The Future of Frozen
Sustainability & the Frozen Dessert Consumer

2022 Annual Technical Conference
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We’re the Kerry team at UW. Nice to meet you!

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If you wish this presentation was live from Camp Randall…

If you’re excited for the next 192 PowerPoint slides…
With the expected global population growth of **9.6 billion** by 2050, the equivalent of almost **3 planets** could be required to provide the natural resources needed to sustain current lifestyles if we do not act now.

2 billion men, women and children are currently **overweight or obese**

690 million people go **hungry** or are **malnourished** every day

30% of **food produced** globally is **wasted** every day

Roadmap for addressing many of the most urgent global economic, environmental and social challenges

Requires broad participation and creates a key role for businesses in delivering solutions

Contribution to the SDGs comes through enabling our customers to improve the healthfulness and nutritional value of their products
By 2030, we will reach over 2 billion people with sustainable nutrition

*Sustainable Nutrition:*
The ability to provide positive and balanced nutrition solutions that help maintain good health, while protecting people and the planet.
Beyond the Horizon
Our Commitments

Better for People

Reaching over two billion people with sustainable nutrition solutions by 2030.

Upholding our values and internationally recognized human rights.

Ensuring a safe and healthy workplace.

Achieving the highest levels of diversity, inclusion, belonging and engagement.

Engaging in community partnerships that deliver impact.

Better for Society

Scope 1&2
Adopting a Science Based Target for a 55% carbon reduction by 2030 and achieving net zero before 2050.

Scope 3
Working with suppliers to reduce emissions intensity by 30% across our supply chain.

-50%
Cutting our food waste by 2030.

Zero
Waste to Landfill by 2025.

100%
of priority raw materials are sustainably sourced by 2030.

Better for Planet

100% Renewable Electricity
By 2025

Water Intensity
Achieving a 15% reduction in water intensity by 2025.

100%
of our plastic will be reusable, recyclable or compostable by 2025.

-25%
Achieving 25% reduction in virgin plastic use by 2025.

100% of priority raw materials are sustainably sourced by 2030.
Methodology

• **14,449 global consumers** surveyed across 18 countries in North America, Europe, and Latin America
• North America: ~**1000 consumers** each in Canada and United States
• **Social media listening** and qualitative exploration corroborate the quantitative findings.
• Respondents were primary shoppers **who prioritized sustainability** on various degrees; i.e. paid attention to sustainability messages on the product label or restaurant menu.
• These consumers also tended to read the nutrition label and ingredient declaration most of the time.

Additionally, consumers were further asked their opinion of sustainability when considering specific food and beverages categories:

**RETAIL**
- Frozen chicken appetizers
- Sweet baked goods
- Baked bread
- Cooking sauces
- Bottled coffee (RTD)
- Bottled iced tea (RTD)

**FOODSERVICE**
- Chicken appetizers
- Sweet baked goods
- Burgers & sandwiches
- Pizza
- Pasta entrée
- Specialty coffee

Over **10 sustainability topics & 85 attributes** were tested in relation with associations made with sustainability.
State of the industry

Sustainability’s multibillion-dollar impact

Sustainability represents a billion-dollar opportunity and a surefire way to differentiate oneself in a crowded marketplace.

49%
Of global consumers today prioritize sustainability at various levels.¹

3 in 4 global consumers expect companies to invest in sustainability.²

In the US, shareholders have already filed 79 climate-related resolutions so far this year, compared with 72 for all of 2020. The total number of climate-related resolutions could reach 90 this year, indicating continued focus on sustainability efforts amid the pandemic.³

$382B
Globally, the spending power of consumers most engaged with sustainable issues in fast moving consumer goods alone is $382 billion.⁴

$150B
It is estimated sustainability-minded consumers in the US would spend upwards of $150 billion on sustainable products by 2021.⁵

57%
Average annual growth was reported in global food & beverage launches carrying an ethical/environmental claim.⁷
Sustainability is **not niche**. North American consumers are maturing in their sustainability journey.

While the presence of sustainability as a topic of concern exists across the globe, no country is alike in their exposure to sustainability and the level of maturity their consumers have developed.
The Sustainability Consumer
Our research found consumers experience sustainability on two levels: extrinsic & intrinsic.

As consumers move along their sustainability adoption curve, their associations move from extrinsic to intrinsic.

**Extrinsic**
- Environment and atmosphere preservation
- Sustainable packaging
- Community aid and human rights advocacy

**Intrinsic**
- Personal health and nutrition
- Food waste
- Clean label claims such as locally sourced, no artificial ingredients, organic and non-GMO

Extrinsic associations are the **first point of contact consumers** have with sustainability.

Intrinsic associations are made by **consumers who have matured** in their sustainability journey.
There are four stages of sustainability adoption and consumer archetypes

Consumer behavior toward sustainability follows an adoption curve, and consumers lie at different stages of adoption based on their associations made with sustainability and their subsequent behaviors.

In our research, we uncovered four key consumer archetypes based on their adoption of sustainability:

- Inactives
- Passives
- Followers
- Frontrunners

These consumer archetypes exist globally, however the size of these consumer archetypes differ across countries and regions.
Consumers within each of the archetypes are unique & prioritize sustainability differently

**Inactives**
- Sustainability is not a strong driver, unlikely to take action to support sustainability
- Price is a strong barrier to acting sustainably
- No gender or generation skew

USA 10% | Canada 10%

**Passives**
- Sustainability is very important to them and they are concerned about the environment, however, less likely to act on sustainability.
- Price and lack of understanding individual impact on sustainability are strong barriers.
- Value – Action Gap is the largest
- More likely to be women, and older – GenX and Boomers

USA 13% | Canada 26%

**Followers**
- Sustainability is a moderate priority, and they do their individual part in supporting sustainability
- View brands, manufacturers and external authorities to help them achieve their sustainability goals
- More likely to be younger – GenZ and younger Millennials

USA 42% | Canada 23%

**Frontrunners**
- Sustainability rule makers – they are strong proponents of acting sustainably and believe they can influence the wider community in acting sustainably.
- Value – Action Gap is the shortest.
- More likely to be Millennials – Older Millennials, Less likely to be Boomers

USA 35% | Canada 40%
Over two thirds of North America consumers are either followers or frontrunners.

Understanding each of these consumer archetypes - what they value, how they define sustainability, specific attributes they prioritize, can be used as a key to unlock opportunities to attract them and meet their unique needs.
State of the Frozen Market
Ice Cream & Novelties remain strong after pandemic surge

<table>
<thead>
<tr>
<th>Frozen Dessert Market</th>
<th>Category Sales</th>
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</thead>
<tbody>
<tr>
<td>$11.9B</td>
<td>Ice Cream $10B</td>
</tr>
<tr>
<td>$14.2B</td>
<td>Gelato $299M</td>
</tr>
<tr>
<td>$14.0B</td>
<td>Frozen Novelty $1.8B</td>
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<tr>
<td></td>
<td>Frozen Yogurt $288M</td>
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<tr>
<td></td>
<td>Ice Novelty $865M</td>
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<tr>
<td></td>
<td>Sherbet &amp; Sorbet $202M</td>
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<tr>
<td></td>
<td>Non-Dairy $524M</td>
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<tr>
<td></td>
<td>Frozen Custard $7M</td>
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</table>

Source: Nielsen xAOC incl. Convenience Latest 52 Weeks W/E January 30
Top Claims in Frozen Dessert Launches
Last 3 Years

Source: Innova Database, 2022

+42% growth of non-dairy frozen dessert launches last year
Dairy is the category where sustainability is most important to consumers.

TRUE

FALSE
Dairy is the category where sustainability is most important to consumers.

TRUE  FALSE
Consumers say:
Dairy is the #1 category where sustainability is important

Attributes promoting sustainability

- Sustainable Packaging 31% ▲
- Minimally processed 27% ▲
- Locally sourced ingredients 26% ▲
- No artificial ingredients 26% ▲
- Made with natural ingredients 25% ▲
- No additives/preservatives 25% ▲
- Zero emissions 22% ▲
- Organic 21%
- Non-GMO certified 19%
- Carbon Neutral 18%
- High protein 17%
- Low/Reduced Fat 17%
- Low/Reduced Sugar 16%
- Non-GMO Project verified 15%

Sustainability Associations
- Health and Nutrition
- Animal Welfare and Protection
- Product Packaging
- Food Ingredient Sourcing
- Environment and Atmosphere Preservation

Source: Kerry Proprietary Insights, Sustainability Consumer Research 2021, NAMER n = 622 ▲significantly above average
Attributes promoting sustainability in dairy, by archetypes

**TOP SUSTAINABILITY ATTRIBUTES PROMOTING SUSTAINABILITY IN DAIRY**

**INACTIVES**
- Low/Reduced fat
- Made with natural ingredients
- No additives/preservatives
- Minimally processed
- No artificial ingredients

**PASSIVES**
- Minimally processed
- Sustainable packaging
- Locally sourced ingredients
- No artificial ingredients
- Made with natural ingredients

**FOLLOWERS**
- Sustainable packaging
- No artificial ingredients
- No additives/preservatives
- Locally sourced ingredients
- Minimally processed

**FRONTRUNNERS**
- Sustainable packaging
- Organic
- Made with natural ingredients
- Zero emissions
- Locally sourced ingredients

Source: Kerry Proprietary Insights, Sustainability Consumer Research 2021, NAMER n = 622
Sustainability in Frozen Desserts
Kerry 2022 Taste Trends | Provenance with a Conscience

Fostering eating experiences with transparent origins that are sustainably sourced and ethically processed.

2/3 of consumers globally state that “sustainability is extremely / very important when it comes to my diet” \(^1\)

28% of consumers include environmental wellbeing when thinking about holistic health \(^1\)

Top Global Issues Relating to Sustainability \(^1\)
1. Animal Cruelty
2. Ocean Pollution
3. Human Exploitation

Source: \(^1\)Innova 2021
Demonstrate a Clear Commitment to Authentic, Sustainable Tastes

Ben & Jerry’s
Change is Brewing Ice Cream

Coolhaus
Dairy Free Horchata Frozen Dessert Sandwich

Van Leeuwen
Sicilian Pistachio Ice Cream

Dream Pops
Birthday Cake Non-Dairy Frozen Dessert Pops

Talenti
Caribbean Coconut Gelato

Bubbies Mochi
Madagascar Vanilla Super Premium Ice Cream
I know what I can do to incorporate sustainability in my product development

YES

NO
How Can You Action This in Your Product Development?

Table Stakes:
• Use sustainable packaging
• Create without artificial additives & ingredients

Commitments for Today:
• Find supplier partners with transparently sourced ingredients
• Review manufacturing practices for sustainability gaps

Commitments for the Future:
• Partner with industry players to directly commit to growers
• Plan to offset product creation → striving for a carbon neutral future

Attributes promoting sustainability

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Key Takeaways

Sustainability is a growing priority for consumers & it will only become more prevalent.

Consumers say Dairy is the #1 category where sustainability is important.

Understand your consumer and commit to sustainability actions that are most important to them.
Questions?
Thank you!

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Scan the QR Code for our Sustainability in Motion White Paper!
Appendix