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# Sustaining values

Driving the sustainability agenda  
in Grocery

2021



# Sustainability will remain relevant for consumer markets beyond Covid-19

## Relevance and implications

### Relevance of sustainability

Facts

- Sustainability consideration drives purchasing decisions and consumer behavior
- Government agencies are stepping up regulatory demand to foster sustainable practices
- Covid-19 accelerated the awareness of sustainability especially for consumer goods

Examples

FOOD WASTE

### Supermarkets must rethink their approach to food waste in the face of Covid-19

By Kris Hamer, VP research, Retail Insight | 23 February 2021

Reducing waste is not only environmentally and ethically right - it cuts costs, says Kris Hamer, VP research at Retail Insight



Germany bans plastic bags from 2022

### Implications



Prepare for a **focus shift** in **consumer behavior** and the whole **ecosystem** already **now** and **after Covid-19**



Examine **current sustainability efforts** within your **company** and **along the value chain**



Identify **key topics and actions** to answer these that your strategy will benefit from in the **long term**

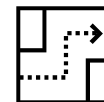


# We see four specific challenges for the grocery industry which need to be addressed to increase the focus on sustainability

## Top 4 challenges

# 1

STRATEGY



## 2 Waste



- **Waste mgmt. standards** are **improving** while **logistical** and **technological challenges** remain
- Current **business models** need to be **adapted** to **circular economy** to answer waste challenges
- **Consumers** demand more **sustainable products** and prefer **reusable products**

## 3 Supply Chain

### Emissions



- Rising **demand** among all stakeholders to **measure carbon emissions**
- The grocery's product **portfolio** is changing to a focus on **plant-based, organic** and **ethic** products
- More consumers are **shopping local** to **reduce layers** and ensure **transparency / traceability**

### Ethics



- Insufficient **protection** and **representation** among the **value chain**
- **Limited transparency** on **health concerns** etc. among the value chain for all **stakeholders**
- **Regulatory changes** and **laws** demand to **promote sustainable practices** and **discipline companies**

## 4 Reporting



- Consumers **push** for **active reporting** and **measuring** of the **environmental footprint** of grocery players
- Good **relationship** with **suppliers** needed to set **critical KPIs** and enable **monitoring** and **progress**
- Increasingly used **sustainability standards** (SDG, SASB, GRI) which are **requested** in the market

# Regulations, consumer demand and Covid-19 are pushing grocery players to reduce waste

## Importance of waste

### Relevance of waste

- **New guidelines** are extremely **challenging** for the **packaging market**
- **Insufficient recycling rates** are **not aligned** with the **increasing packaging production** e.g. plastics
- **Consumers** increasingly try to avoid packaging and plastic bags and **prefer reusable packaging** and **alternative products** e.g. cloth bags and bee's wrap

“EU: parliament seals ban on throwaway plastics by 2021”

**86%** of consumers would rather buy reusable products

“No to the throwaway society”  
5-point plan for less waste and more recycling

### Acceleration by Covid-19



Consumers are **more aware** of **packaging** and **food waste** as more **time** is **spent** **cooking at home**



**Suppliers** e.g. food producers are confronted with **more food waste** as **OOH<sup>1</sup>** **consumption** decreased



**Companies** are urged to **reconfigure** their **global value chains** by reducing **waste** and localizing **sourcing strategies**



# The circular economy represents an attractive alternative model to transition towards effective waste reduction

## Circular economy implementation

### Implementation

1

#### Formulating a circular strategy

- Rethinking business models and changing corporate strategy
- Affecting all areas of every industry and company
- Requires a long-term view and investment

2

#### Engaging in a transformation process

- Changing companies vertically and horizontally
- Requires changes to the system organization and behavior
- Entailing new technologies and new collaborations

3

#### Monitoring the steps towards circularity

- Defining concrete indicators to measure progress
- Establishing management and reporting processes is paramount to further refining a circular strategy

### Exemplary project: comprehensive packaging strategy



**Situation**

- Our client wanted to **change away from the linear economic model to a circular one** aiming to **close loops and use resources in the best possible way across the entire value chain**
- Thus the client wanted to work **towards a circular economy to reduce the environmental footprint, accelerate innovation and increase profitability of products**

**Actions**

- Analyzed their **product portfolio** and developed a **rating system concerning environmental footprint of packaging**
- Identified **hot-spots** and improvement **opportunities to define sustainability criteria for packaging**

**Results**

- Developed a **comprehensive packaging strategy** for the client to **reduce environmental impact from packaging**
- Integrated the **sustainable packaging strategy** in the **standard purchasing processes**
- Aligned the **circular economy strategy** to the requirements of **consumers**

# Rising demand on transparency and changing consumer needs urge for action on emissions

## Importance of emissions

### Relevance of emissions

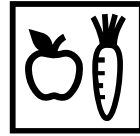
- **Visibility** into **supply chain operations** is seen more and more as the **norm** by **all stakeholders**
- High **demand** for **alternative** and **innovative products** e.g. **plant-based** and **organic** products
- **Consumers** are increasingly **lacking trust** in **globally sourced products** and **push towards local alternatives**

“**First carbon footprint labels to arrive in EU supermarkets**”

**66%** of consumers prefer organic veggies and fruits

**9%** expected growth for the Europe plant-based market<sup>1</sup>

### Acceleration by Covid-19



Consumers are increasingly **changing their diet** – **40% eat more fruits and vegetables**, **34% reduced sugar** in their diet



**Companies** are seeing more **benefits** in **in-house production** to **reduce and control carbon emissions**



**Expectations** of **consumers** on tangible and transparent **environmental efforts** by **retailers** are **increasing**



# Limited transparency on manufacturing ethics and practices, push grocery to re-establish trust

## Importance of ethics

### Relevance of ethics

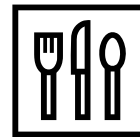
- **Poor labor practices** and **missing contracts** across the **value chain** for e.g. farm helpers
- **Missing transparency** on **employee health & safety** across the **value chain** for all **stakeholders**
- **Changing regulations** and **laws** urge grocery players to **push sustainable ethic practices**

**+25%** more revenue in fair trade products in Germany<sup>1</sup>

**39%** of consumers do not trust manufacturing information

**3/4** of consumers approve a transparent supply chain law

### Acceleration by Covid-19



Consumers of high quality grocery products are **more likely** to **change their diet** for **ethical reasons**



Companies will need to **re-establish trust** by creating more **transparency** along the **whole supply chain**

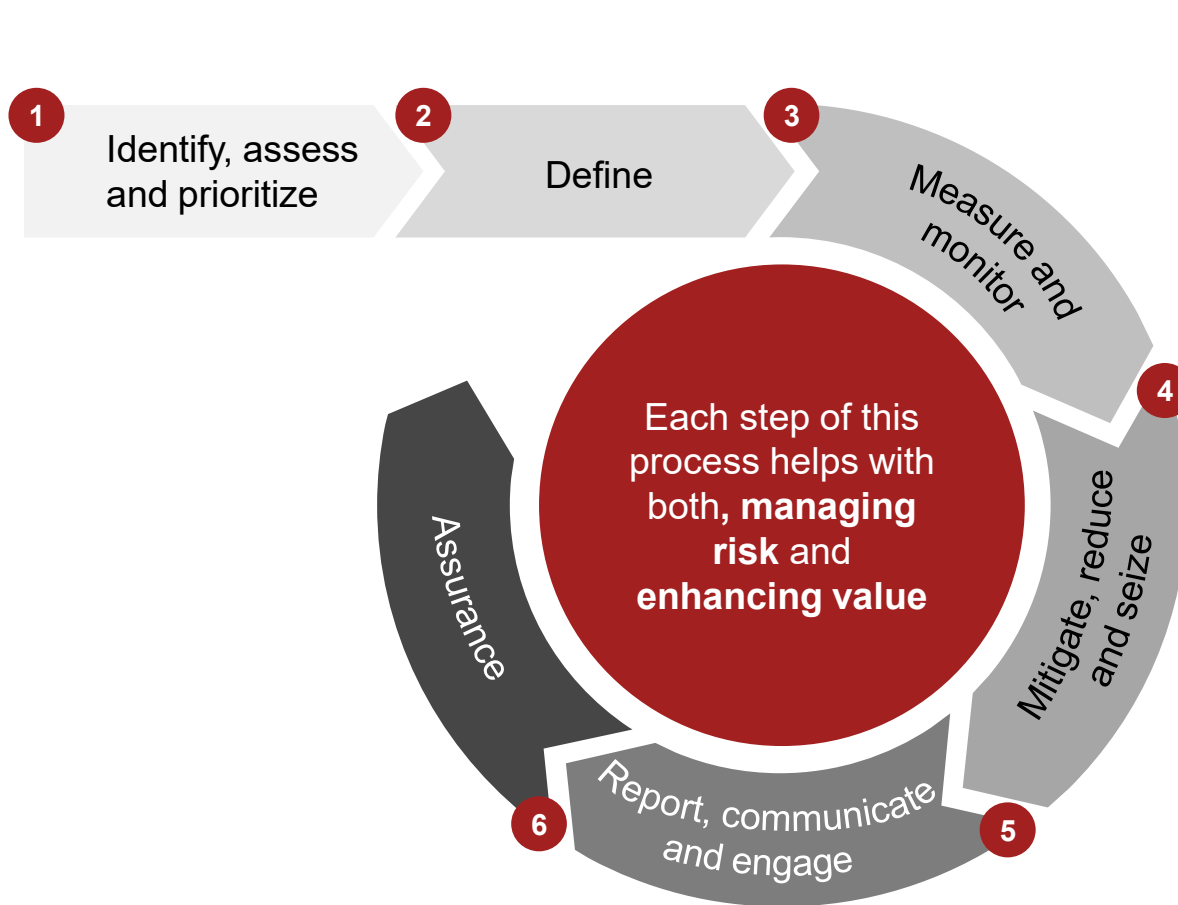


Regulators increasingly hold **companies legally accountable** for **human rights violations**<sup>2</sup>



Our perspective on sustainable supply chain is a holistic view from risk identification via strategy definition to assurance

### Sustainable supply chain



- 1 **Identify, assess** and **prioritize** ESG risks and opportunities
- 2 **Define** sustainability requirements from suppliers
- 3 **Measure and monitor** sustainability performance
- 4 **Mitigate** risks, **reduce** negative impacts and **seize** opportunities
- 5 **Report** on performance, and **communicate** to and **engage** with stakeholders
- 6 Receive **assurance** on disclosures

### Project: supply chain decarbonization strategy

- Updated the **SC GHG inventory** based on the PwC's **ESCHER** methodology
- Analyzed the **purchased goods for climate impact hotspots** along the SC
- Developed **SC targets** in line with the **requirements of the Science Based Targets initiative**
- Elaborated the **SC GHG emission abatement measures** and **assessment of overall GHG emission reduction potentials**
- Advised in **measuring progress towards target achievement** and **managing strategy implementation**



# Transparent sustainability reporting is increasingly requested by all stakeholders

## Importance of reporting

### Relevance of reporting

- **Stakeholders** ask for **value-oriented steering** and **transparent communications**
- **Meaningful KPIs** with **suppliers** are necessary to **identify** and **steer impacts** on **key areas**
- **Higher comparability** across **companies needed** by using **sustainability standards** (e.g. SDG, SASB)

Only 45% of companies report on climate risks

Just 4% of companies conduct a scenario analysis

High momentum on global climate action and reporting by COP26<sup>1</sup>

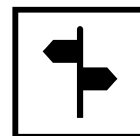
### Acceleration by Covid-19



Higher consumer and stakeholder awareness of reporting limiting potential "good washing"



Continuous **advances** and **consolidations** in **ESG reporting** expected



Decisions by **UN climate change conference** (COP26) in November 2021 will urge **grocery players** to adapt **actions now**



Our experts have relevant expertise and insights and are happy to discuss your choices for sustainable value creation



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