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Quick Overview of SFI Label Recognition

June 16, 2015

Quick Background – NMI Note

- NMI has been conducting consumer research for 25 years. Data is collected either based on a specific client request or because NMI feels that the data might be useful for future research projects.

- NMI previously collected data on a very limited number of environmental labels, including FSC and Rainforest Alliance so NMI has trended data for these labels. SFI was ***not*** among the labels NMI was tracking so NMI does not have historical trends for SFI.

- In January 2015, unbeknownst to SFI, NMI expanded the number of labels it is tracking to include SFI and others. Once the data was available, NMI alerted SFI to its existence.

- Based on subsequent discussions with SFI and at SFI's request, NMI added PEFC to the list of labels it is tracking beginning in April 2015.

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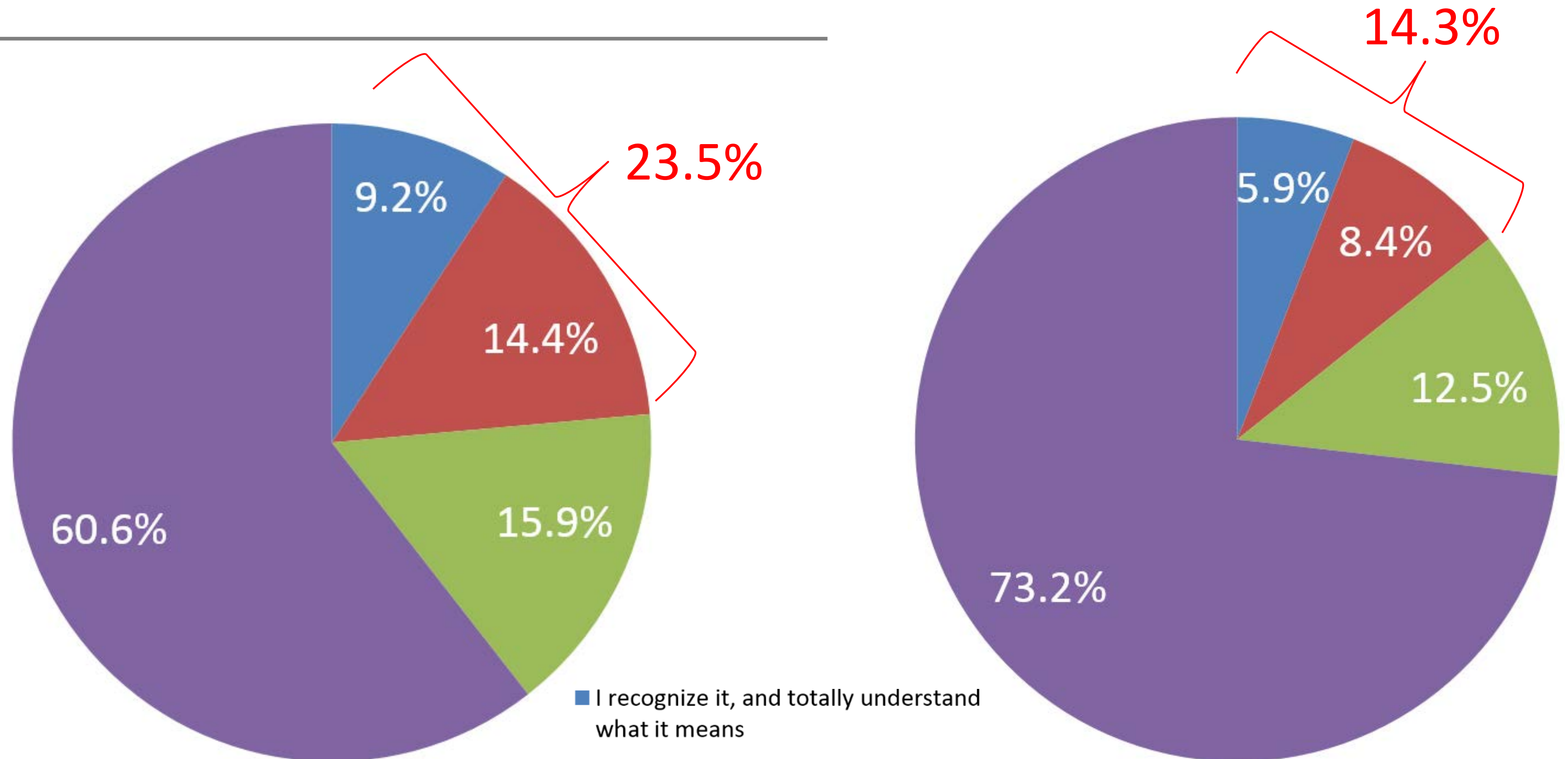
ESP Methodology

- ESP is a survey of 20,000 U.S. general population respondents balanced to the U.S. Census to ensure it is completely representative of the U.S. population. The ESP surveys are conducted four times a year (once per quarter) for a total of 80,000 survey responses each year.

- ESP is particularly good for tracking changes in awareness and usage of a specific brand and product over the duration of a year. NMI clients typically use ESP to track the effectiveness of advertising campaigns or the impacts of current events throughout the year.

- By surveying 20,000 consumers four times a year, NMI can help clients track low-incidence issues such as new products being introduced to the market that are not yet widely available. This makes it an ideal way for SFI to track growing awareness and usage of its environmental labels.

SFI versus FSC Awareness



SUSTAINABLE FORESTRY INITIATIVE

FSC

NMI's 'Green' Consumer Segmentation

LOHAS®
22%
- Active stewards
- Personal <u>and</u> planetary health
- Heaviest purchasers
- Early adopters & influencers

NATURALITES®
21%
- Personal health > planetary health
- Secondary target for natural/ green
- Income restricts some behavior

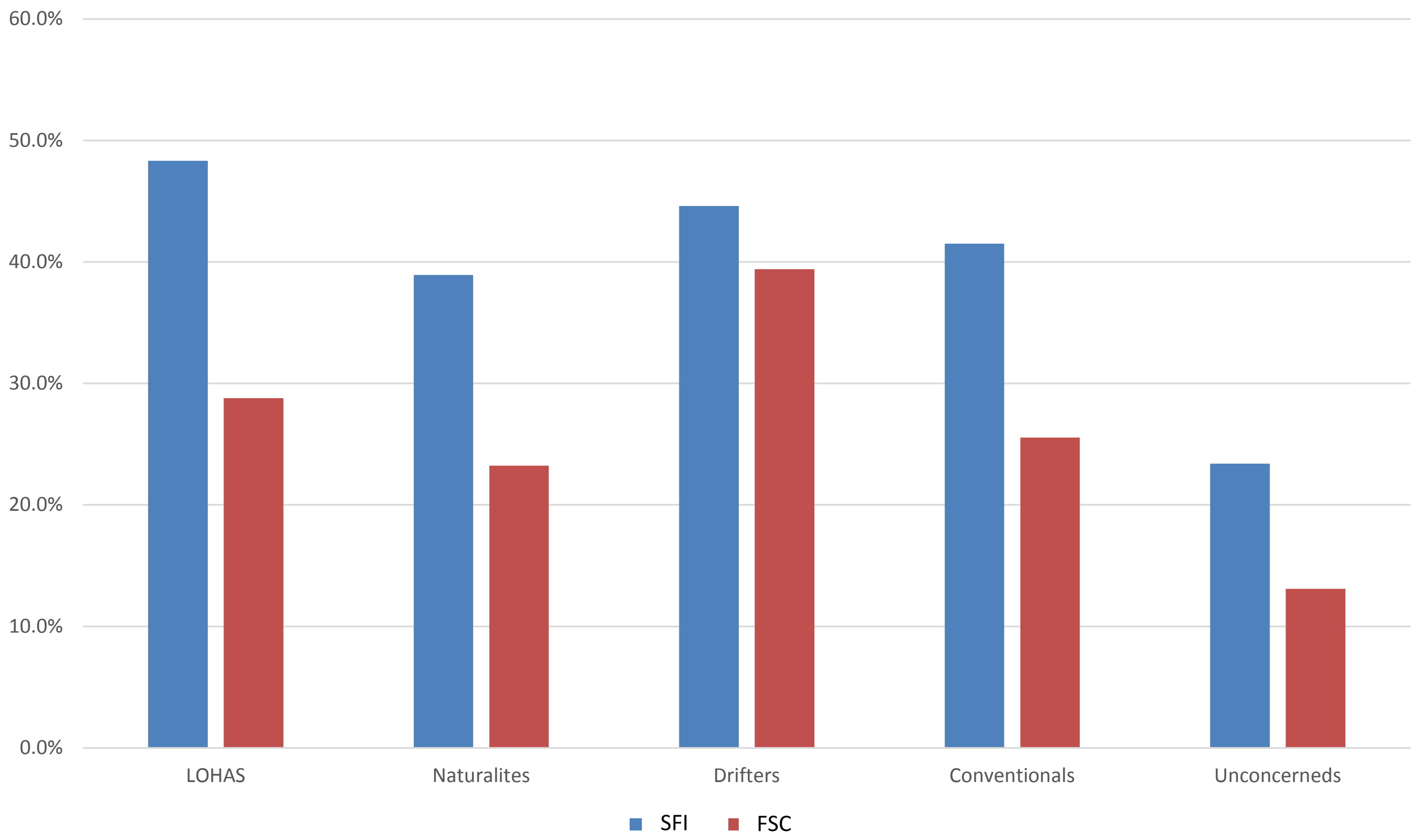
DRIFTERS®
24%
- Green followers
- New to green
- Want to be seen as doing their part
- In search of easy green changes

CONVENTIONALS®
18%
- Practical & rational
- Driven by cost savings; eco-benefits secondary

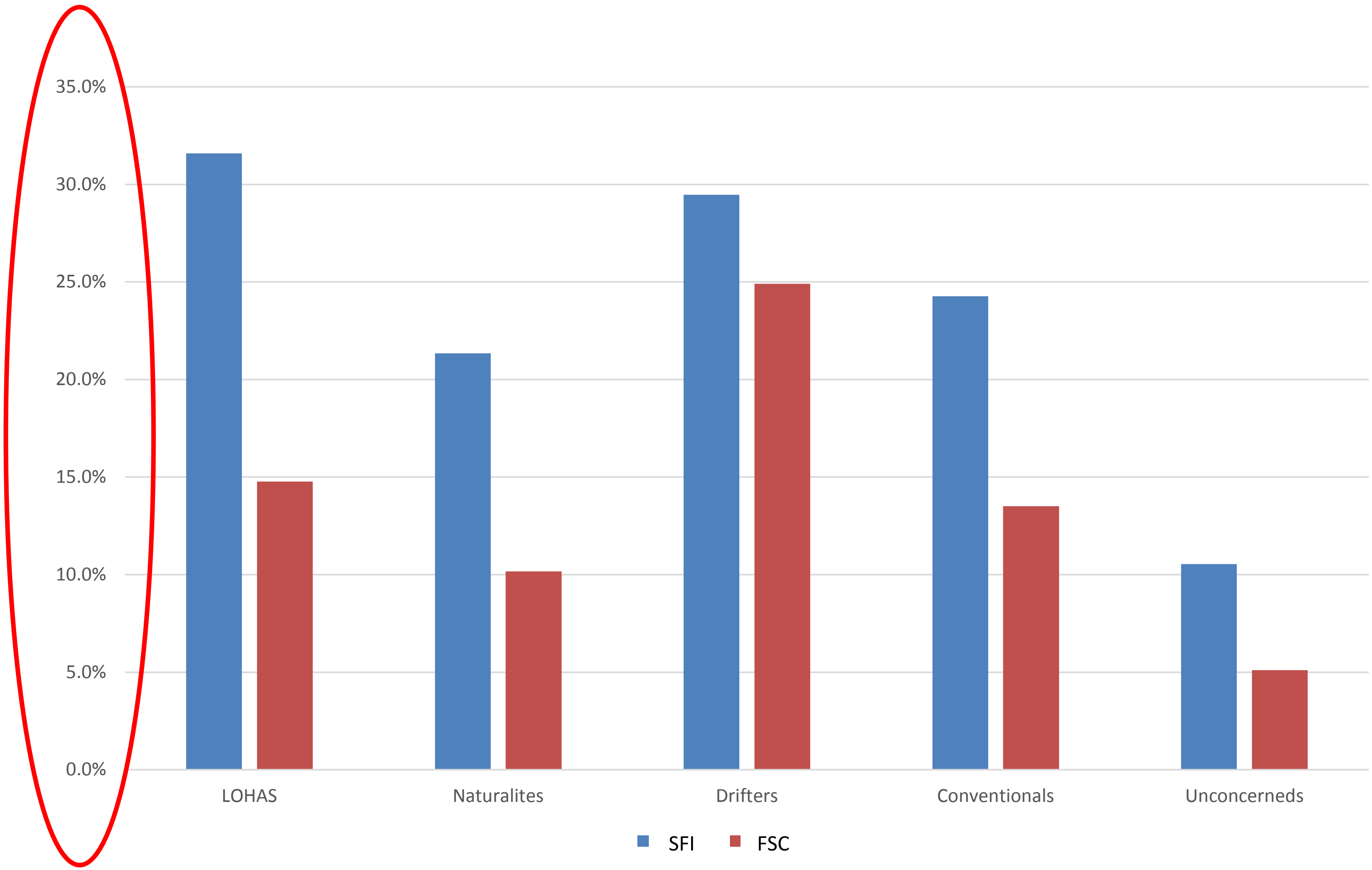
UNCONCERNEDS®
15%
- Unconcerned about the environment and society
- Dealing with day-to-day challenges

Sustainability (LOHAS)

Label Recognition



Label Recognition and Understanding



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'Green' Consumer Overview

June 16, 2015

Consumer Perspective

78%

"It's important for companies to not just be profitable, but to be mindful of their impact on the environment and society."

Consumer Perspective

% general population indicating…
"Knowing that a company is mindful of its impact on the environment and society makes me…"

more likely to try their products or services	more likely to buy their products repeatedly
58%	**53%**
+2.0%*	+2.4%*

*CAG (Compound Annual Growth) 2009-2014

Consumer Perspective

% general population indicating…
"Knowing that a company is mindful of its impact on the environment and society makes me…"

more likely to talk with my friends and family about the company	less concerned with the price of their products
45%	**30%**
+2.6%*	+4.3%*

*CAG (Compound Annual Growth) 2009-2014

Supply Chains Matter

% general population who completely/somewhat agree with the statements

	2009		2014	
I prefer to purchase products that are manufactured in a sustainable manner.	51%	▲	59%	STRONGER PREFERENCE
Knowing that a company is mindful of its impact on the environment and society makes me more likely to try their products.	52%	▲	58%	MORE LIKELY TRIAL
Seeing that a product is environmentally friendly makes me think that it is higher quality.	26%	▲	32%	HIGHER PERCEPTIONS
I am willing to pay 20% more for products which are made in an environmentally friendly and sustainable way.	15%	▲	29%	MORE VALUE

NMI's 'Green' Consumer Segmentation

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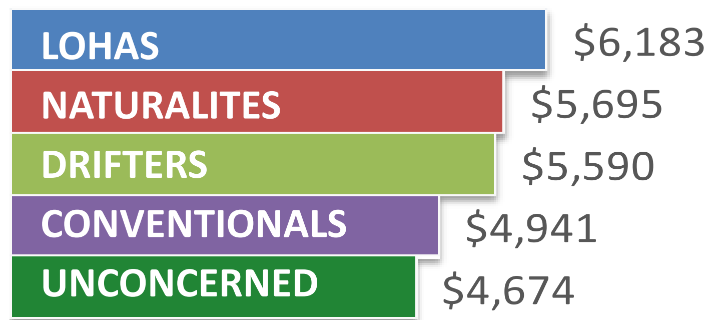
Sustainability (LOHAS)

Some Segments Spend More Than Others

Shopping Trips Per Household

Basket Ring $ Per Household



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A Deeper Look at Labels

June 16, 2015

Quick Background – NMI Note

- The data presented below is from NMI's 2014 consumer research.
- This research did not ask consumers about the SFI label so it does not contain any SFI-specific data.
- It does, however, contain information about FSC and Rainforest Alliance because these labels were part of earlier research projects.

U.S. LOHAS Consumer Trends Database® (LCTD) Overview

Sustainability

Covers 15 market sectors

- CPG
- Green Building
- Transportation
- Electronics
- Investing
- Energy
- Eco-Travel
- Eco-Apparel
- Pet Care
- Others

- 200 LOHAS-related attitudes, drivers to consumer behavior
- Usage patterns across industries, product categories and brands
- Behavior/demos related to green activities, including memberships and non-profit donations
- Information sources

U.S. LOHAS Consumer Trends Database®
Since 2002

Scope:

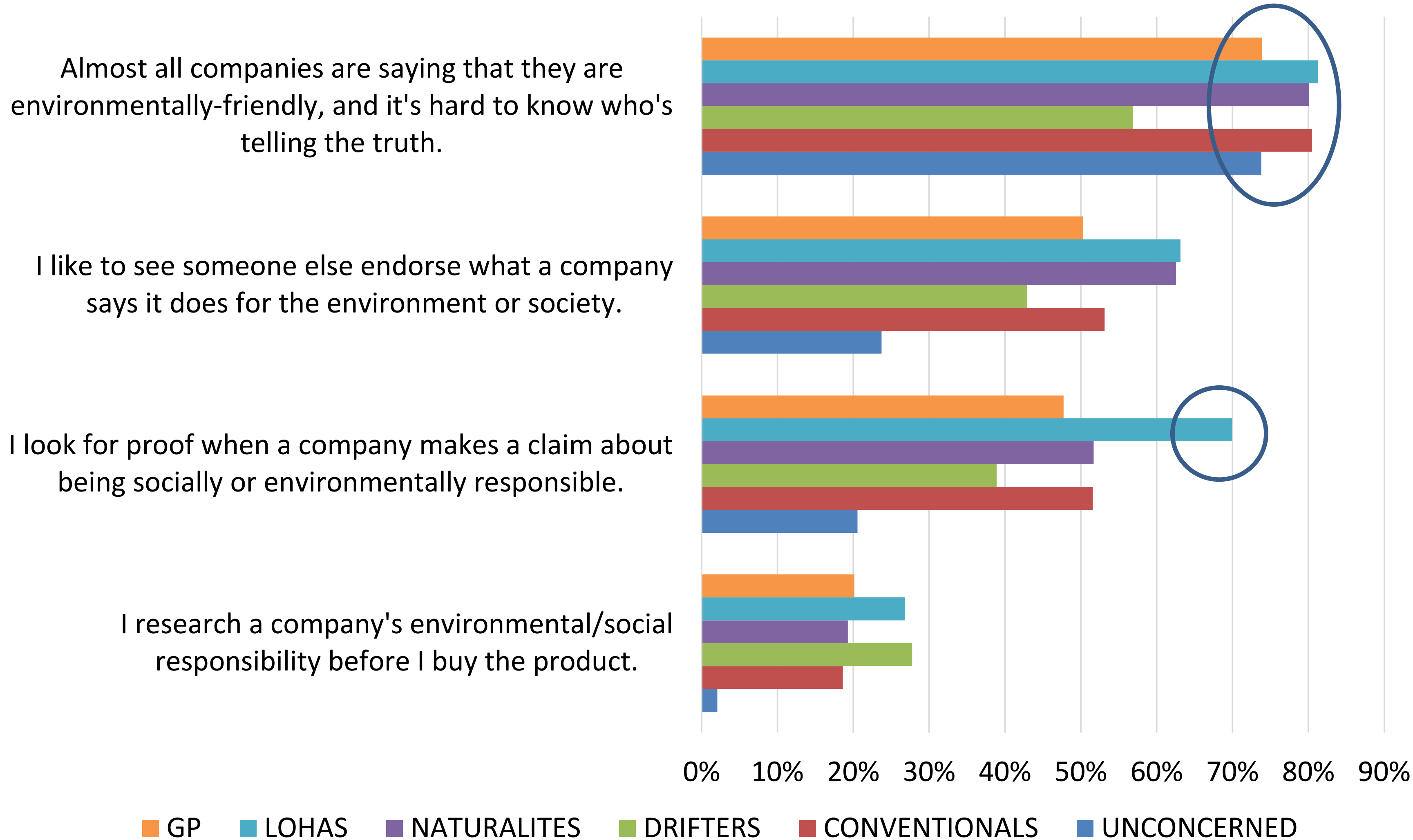
- **Quantifies the size of the consumer market for environmentally and socially responsible products and services**
- **Measures the importance of environmental and societal issues as well as corporate social responsibility**
- **Explores environmentally conscious behavior**
- **Determines consumer usage of sustainable products and services**
- **Annual tracking study in U.S. since 2002 and globally since 2005**

Methodology:

- **3,000+ U.S. adults in 2014, nationally projectable to the U.S. adult population and accurate at the 95% confidence level to +/- 1.2%**
- **Conducted online**
- **53,000+ U.S. consumers in database**
- **Conducted in 23 countries; 150,000+ global consumers interviewed**
- **Throughout this report, compound annual growth (CAG) is calculated and shown as available and relevant**
- **Statistical significance at the 95% confidence level between mutually exclusive groups is indicated with capital letters**

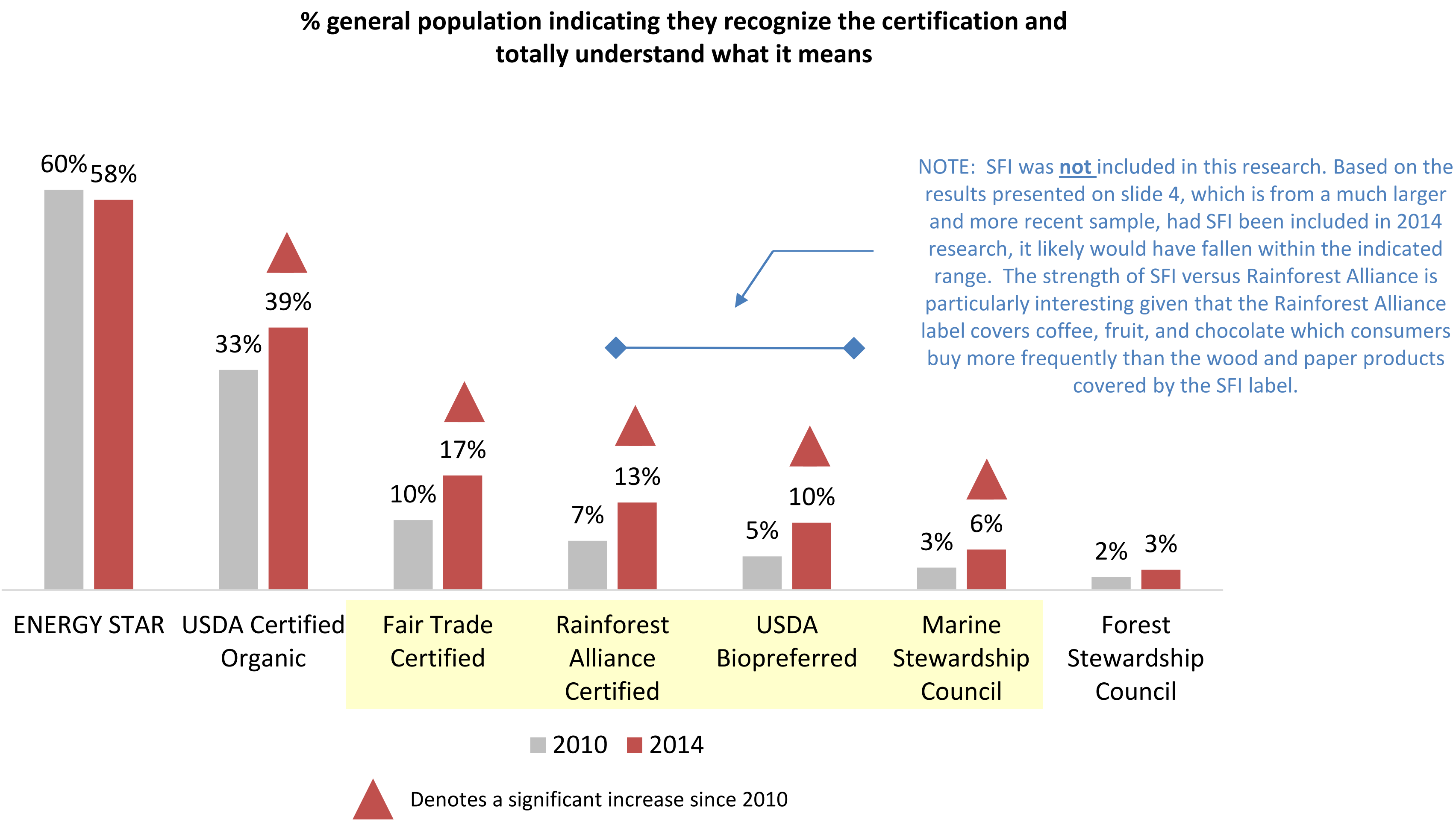
Consumers Want Proof

(Q.35 % Agree Completely/Somewhat with the statement [LCTD 2014])



Awareness and understanding of some of the lesser known certifications is increasing and may have more impact compared to 5 years ago.

(Q.36 - % general population indicating they recognize the certification and totally understand what it means [LCTD 2014])



LOHAS Consumers Read Labels

(Q.78 - % general population indicating the following influence their decision to purchase eco-friendly versions of products such as food, household care, personal care [LCTD 2014])

% consumers indicating the following influence their decision to purchase eco-friendly versions of products; index of LOHAS consumers and Millennials to GP

	General Population	LOHAS	Millennials
Package label	31%	173	91
Friends/relatives	30%	136	105
Coupons	26%	118	98
Television	26%	115	94
Samples	25%	127	108
Internet/websites	21%	171	113
In-store signs	19%	135	97
Newspaper	17%	138	79
Magazines	16%	163	107
Social media	14%	122	152
Government agencies	12%	169	90
Direct mail	12%	130	91
Physician	11%	146	115
Consumer advocacy groups	10%	236	95
Store newsletter/fliers	9%	148	92
Radio	7%	123	114
Books	7%	168	136
Blogs	7%	174	157
Store personnel	6%	165	128
Tweet (via Twitter)	4%	--	--
Celebrities	4%	--	--
Alternative practitioner	3%	--	--
Quick Response Code	3%	--	--

Yellow shading denotes a high index vs. GP (≥ 120); Red font denotes a very high index vs. GP (≥ 150)

Indexes not shown for percentages under 5%

Which types of products *best* candidates for environmental seals and certificates? 1 in 10 consumers would pick these

% GP Agreeing Completely with “A seal or certification mark indicating a product is environmentally-friendly increases the likelihood I'll buy it” and Very Interested in purchasing the following products in green or environmentally-friendly versions

Foods

Household cleaning products

Personal care products

Laundry detergent

Dishwashing soap

Household paper good

Appliances/electronics

Those with the highest propensity to seek out these environmentally-friendly products are *most likely to increase purchase interest with a seal or certification mark*

Which types of products best candidates for seals? (second tier; 7% to 9%)


Home fragrance


Lawn and garden products

Mosquito repellent


Cars/trucks/vans/SUVs


Clothing


Home furnishings

Travel (vacations, hotels, etc.)

NOTE: Consumers were presented with a list of more than 40 product categories from which to choose.

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APPENDIX: NMI Consumer Segmentation

June 16, 2015

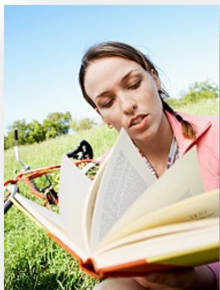
LOHAS Segmentation Methodology

- Segmentation is the process of defining and subdividing a large homogenous market into clearly identifiable segments having common needs and priorities, and then designing and implementing strategies to target them.

- NMI's LOHAS segmentation model divides the entire US population (18+) into 1 of 5 mutually-exclusive segments.
  - Segmentation was developed through a combination of advanced statistics including exploratory and confirmatory factor analysis, convergent cluster analysis, discriminant functions, among other techniques.
  - It is validated to work across industries, geographies, etc.
- NMI last refined its LOHAS segmentation model in 2012
  - NMI will continue to monitor the results to assure fit and reliability of the tool as market/consumer forces change.
- A typing tool (algorithm) is used to segment subsequent data sets
  - It is very accurate when compared to the segmented results (90+%).
  - The algorithm can be licensed by organizations for custom/primary research.
- The segmentation provides continuity from innovation to media effectiveness
  - This 'lens' can be utilized throughout consumer insight activities.
  - Is overlaid on the Nielsen "network" of solutions including Homescan, Spectra, BASES, etc.

A consumer's level of involvement in the sustainability 'space' helps determine the segment into which they fall.

The percent (%) denotes the composition of the segment within the U.S general population

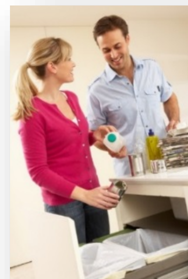


LOHAS®: 22%

Proactively environmental – they set the bar

NATURALITES®: 20%

Environmental strivers with some price sensitivity

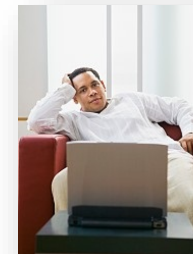


DRIFTERS®: 24%

Want to be sustainable but need easy solutions

CONVENTIONALS®: 18%

Practical and conventional – looking for cost and environmental savings



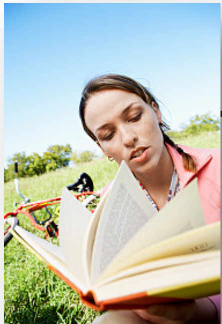
UNCONCERNEDS® 17%

Not involved with environmental issues

Collectively referred to as "Sustainable Mainstream" (SM)

The Sustainable Mainstream wants to be more involved in sustainability but there also needs to be something in it for them; they are striving behaviorally to do more for the environment and feel somewhat empowered that they can make a difference

The LOHAS Consumer: 22%



51M adults in U.S.

Well educated

Higher income

Slight female skew

What they believe

- Highest belief in connection between personal and planetary health
- Live to sustain earth, mind and body naturally

Concerns

- Show highest concerns across an array of environmental issues
- High participation in:
  - Recycling
  - Boycotting/procotting
  - Influencing others
  - Conserving water, electricity, energy

How to reach them

- High information seekers
- Seek information through traditional and non-traditional venues:
  - Advocacy groups
  - Government agencies
  - Third party organizations
  - Company websites
  - Product labels
  - News stories

Purchasing

- Highest integration of 'green' products into their lifestyle
- Willing to pay a premium for e-friendly products
- Heaviest purchasers of e-friendly products/services:
  - Organic food
  - Natural cleaning
  - Personal care
  - Hybrid vehicles
  - Renewable power
  - Green hotels
  - Socially responsible investments

The NATURALITES Consumer: 21%

47M adults in U.S. — Less educated — Less affluent — Skew higher for kids in HH

What they believe

- Believe in personal and planetary health connection, but personal health shows more importance
- Believe some e-friendly products are healthier

Concerns

- Concerned about personal health and issues that affect them directly such as food safety and gas prices

How to reach them

- Want to be more involved in sustainability; any messaging which informs and teaches them will help
- Feel more environmentally responsible than in the past
- Want more information
- Wish they did more for the environment
- Think they can make a difference

Purchasing

- While they want to buy ‘green’, their purchase is often driven by price
- They do over-index for many natural and sustainable household products – once again showing their ‘personal’ health orientation

The DRIFTERS Consumer: 24%

57M adults in U.S.

Youngest segment

Likely to have kids in HH

Racially diverse

What they believe

- Eco-wannabees
- Need easy ways to be ‘green’
- They ‘drift’ to wherever their peers are
- Hold positive green attitudes but lag behaviorally
- Activated to sustainability through peer pressure

Concerns

- Concerns are driven by social pressure
- They are green, not due to personal concerns, but because:
  - They think everyone else is doing it
  - It matters to their family/friends
  - Others expect it of them

How to reach them

- Eclectic selection of ‘green’ lifestyle behaviors:
  - Use clothesline
  - Use reusable mug
  - Composting
  - Carpooling
  - Take public transportation
  - Political involvement

Purchasing

- Brand driven
- Interested in green products from premium brands
- Least concerned about whether a product is a good value

The CONVENTIONALS Consumer: 18%

43M adults in U.S. — Well educated — High income — Slight male skew

What they believe

- Practicality drives "green" behavior:
  - High conservation behaviors
  - Take bags to grocery store
  - Save energy to save money

Concerns

- Concerned about energy and economic issues:
  - Reliance on fossil fuels and foreign oil
  - Value of home
  - Stock market
  - US government debt

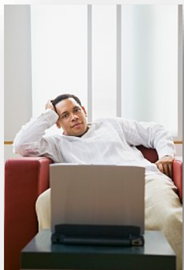
How to reach them

- Saving money drives interest in sustainability:
  - Lowering energy consumption helps lower bills
  - Reusing and repurposing items saves money
  - Feel we live in a wasteful society

Purchasing

- High usage of waste and energy conscious products:
  - CFLs, LEDs
  - Energy efficient electronics/appliances
  - Green building products
  - Home energy meters
  - Insulation
  - Low flow water fixtures
- Feel they don't know enough about green products to know what to buy

The UNCONCERNEDS Consumer: 15%



40M adults in U.S.

Skew Caucasian

Above average income

Slight male skew

What they believe

- No interest in becoming greener

Concerns

- Some interest in economic issues, foreign affairs, US government debt, cost of gas
- Under-index on social and natural resource issues

How to reach them

- Not a 'green' target for sustainability
- Don't do much to protect the environment
- Don't think they can make a difference
- Think being green is too difficult, a chore, boring

Purchasing

- Under-index across eco-friendly product purchases