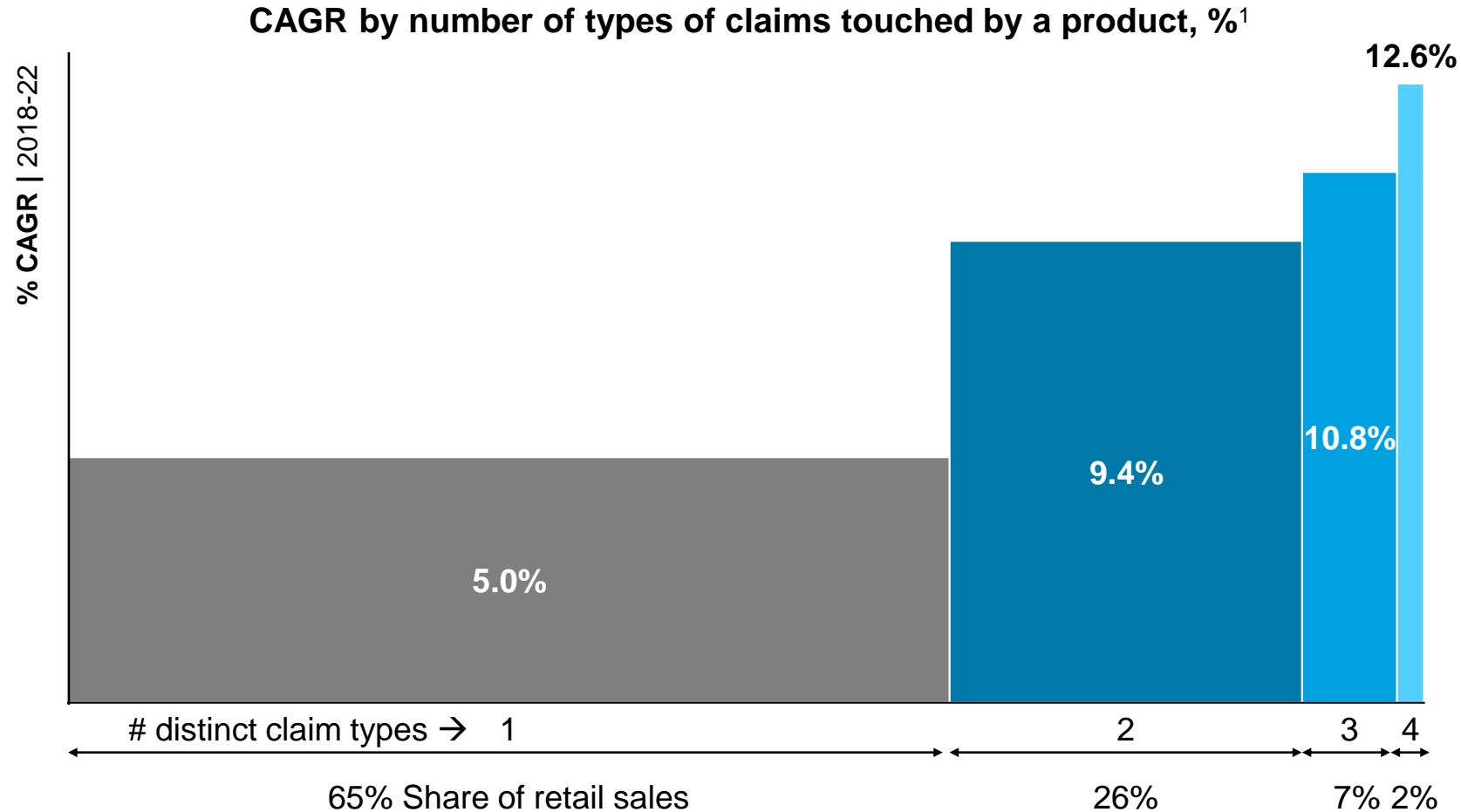
Packaged Coffee showed outsized growth on recycled, less often with % post consumer recycling content

Laundry care had the lowest rates of outsize growth for sustainable packaging (but performed better on other types of attributes)

1. Includes the largest companies within each category, including Private Label if applicable
2. Each instance represents the performance of a company's products on a specific claim (e.g., Company X USDA biobased certified) relative to its own portfolio without that claim; Prevalence refers to the share of packaged coffee category \$ sales coming from products with the claim (not mutually exclusive of other claims).

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

Few products move beyond one claim



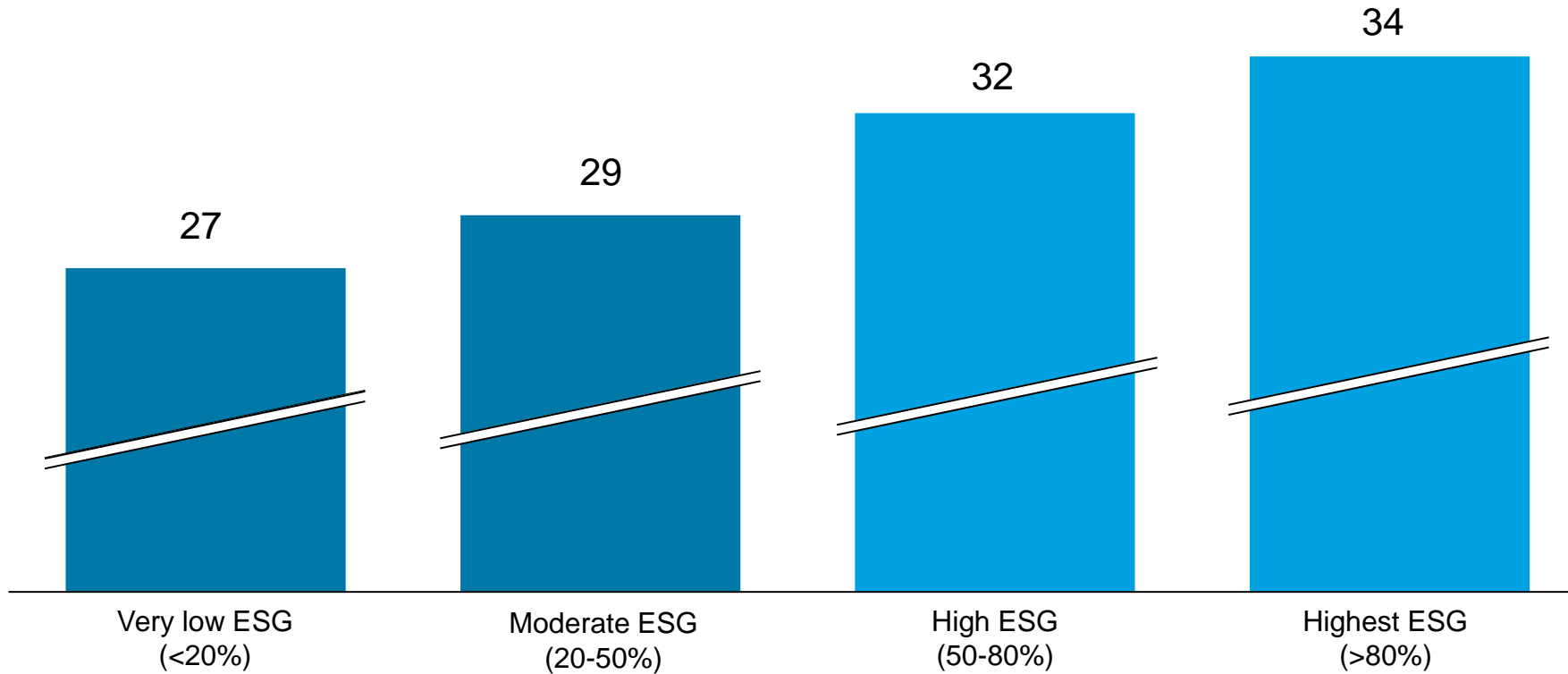
Stacking claims across pillars is associated with faster growth

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

1. 6 types of claims exist - 4, 5, and 6 type scenarios not included due to low sample size

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

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



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

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

+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)

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Packaging as a sustainability and growth vehicle



Develop 100% of our packaging to be recyclable, compostable, or reusable by 2025



Increase post-consumer recycled (PCR) content to 30% by 2030

Work with others to drive consistently greater worldwide recycling of packaging

Amcor has a full portfolio of recycle-ready solutions



AmPrima™
recycle-ready mono materials
(PE, PP); PCR ready

Applications: all products except
for retort



AmLite Heatflex™
recycle-ready retort; PCR ready

Applications: retortable products
(wet pet food, ready meals)



AmSky™
recycle-ready PVC free
materials

Applications: pharmaceutical
primary packaging



AmFiber™
recycle-ready paper based
solutions

Applications: snacks,
confectionary, proteins

Amcor is more than just a sustainable packaging material supplier



Consumer Research



Prototyping



Graphic Design



Industrial Design



Technical Trials and Analytics



Catalyst™ can help you find meaningful solutions that deliver more.

It's flexible, focused, fast and fun. From quick sprints to multi-week projects, in-person or remotely, we're free to work with flexibility in a way that suits you.

Q&A

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