GO GREEN!
THE ERA OF SUSTAINABILITY

A STRATEGY GUIDE BY
WE’RE IN EARLY STEPS OF A SUSTAINABILITY REVOLUTION

THE IMPACT OF SIGNIFICANT AIR POLLUTION

NUMBER OF DEATHS

- > 20,000
- NO DATA AVAILABLE
- NOT APPLICABLE

Source: The World Health Organization, 2016. Age-standardized mortality rate per 100'000 capita
Sustainable legislation aimed at cleaning up the earth will impact global economies and influence production and distribution practices.

Corporations are stepping up to sustainability, changing both the economic and retail landscape.

Consumers see the impact of their purchases on the world and their health and need help making sustainable choices.

SHIFTING THE TAX BURDEN IN FAVOR OF ENVIRONMENTALLY RELATED TAXATION

EXAMPLES ON GREEN LAWS

- Carbon Taxes
- License fees for camping, hiking, fishing and hunting (activity and equipment)
- Tax on technologies and products with non-ecological elements
- Waste disposal taxes and refundable fees
- Additional fees on less sustainable products—such as sport utility vehicles—are pooled to fund subsidies on more sustainable alternatives, such as hybrid electric vehicles
- Tax on goods containing significant non-ecological elements: Plastic bag, straws, packaging taxes, etc.

Source: United Nations Development Program
COMPANIES IN LATIN AMERICA ARE WORKING FOR A BETTER WORLD

Total ban in Mexico and Chile.

PLASTIC BANS ARE GROWING GLOBALLY

GOVERNMENTS ARE TRYING TO CURB ENVIRONMENTAL ISSUES VIA PROMOTING (PES*)

**ENVIRONMENTAL SERVICES (PES) IN BRAZIL**

<table>
<thead>
<tr>
<th>PROAMBIENTE</th>
<th>ENVIRONMENTAL COMPENSATION</th>
<th>RPPNs</th>
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<tbody>
<tr>
<td>Family Production Socioenvironmental Development Program (Proambiente), created in 2000 by civil society and incorporated by the Ministry of Environment (MMA) in 2003, awards farmers and ranchers with up to one-third of the minimum wage when they incorporate less destructive production practices, such as not using pesticides or introducing sustainable agroforestry systems (SAF's)</td>
<td>Companies financially compensate for projects’ unavoidable environmental impact (for example, testing chemicals at sea for drilling oil). States use these funds to invest in conservation projects</td>
<td>Tax exemption for Private Reserves of Natural Heritage. Exempts RPPN owners from paying the Rural Land Tax (ITR)</td>
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<table>
<thead>
<tr>
<th>ECOLOGICAL ICMS</th>
<th>REFORESTATION</th>
<th>IN DEPLOYMENT PHASE</th>
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<td>Brazilian states give 25% of the Tax on Circulation of Goods and Services (ICMS) to cities. Some municipalities allocate 5% of these funds for environmental preservation projects</td>
<td>Focused in timber companies, it promotes reforestation either through compliance with forest management rules (tree cutting restrictions), or paying for tree replacement, which will fund reforestation in other areas</td>
<td>Some PES policies are not yet implemented, awaiting approval or regulation. This is the case, for example, of the ecological income tax (IR) scheme, which proposes a tax deduction for expenses on projects with an environmental benefit</td>
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**OTHER COUNTRIES’ INITIATIVES**

<table>
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<th>MEXICO</th>
<th>COSTA RICA</th>
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<td>The government rewards communities and owners of rural properties for preserving their forests and watersheds</td>
<td>The government created a tax levied on the consumption of water and gasoline. The amount collected is given to forest owners for providing environmental services (about $80 USD per hectare per year)</td>
</tr>
</tbody>
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* Payment for Environmental Services Initiatives
AND GO GREEN MAKES A LOT OF BUSINESS SENSE

OF LATIN AMERICAN EXECUTIVES CONSIDER THAT SUSTAINABILITY IS A KEY THEME IN THEIR COMPANY’S AGENDA

76%

Source: PwC Survey about Sustainability in Latin America, March 2015

What are the three main benefits perceived in your company by your activities actions in sustainability?

**BENEFITS FOR COMPANIES**

- Improves the company’s brand and reputation: 59%
- Strengthening relations with interest groups: 45%
- Long-term permanence: 38%
- Staff satisfaction, commitment and/or retention: 30%
- Effective risk management: 26%
- Competitive strength: 26%
- Cost saving: 25%
- Innovation in product, service or market: 19%
- Anticipation of new regulations, future standards: 12%
- Attracting talents and new generations: 9%
- New sources of income or cash flow: 5%
- Others/intangibles: 3%
- None: 1%
SUSTAINABLE SHOPPERS

BUY THE CHANGE THEY WISH TO SEE IN THE WORLD
LATINOS ARE CONCERNED ABOUT ENVIRONMENTAL ISSUES

LATINOS DEMAND CORPORATE SUSTAINABILITY

Source: The Conference Board® Global Consumer Confidence Survey, conducted in collaboration with Nielsen Q2 2017
How important is it for you that companies implement programs to improve the environment? - Extremely Important & Very Important (by Country)
EVEN IF IT IS NECESSARY TO RENOUNCE TO ANY ATTRIBUTE

Source: The Conference Board® Global Consumer Confidence Survey, conducted in collaboration with Nielsen Q2 2017 Q40. Which features are you willing to forget in order to buy environmentally friendly products/brands?

85% vs. 73% Global

OF LATIN AMERICAN CONSUMERS WOULD DEFINITELY OR PROBABLY CHANGE THEIR CONSUMPTION HABITS TO REDUCE THEIR IMPACT ON THE ENVIRONMENT.
MILLENNIALS ARE MORE COMMITED TO CHANGE

45% DEFINITELY WILL CHANGE
(VS. 30% GLOBAL)
59% - COLOMBIA
49% - VENEZUELA
48% - MEXICO

40% PROBABLY WILL CHANGE
(VS. 43% GLOBAL)
44% - ARGENTINA
42% - BRAZIL
41% - CHILE

12% MIGHT OR MIGHT NOT CHANGE
(VS. 21% GLOBAL)
16% - PERU
13% - BRAZIL
13% - CHILE

Source: The Conference Board® Global Consumer Confidence Survey, conducted in collaboration with Nielsen Q2 2017 Q3. Which statement best describes the likelihood that you would change your purchase/consumption habits to reduce your impact on the environment?

WHO'S SUCCESSFULLY CONNECTING THE SUSTAINABILITY DOTS?

NON-GMO, NO ARTIFICIAL INGREDIENTS / PRESERVATIVES

2015 INDIA
2016 US
2016 US
2016 AUSTRALIA
2016 US
2018 FRANCE

RECYCLABLE OR LESS PACKAGING

2015 EUROPE
2016 US
2016 US
2018 FRANCE
2018 MEXICO
2018 MEXICO
2017 US

WITHOUT PARABENS / SULFATES

2018 MEXICO
2018 MEXICO
2018 MEXICO

ANTIBIOTIC FREE

2018 MEXICO
2018 MEXICO
2017 US

Source: Nielsen Breakthrough Innovation Reports 2015 - 2019 Note: date is after a two-year evaluation of sales performance
IN COLOMBIAN MARKETS HAVE APEARD SOME EARY SIGNALS IN THE FIGHT AGAINST ENVIRONMENTAL ISSUES

AVOIDING FOOD WASTE

In Colombia, 9.7 million tons of food are wasted, accounting almost 8% of the total waste in the region.

- MATERIALS
- USE OF PACKAGING
- ELIMINATE PLASTIC SURPLUSES IN YOUR PROCESSES

CARBON NEUTRAL BRAND SEAL

- FIRST FMCG BRAND TO ACHIEVE CERTIFICATION
- MEASURING, REDUCING AND OFFSETTING THE CARBON FOOTPRINT
- GREEN LIGHTING
- PROCESS EFFICIENCY
- AUTOMATION FOCUSED ON REDUCING ENERGY CONSUMPTION

Source: La República Journal - Colombia

HOWEVER; IS DIFFICULT TO FIND GREEN PRODUCTS

LATAM

44%

GLOBAL

21%

THINK IT’S DIFFICULT TO FIND ENVIRONMENTALLY FRIENDLY PRODUCTS IN THE STORES

56% 52% 46% 44% 43% 43% 39% 12%

VENEZUELA CHILE ARGENTINA COLOMBIA BRAZIL PERU MEXICO USA

Source: The Conference Board® Global Consumer Confidence Survey, conducted in collaboration with Nielsen Q2 2017 Q38. How easy or difficult is it to find environmentally friendly products in the stores where you usually buy your grocery/household products? (Somewhat Difficult & Very Difficult)
GROWTH AT THE INTERSECTION OF HEALTHY FOR ME AND HEALTHY FOR WE

LINKED TO TOP PREMIUM FACTORS

50% vs. 43% Global

OF LATIN AMERICAN CONSUMERS PREFER TO BUY ENVIRONMENTALLY FRIENDLY PRODUCTS BUT THEY ARE MORE EXPENSIVE, SO BUY REGULAR PRODUCTS.
HEALTHY FOR ME & HEALTHY FOR THE WORLD CAN BE LINKED TO TOP PREMIUM FACTORS

- **53%**
  - Has high quality/ safety standards
  - Has high-quality standards
  - Assured

- **50%**
  - Provides superior function or performance
  - Has superior performance
  - Innovation

- **44%**
  - Offers / does something no other product
  - Provides superior functionality or performance
  - Superior function or performance

- **42%**
  - Contains environmentally friendly / sustainable materials
  - Contains environmentally friendly or sustainable materials
  - Environmentally friendly

- **42%**
  - Contains organic - all natural ingredients
  - Contains organic - all natural ingredients
  - Organic

- **34%**
  - Delivers on social responsibility claims
  - Delivers on social responsibility claims
  - Social responsibility

**COLOMBIA 71%**
- Organic, Antibiotic Free, Hormone Free, Non-GMO

**COLOMBIA 66%**
- Sulfate-free, Hormone Free, Minerals

**COLOMBIA 59%**
- Organic, All Natural, No Artificial Ingredients, Preservative-free, Paraben-free

**COLOMBIA 64%**
- BPA-free, Terracycle Certified, Compostable or Plantable Packing, Reusable

**COLOMBIA 58%**
- Upcycled, Made from Waste / Recycled Products, Edible Packaging

**COLOMBIA 44%**
- Free-range, Pasture-raised, Humane

Source: The Conference Board® Global Consumer Confidence Survey conducted in collaboration with Nielsen Q2 2019
Q50. How willing are you to pay a premium (more than you consider average price) for products that provide the following attributes or benefits? - Highly Willing (LatAm Average)
BUSINESS CASE

NORTH AMERICA
WHO’S ACTUALLY PURCHASING SUSTAINABLE PRODUCTS?

LIVE IN PROSPEROUS CITIES
GROWING FAMILIES
YOUNG TRANSITIONALS
SMALLER HOUSEHOLDS
INCOME OVER $100K
URBAN CITIES
WELL-EDUCATED
START-UP FAMILIES
WITH YOUNG CHILDREN UNDER THE AGE OF 6

Source: Nielsen Homescan Panel NMI segmentation 2018

GROWTH OF SOCIA LLY-CHARGED ADVERTISING

1990
1990
$120M
$120M
2016
2016
$2.0B
$2.0B

17x
4x
17x
4x

1,567% growth of the cause-related marketing industry between 1990-2016
4x growth in S&P Index companies that disclose Environmental, Social & Governance (ESG) information

Source: Flash Report, Governance and Accountability Institute, 2017, CSR Report, Cone Communications, 2017
**SUSTAINABILITY CLAIMS OUTPACE TOTAL U.S. FMCG**

**LEVELS OF CLEAN LABEL AND FOOD & BEVERAGES SALES GROWTH vs YA**

- **CONVENTIONAL**
  - **NO ARTIFICIALS** Free from Artificial Colors/Flavors/Preservatives/Sweeteners, Hormones & Antibiotics
  - **CLEAN** Meets 'No Artificial' requirements, plus contains none of the "No No" List of Ingredients Defined by Nielsen
  - **SIMPLE <10** Meets 'Clean' Requirements plus has less than 10 ingredients, all of which are recognizable
  - **SUSTAINABLE** Meets 'Simple <10 Requirements', plus has a Sustainability claim

Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ending 12/29/18

**U.S. BEAUTY CARE CONSUMERS CELEBRATE SPECIFIC SUSTAINABILITY**

**$ SHARE OF INGREDIENT IN CATEGORY AND SHIFT FROM 2015 TO 2017**

- **GROCERY**
  - 33% CLEAN LABEL
  - 67% CONVENTIONAL

- **COSMETICS**
  - 65% PARABEN-FREE
  - 35% CONTAINS PARABENS

- **FACIAL SKIN CARE**
  - 59% PARABEN-FREE
  - 41% CONTAINS PARABENS

Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ending December 30 2017 *Includes products that are rated Clean Label or above.
INDUSTRY RESPONSE

SAVING MATERIALS
REUSE, REPAIR & RECYCLE

H&M, North Face, and Patagonia with their Worn Wear campaign, connect with consumer values by helping them repair and reuse, or recycle, clothing.

SUS TAINABLE TIPS
HELPING TO LIFE BETTER

IKEA
Inspiring and enabling millions of customers to live a more sustainable life at home, helping to save money and save time.

SAVING RESOURCES
BE GREEN WITHOUT EFFORT

Sears’ promise to consumers who purchase its Kenmore HE5t Steam washer. Compared with an older model, the washer saves money for consumers by using seventy percent less water and eighty percent less energy. Tide invites consumers to use half the energy per load of laundry by washing with cold water.

GREEN PRODUCTS
BE GREEN WITHOUT EFFORT

“Made to Matter – Handpicked by Target” collection offers effective, natural oral and personal care products for both parents and kids.

PLAY VIDEO
HOW COMPANIES WIN WITH SUSTAINABILITY?
GO GREEN APPROACH IN LATAM

**TRANSPARENCY AND AUTHENTICITY IS KEY**

**SAVING THE WORLD ... SAVING MONEY**

**SUSTAINABLE INNOVATION ACROSS YOUR ENTIRE PORTFOLIO**

**SMALL ACTIONS... BIG CHANGES!**

TRANSPARENCY AND AUTHENTICITY IS KEY

**I FEEL MORE POSITIVELY ABOUT COMPANIES THAT ARE TRANSPARENT ABOUT WHERE AND HOW PRODUCTS WERE MADE / RAISED / GROWN**

73% 74%

BUILDING A SUSTAINABILITY STRATEGY & COMMITMENTS

- CORPORATE RESPONSIBILITY WILL BECOME MANDATORY VIA SELF REPORTING
- SEEK TO BUILD AND GROW YOUR SUSTAINABILITY STRATEGY TO ENCOMPASS EVERY PART OF THE BUSINESS: REACTIVE TO PROACTIVE
- ADAPTING TO CONSUMER PREFERENCES

SAVING THE WORLD... SAVING MONEY

- Avoid current and future taxation via eliminating non-ecological elements: Plastic bag, straw, packaging taxes, etc.
- Encourage reusable bags
- Improving process and raw materials to be more sustainable and keep an eye out for innovative technologies to help companies advance sustainability and energy efficiency efforts.
- Switch to energy-saving fixtures and appliances
- Experimenting with experiences and new models: new technologies and business processes to facilitate sustainable operations.
- Be smart about lighting – Automatic or natural light
- Be efficient with heating and cooling
- Digital receipts and advertising

SUSTAINABLE INNOVATION ACROSS YOUR ENTIRE PORTFOLIO

SMALL ACTIONS… BIG CHANGES

REUSABLE PACKAGES / ALTERNATIVE CONTAINERS

GO GREEN WITH YOUR STORE DESIGN

PRICING STRATEGY – PRICE ELASTICITY ANALYSES

USE YOUR ONLINE PLATFORMS TO COMMUNICATE

CROSS-INDUSTRY PARTNERSHIPS TO ADDRESS SPECIFIC SUSTAINABILITY NEEDS

CONTRIBUTE TO THE COMMUNITY

DESIGN A RESPONSIBLE TEAM ENHANCED BY TECHNOLOGY

EMBEDDING SUSTAINABILITY INTO THE BUSINESS

Strategy should include the whole spectrum is becoming ever more essential to integrate sustainability into all aspects of the business: marketing; merchandising; supply chain; sourcing; human resources; and more.

EMBED SUSTAINABILITY IN EACH STAGE OF YOUR STRATEGY, TO BE AUTHENTIC AND TRANSPARENT
THE SCIENCE BEHIND WHAT’S NEXT™