

THE STATE OF SUSTAINABLE IMPACT IN CPG



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BACKING UP SUSTAINABLE PROMISES

Companies dialed back sustainability goals in favor of business stability.



AGENDA

01 | Past – Underestimating the timeline to achieve impact

02 | Present – Realistic goals target resilience for impact

03 | Turning sustainable impact into new business

UNDERESTIMATING TIMELINES

AVOIDING TRAPS AND BUILDING RESILIENCE

The Lux Sustainability Impact Model

A model to collectively assess impact across the value chain

1. What targets are moving forward?
2. How is policy interacting with industry to affect timelines?
3. Where along the value chain is progress centered?



LUX SUSTAINABLE INNOVATION TARGETS

Production



REGENERATION

ANIMAL WELFARE

WATER USE

PRODUCT STEWARDSHIP

Supply Chain



DEFORESTATION

CO₂ REDUCTION

WASTE MANAGEMENT

SUSTAINABLE SOURCING

Consumer



HUMAN WELFARE

VIRGIN PLASTIC USE

RENEWABLE ENERGY

RRC PACKAGING

BUILDING THE MODEL

Scoring includes two elements

- Degree of alignment
- Timeframe to achieve impact

Lux Sustainable Innovation Scoring

Alignment scoring rubric from 1 (no alignment) to 5 (definitive alignment)



No alignment between promises and policy



Weak alignment between promises and policy



Momentum for policy or promises



Alignment but limited momentum for one

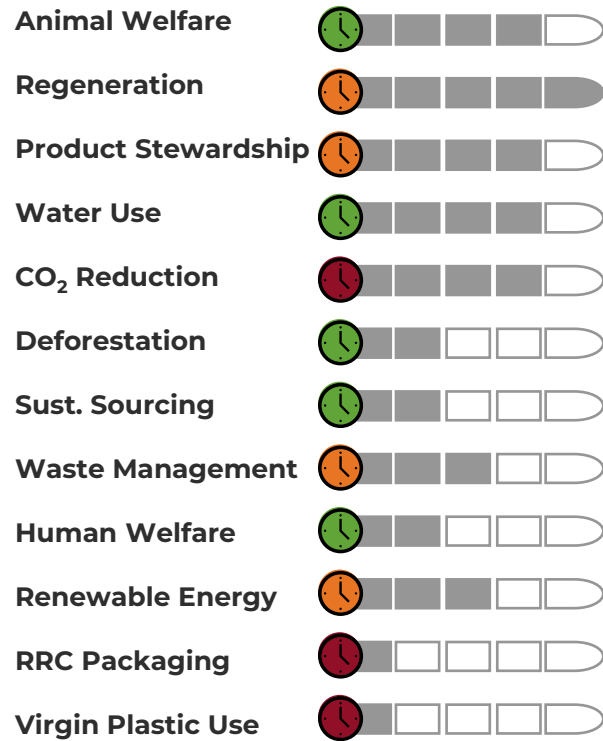


Definitive alignment with momentum for both

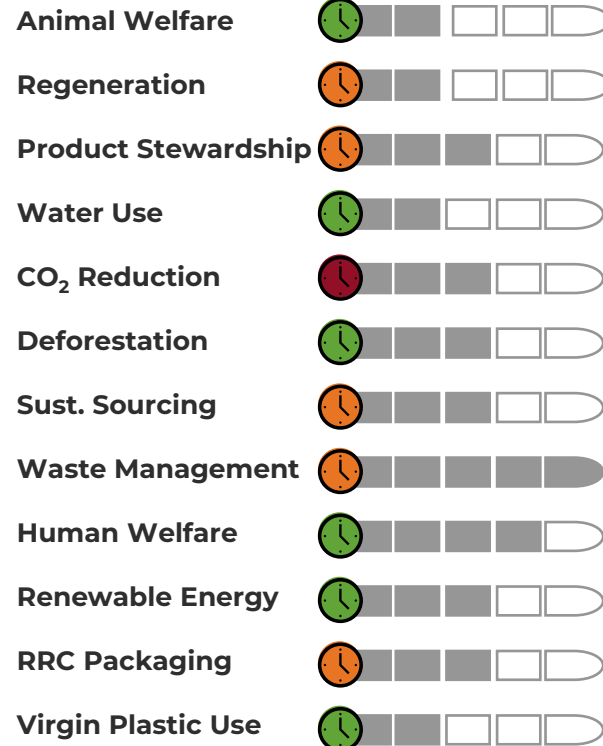
IMPACT TIMELINE  1-2 years  3-5 years  5-8 years

EXAMINING PAST ALIGNMENT

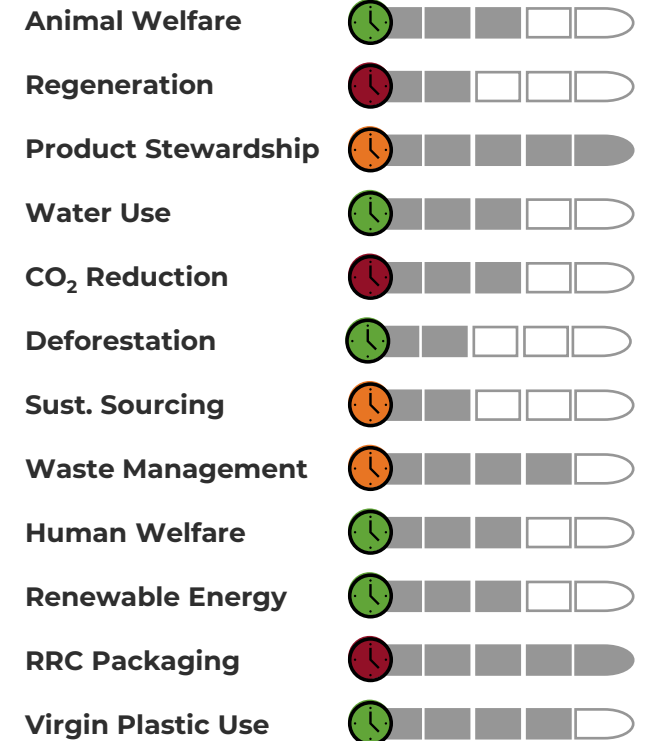
PRODUCTION



SUPPLY CHAIN



CONSUMER



BEYOND ORGANIC

While organic grows linearly, ROC drives niche market acceleration

USD 40 million in sales + 22% YOY growth

174 certified farms

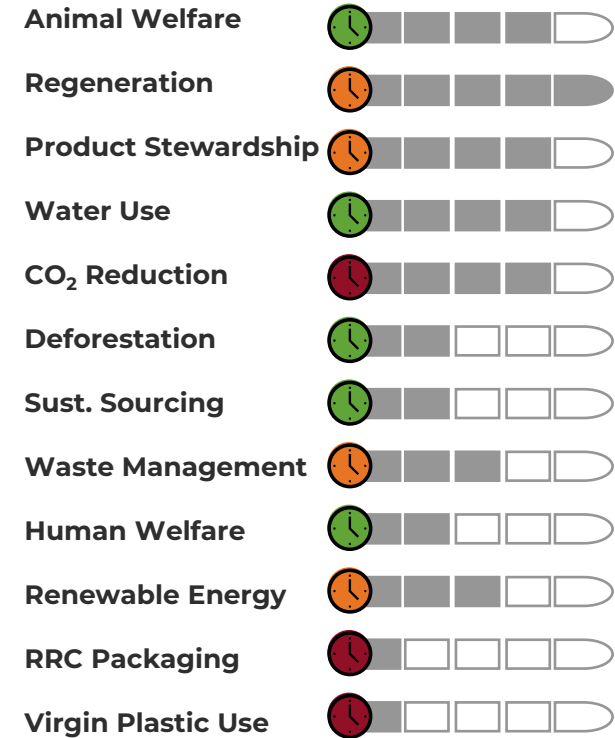
5.7 million acres



LUX TAKE

By moving beyond organic standards and including the quantitative impact of improved practices, **ROC shifts the conversation to address consumer and grower needs.**

PRODUCTION



PORTFOLIO EXPANSION

Cargill acquires Croda's biobased industrial business, for USD 1 billion

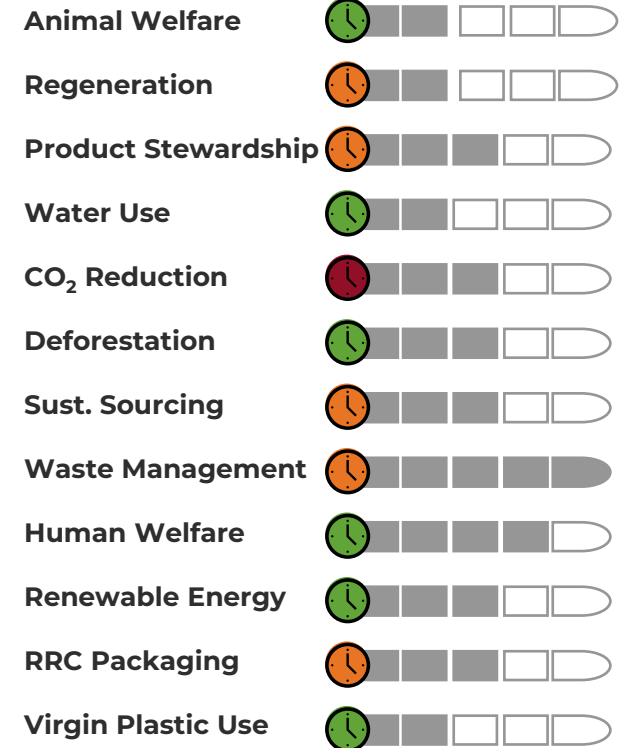
- Biobased products align with existing supply chains
- Create less carbon-intensive businesses



LUX TAKE

Cargill's acquisition **pulls together waste management, sustainable sourcing, deforestation, and CO₂ reduction** to create future opportunities.

SUPPLY CHAIN



RRC PACKAGING



HUMAN WELFARE



SUSTAINABLE SOURCING



AGENDA

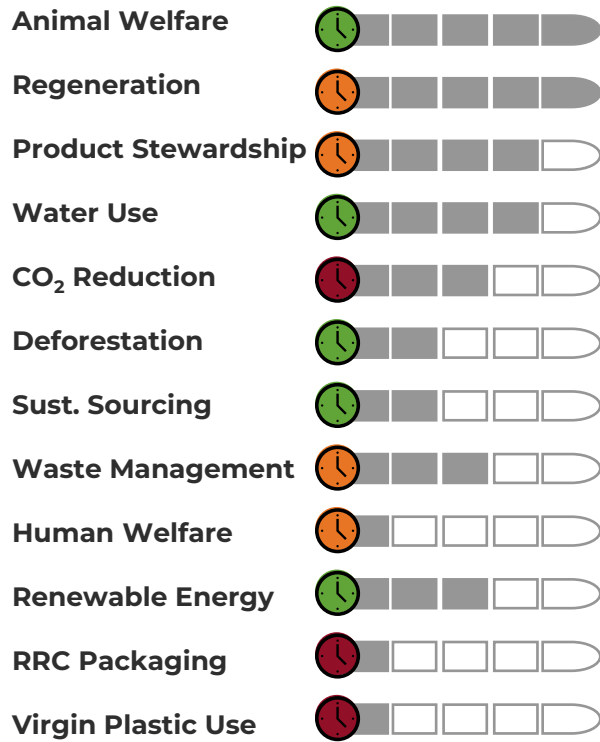
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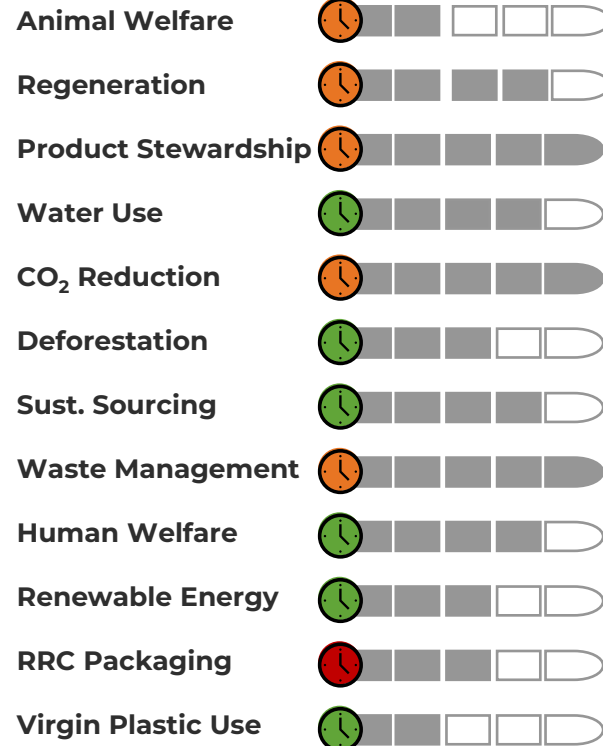
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EXAMINING SHIFTING ALIGNMENTS

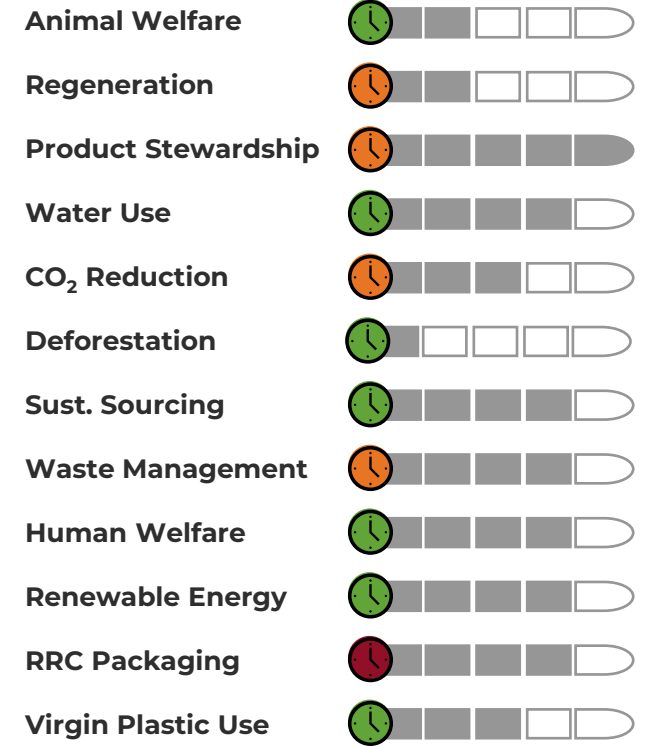
PRODUCTION



SUPPLY CHAIN



CONSUMER



KEY CONCERNS CONTINUE

Key points of change

- Animal Welfare
- Water Use
- Human Welfare
- CO₂ Reduction



DOING MORE WITH LESS

Balancing agriculture's impact while maintaining productivity

Yara ties nutrient management to water-use efficiency

- Adopts effective irrigation systems
- Has launched field fertigation products — YaraRega and YaraTera



LUX TAKE

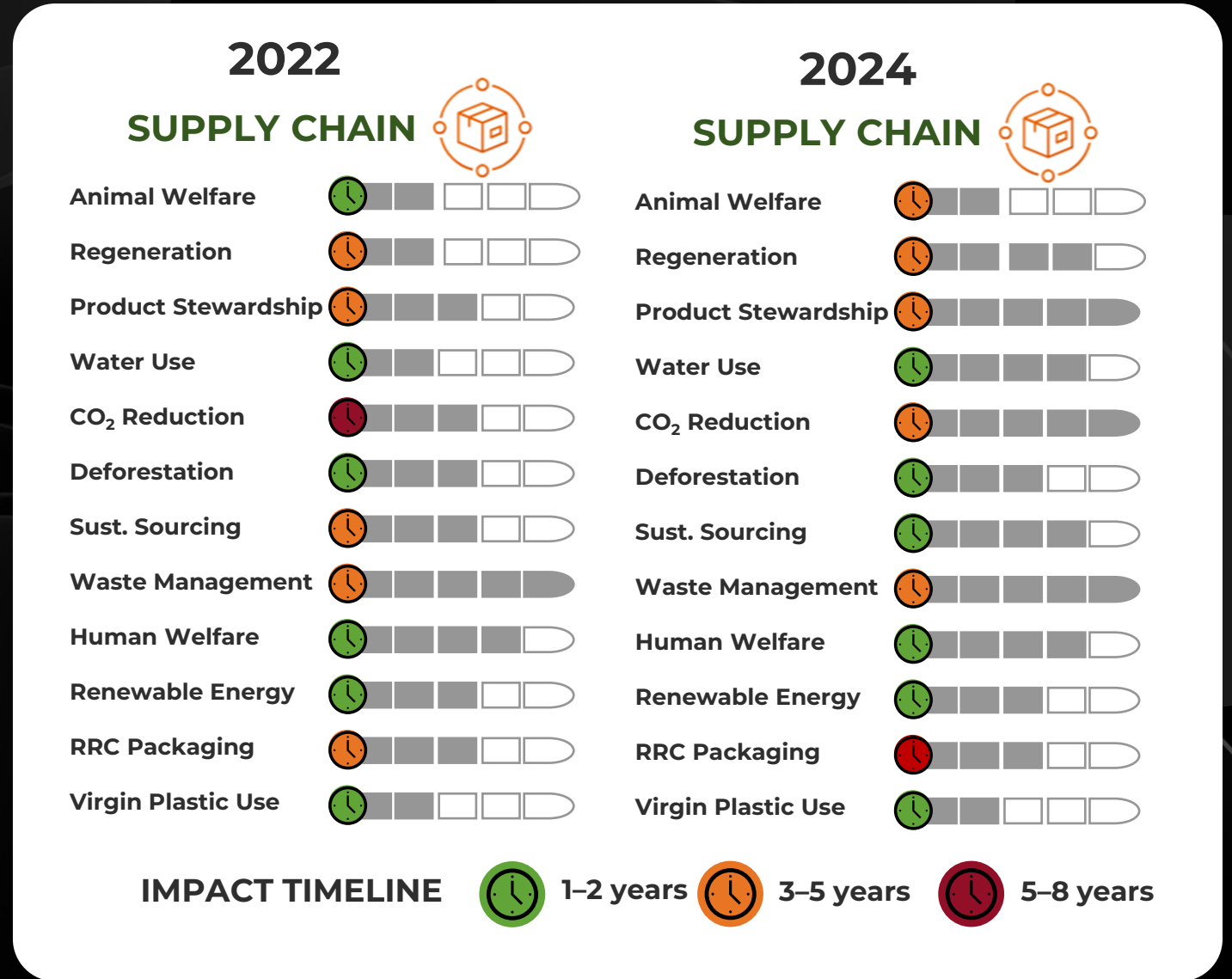
Yara's strategy underscores the importance and challenge of achieving water-use efficiency. **Combined approaches tied to soil health will make an impact.**



POLICY IS THE CORE DRIVER

Key points of change

- Regeneration
- CO₂ Reduction
- Sustainable Sourcing



MIXED STRATEGY

Addressing urgency for sustainable sourcing

Unilever partnered with SAP and Geno

- SAP's Green Token targets end-to-end traceability
- JV with Geno will develop palm oil alternatives
- Exemplifies the need to adopt diverse strategies



LUX TAKE

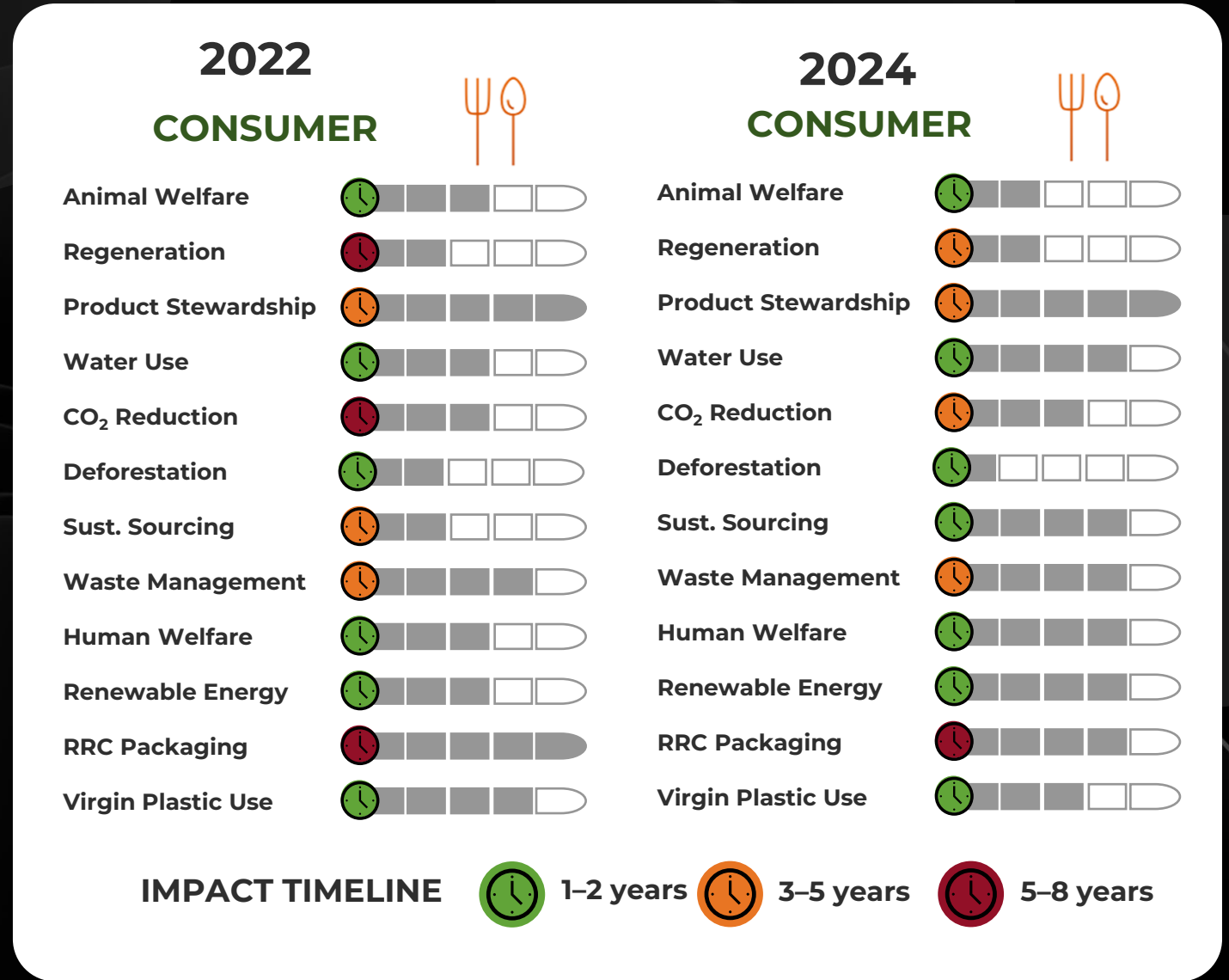
In the near term, **certified palm oil and traceability solutions will be the to-go approaches.** Synergistic strategies to reduce Scope 3 emissions will propel the momentum for alternatives.



PACKAGING PROMISES LAG

Key points of change

- RRC Packaging
- Human Welfare
- CO₂ reduction



REDEFINING THE NORM

Advancing CO₂ reduction and sustainable sourcing

DSM and Fonterra launch an alternative dairy startup, Vivici

- First target is beta lactoglobulin (whey protein)
- IP co-development
- Range of applications, including sports nutrition

LUX TAKE

Traditional dairy players like Fonterra are looking to adopt a **diversified strategy to create a path for conventional and emerging dairy proteins**, but timelines are uncertain.



dsm-firmenich ●●●



AGENDA

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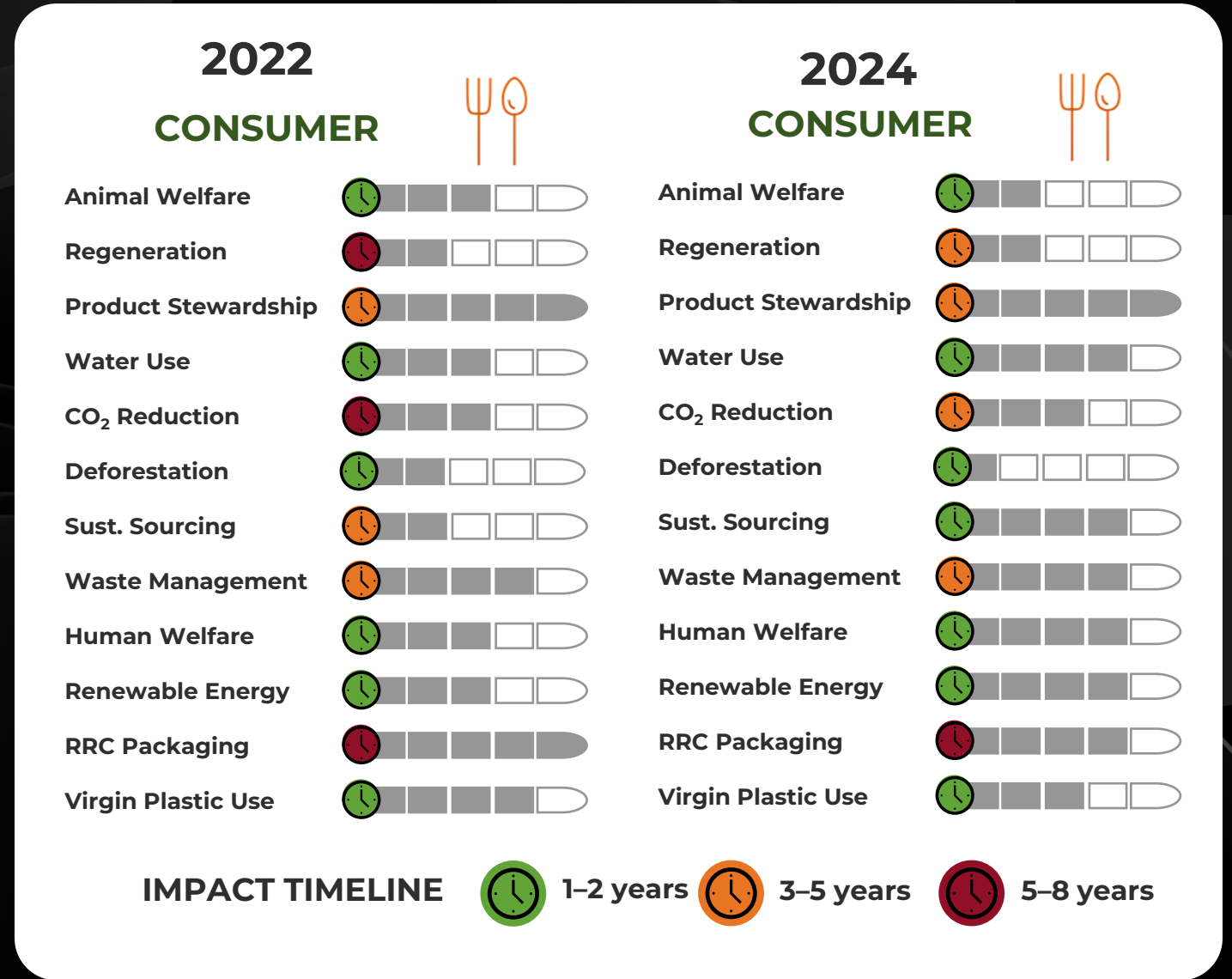


**Creating and communicating
impact requires
human-centric insight**

SHIFTING PRIORITIES

Key points of change

- Human Welfare
- Water Use
- Sustainable Sourcing
- RRC Packaging



SUSTAINABLE PERFUMES

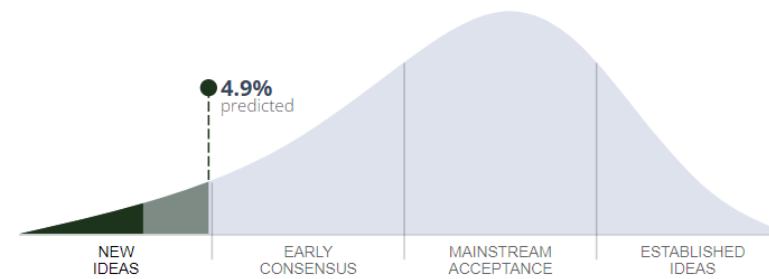
Maturity

Microculture - Ethical sourcing

Predicted to expand to 4.9%

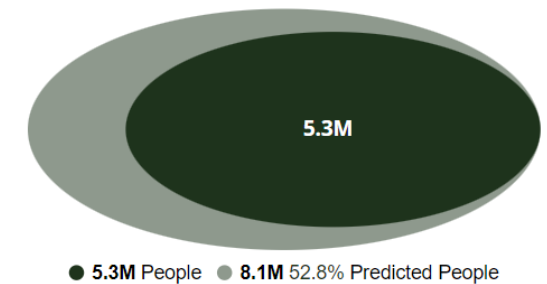
Maturity Curve for Macroculture: sustainability, perfume; Microculture: ethical sourcing

Maturity Curve
3.2%
current



This topic scores **3.2%** on the maturity curve and is expected to expand to **4.9%** in 12-24 months.

This culture is currently relevant to **5.3M** people and is expected to grow by **52.8%** in 12-24 months.



LUX TAKE

Understanding downstream consumer needs is critical for innovation leaders to prioritize technology approaches.

FUNCTIONALITY FOCUS

L'Oréal partners with Debut for sustainable fragrances

Addressing consumer need for nature-identical, ethical scents

- Biobased drop-ins using both cell-free and fermentation technologies
- L'Oréal is focusing on consumer communication and branding

LUX TAKE

Though biotech methods have longer scale-up timelines, L'Oréal embodies human-centric innovation by addressing consumer manifestations through technology innovation.



L'ORÉAL

KEY TAKEAWAYS

1

You can't only focus on advances in your position in the value chain to create impact.

2

Look for opportunities to multiply your impact by connecting sustainability archetypes.

3

To build a long-lived business, examine archetypes through the lens of human-centricity.



THANK YOU

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