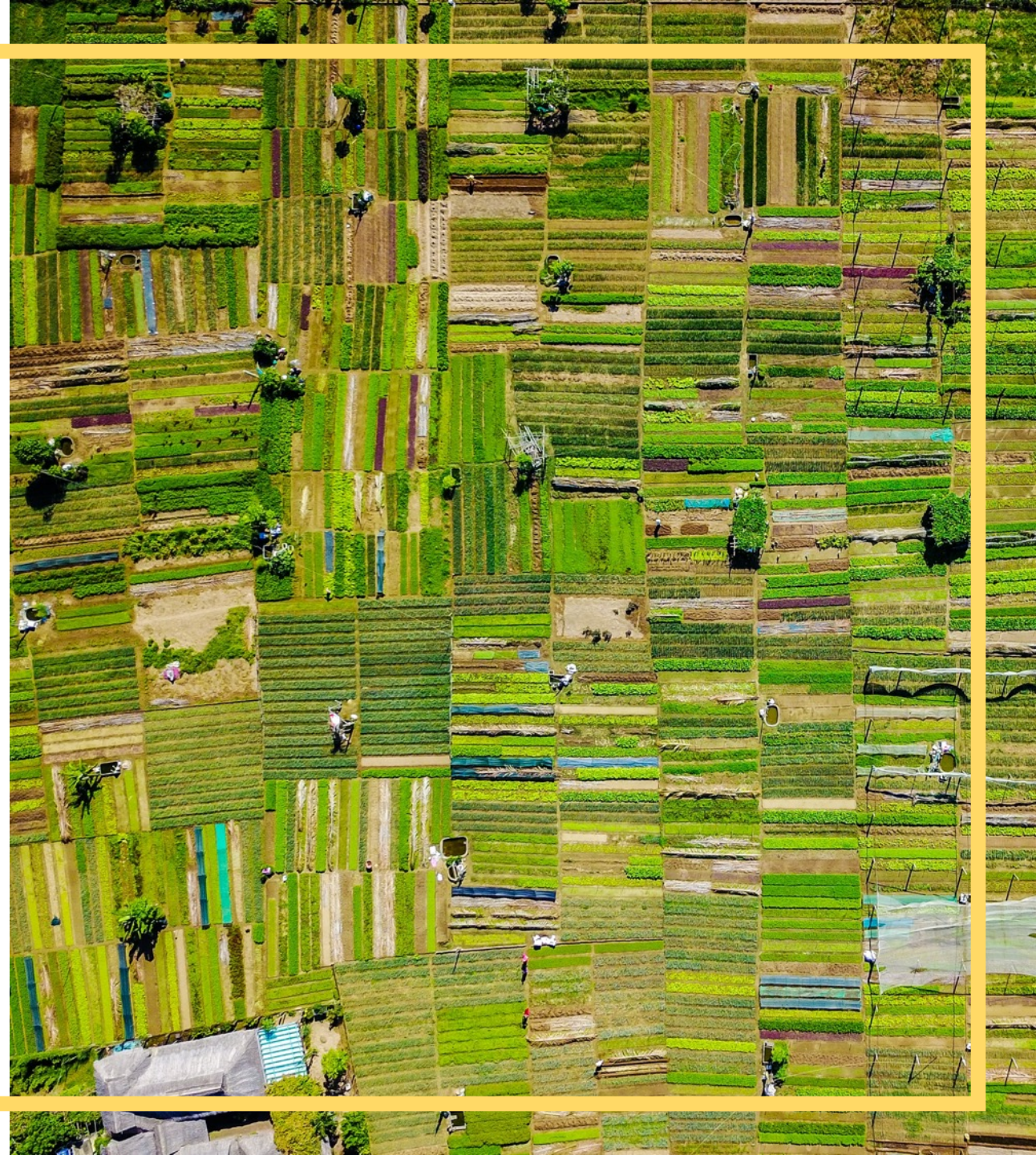




FOOD & NATURE DIGEST

Accelerating the Green Recovery

NOVEMBER 2020



ABOUT THIS STUDY

This has undoubtedly been a year when the entire Food, Beverage & Agriculture (FB&A) industry has had to explore what it means to be an essential service. From having to completely redefine safety protocols for employee and customer well-being to understanding the efficiency and impact of the entire supply chain in making sure shelves stayed stocked, leaders have been forced to make hard decisions as they future-proof their business model.

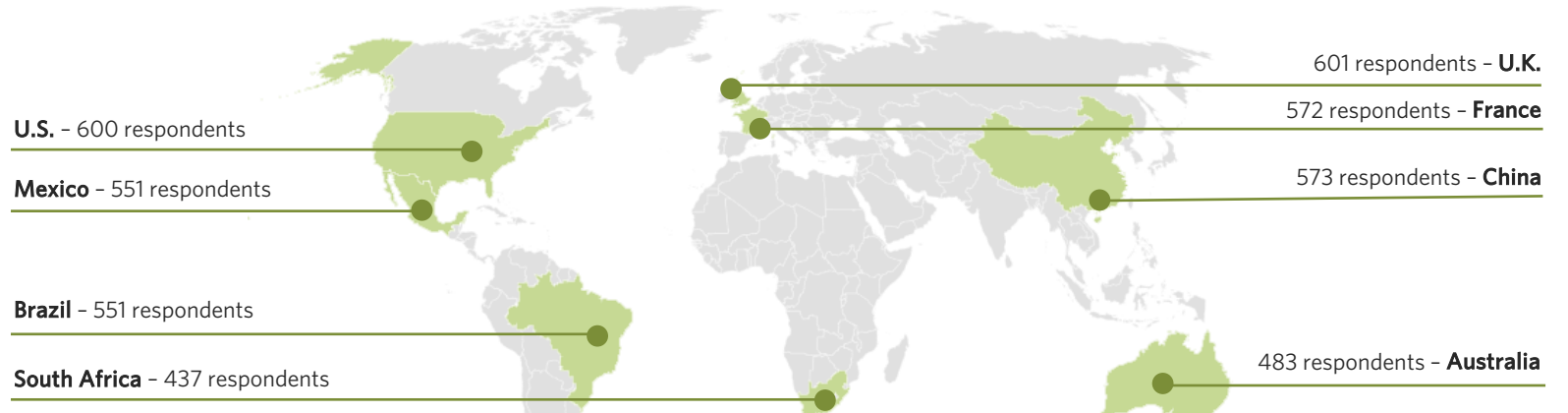
And through it all, there was an unanswered question as to what are the current and future opportunities for the FB&A industry to invest in the Green Recovery. In other words- is sustainability still a core focus for business and consumers alike and, if so, how can leaders better contextualize and plan for investment in the future?

To answer this, The Nature Conservancy partnered with Edelman Data x Intelligence to tackle these big questions. Together with our expertise in nature and trust, we have launched the Food & Nature Digest- a series about the current state of sustainability in food and beverage production, an exploration of informed consumer expectations therein, and recommendations for savvy business leaders to think about a path forward.



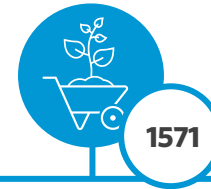
Markets Surveyed

Online survey in 8 markets, with a total of 4,368 respondents surveyed, fielded between September 9 and 24, 2020.



FB&A DECISION MAKERS

- Ages 18+
- Works at an Agriculture or Food & Beverage company with 250+ employees
- Is in a leadership position (C-suite, board of directors, and other high-level leaders)
- Makes decisions about company strategy



FB&A EMPLOYEES

- Ages 18+
- Works at an Agriculture or Food & Beverage company with 250+ employees
- Is not in a leadership position, is not responsible for decisions about company strategy
- Includes employees who work in corporate offices and non-corporate employees (i.e. production, manufacturing, etc.)



INFORMED CONSUMERS

- Ages 25-64
- Has a college degree or higher
- Has a qualifying income level
- Is a frequent consumer of news related to commerce, agriculture, sustainability, or the food and beverage sector
- Includes shareholders who own agriculture, food or beverage stocks

Nature-positive production and a focus on environmental sustainability have increasingly become table stakes for FB&A companies and their consumers.

The role of sustainability (and arguably CSR overall) is officially no longer something companies do to prevent harm to the environment. Instead, modern business leaders are looking to understand how they can do proactive good for the world by investing in sustainability. This is a clear and necessary ownership of taking action at the most senior levels of organizational leadership.

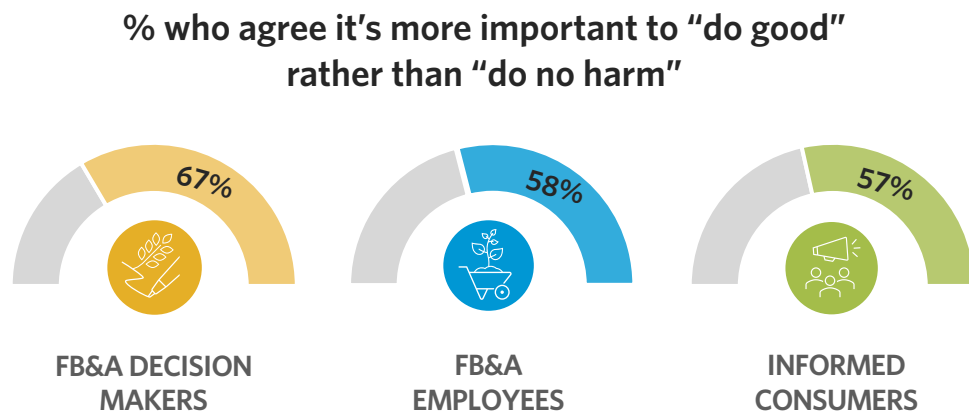
Despite employees validating that their employers are making these changes, informed consumers still want more. The good news is that they continue to hold a high value on sustainability and want more opportunities to get involved, more knowledge of why and how companies are engaging, and more clarity around how the investments in sustainability are not just purpose-washing but truly being integrated into the organization's operations.

Companies should take 2020 as the formal opportunity to have strategic conversations about appropriate investment strategies and organizational objectives in this area.

“Doing good” for the environment should be a top priority for the industry today, and even more for the future.

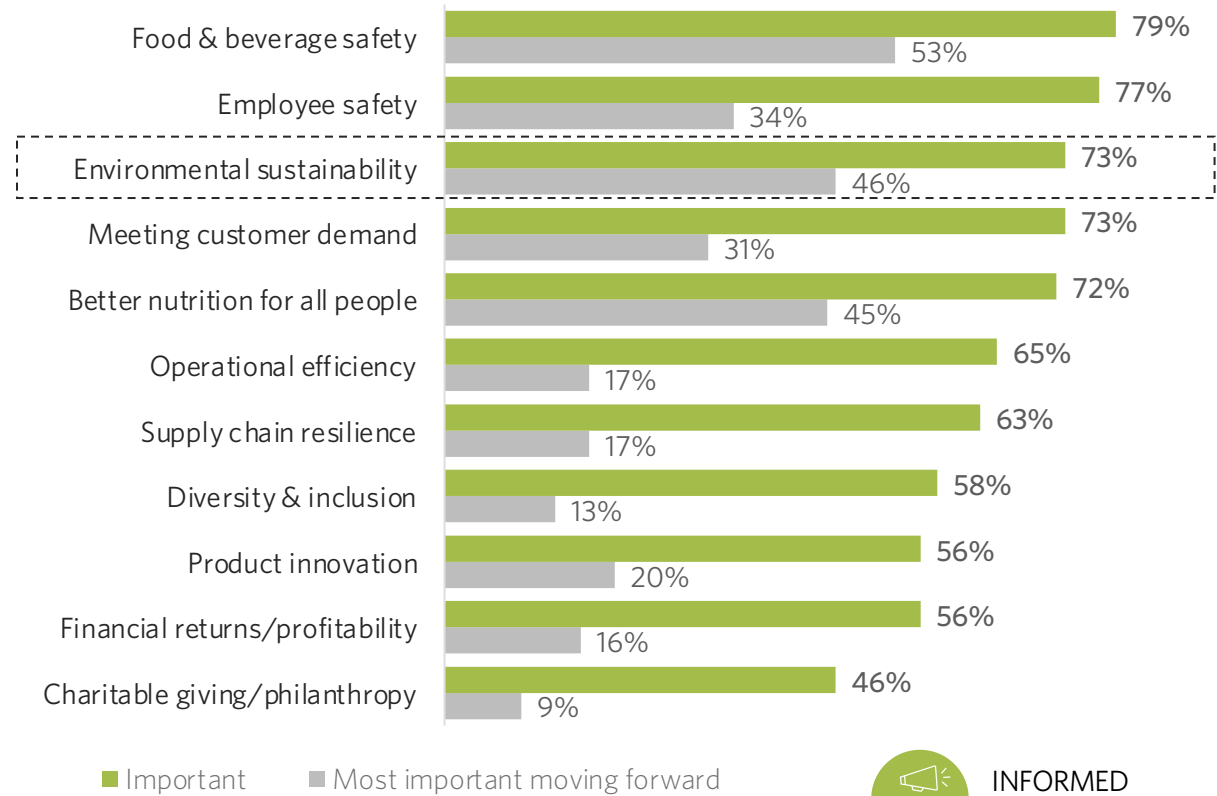
Across all audiences, environmental sustainability is of utmost importance- only behind safety. In fact, sustainability is tied with the functional needs of meeting consumer demands in volume and quality. Although the exact place it has isn't consistent across all markets (e.g., U.S., U.K., China, and Brazil tend to be a bit more focused on customer demand at the time), it is always within the top five and draws a highly vocal and passionate audience.

Looking ahead to the next three years, the higher-order priorities of safety, sustainability, and nutrition only become more of a focus for consumers. Simultaneously, all populations surveyed agree the greater priority for FB&A companies has now become doing good for the environment versus doing no harm.



Importance of Focus Areas for FB&A Companies

Reporting: % Selected



Q7: How important is it that the average food, beverage, or agriculture company focus on each of the following? Base: Informed Consumers
 Q18: What should be the higher priority for food, beverage, and agriculture companies? Base: Total

Amidst a global pandemic fraught with distribution challenges, environmental risks out rank operational concerns.

Top Food System Risks to FB&A Companies

Reporting: % Selected (Up to 3 Max)

Environmental Risk
Operational Risk

GLOBAL

1	Water Quality
2	Climate Change
3	Pandemics/Disease

U.S.

1	Water Quality
2	Pandemics/Disease
3	Climate Change

U.K.

1	Climate Change
2	Pandemics/Disease
3	Land Degradation

SOUTH AFRICA

1	Climate Change
2	Water Quality
3	Waste

MEXICO

1	Water Quality
2	Waste
3	Climate Change

FRANCE

1	Water Quality
2	Pandemics/Disease
3	Waste

BRAZIL

1	Water Quality
2	Pandemics/Disease
3	Land Degradation

AUSTRALIA

1	Government Restrictions
2	Climate Change
3	Pandemics/Disease

CHINA

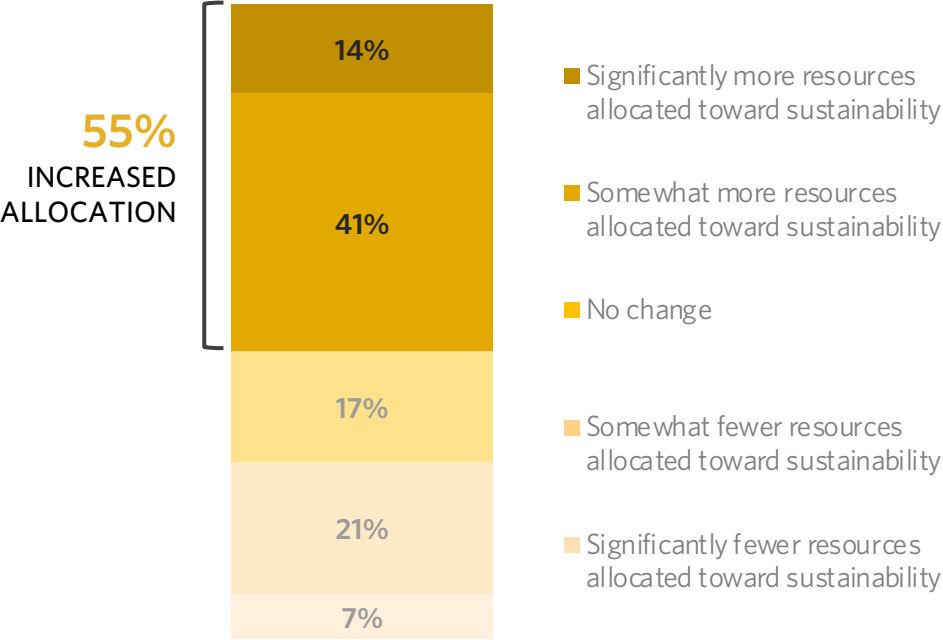
1	Water Quality
2	Climate Change
3	Deforestation

Decision makers are dually-motivated to engage; they agree it's their duty and feel it's good for business.

Over half of decision makers have increased investment in sustainability, citing the planet and competitive advantage as top reasons. On average, decision makers say their companies are allocating 13.5% of earnings to environmental sustainability.

Shifts in Resource Allocation, Past 6-10 Months

Reporting: % Selected



Reasons for Increased Resource Allocation towards Environmental Sustainability

Reporting: % Selected

	The need to reduce long term harmful impacts on the planet	35%
	It will give us a competitive advantage	33%
	Increased earnings have provided more funds to invest in sustainability initiatives	33%
	Growing interest from ESG investors	32%
	Others in our industry are investing in sustainability	30%



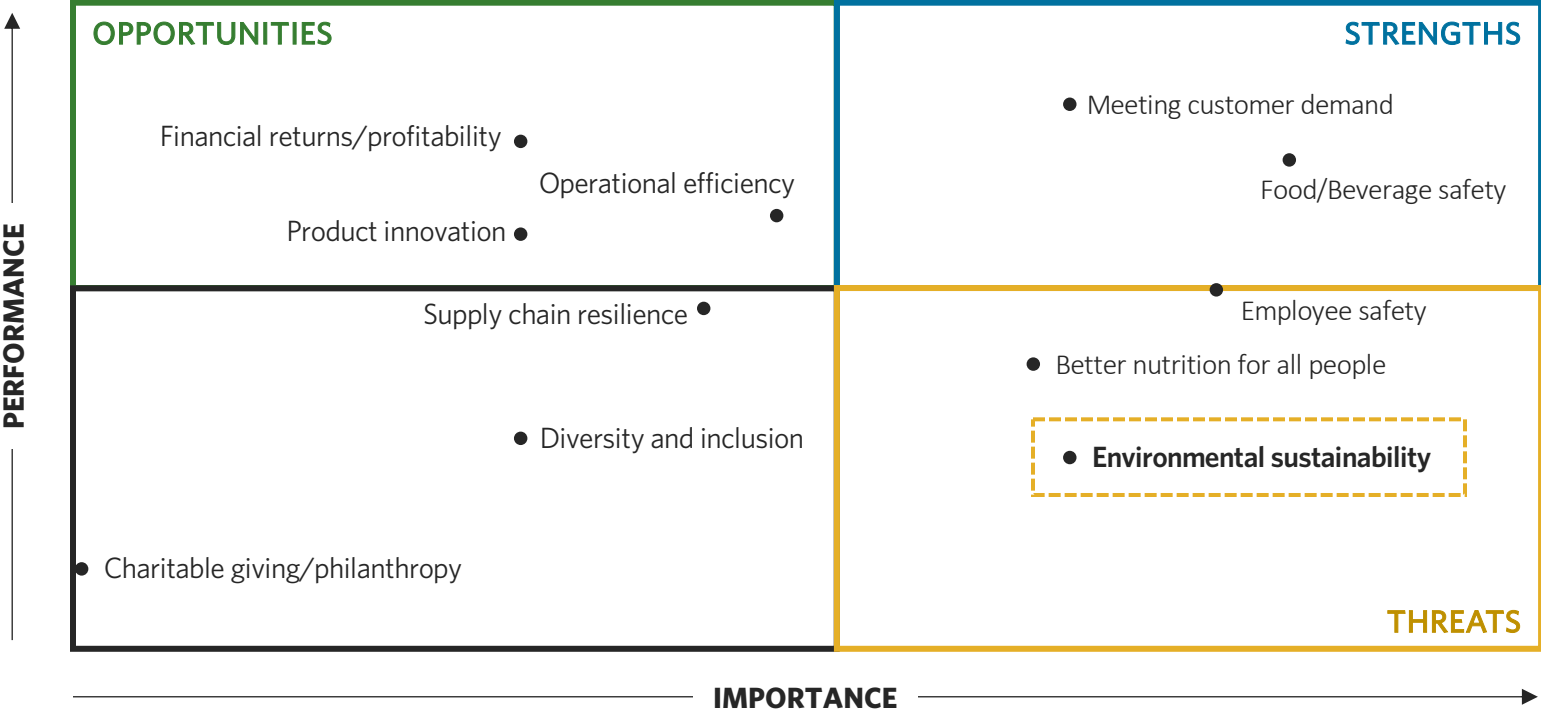
FB&A DECISION MAKERS

Q21: How has the resource allocation your company makes toward environmental sustainability changed over the past six to ten months? Base: FB&A Decision Makers
 Q22b: You said your company has allocated more money to sustainability in the past six to nine months. Why is this? Base: FB&A Decision Makers who Increased Allocation

However, consumers continue to think FB&A businesses lag in delivering on sustainability.

Importance by Performance of Key Areas for FB&A Companies

Reporting: % Delivers, % Important, Top 2 Box



Consumers now have an almost over-whelming number of options when it comes to food and beverage. This is most likely why industry performance is strong on functional and/or operational needs. However, as higher-level aspirations – such as nutrition and sustainability – are growing in importance, the old model of simply making good food at a reasonable price is less effective in driving consumer action.

Effectively and meaningfully engaging in net-positive sustainability initiatives is of primary importance to informed consumers. Improved performance in this area – which lags every other major category – is a business imperative for keeping customer loyalty.



Q7: How important is it that the average food, beverage, or agriculture company focus on each of the following? Base: Informed Consumers
 Q9: Based on what you know, how well does the average food, beverage, or agriculture company deliver each of the following? Base: Informed Consumers

Consumers accept (and expect) that companies are both motivated to do good and to safeguard their business.

In fact, consistently across the markets surveyed, they trust them just as much when investing for business reasons – as long as they are genuine about it.



INFORMED CONSUMERS

Propensity to Trust FB&A Company Based on Reason for Investing in Sustainability

Reporting: % Would Trust, Top 3 Box Average

55%
WOULD TRUST

PERFORMATIVE

Invest in sustainability only to improve company image and avoid negative backlash.

EXAMPLES

- Consumer demand/pressure
- Shareholder demand/pressure
- Demand/Pressure from NGOs
- Others in the industry are investing

59%
WOULD TRUST

PROCEDURAL

Invest in sustainability as part of necessary operational and business practices.

EXAMPLES

- It's required by regulations
- It's necessary in the production process
- Pressure within the supply chain
- Business differentiation

59%
WOULD TRUST

PREVENTIVE

Invest in sustainability to prevent and mitigate potential business risks.

EXAMPLES

- Secure a supply of natural resources
- Maintain a resilient business
- Reduce operational risk

60%
WOULD TRUST

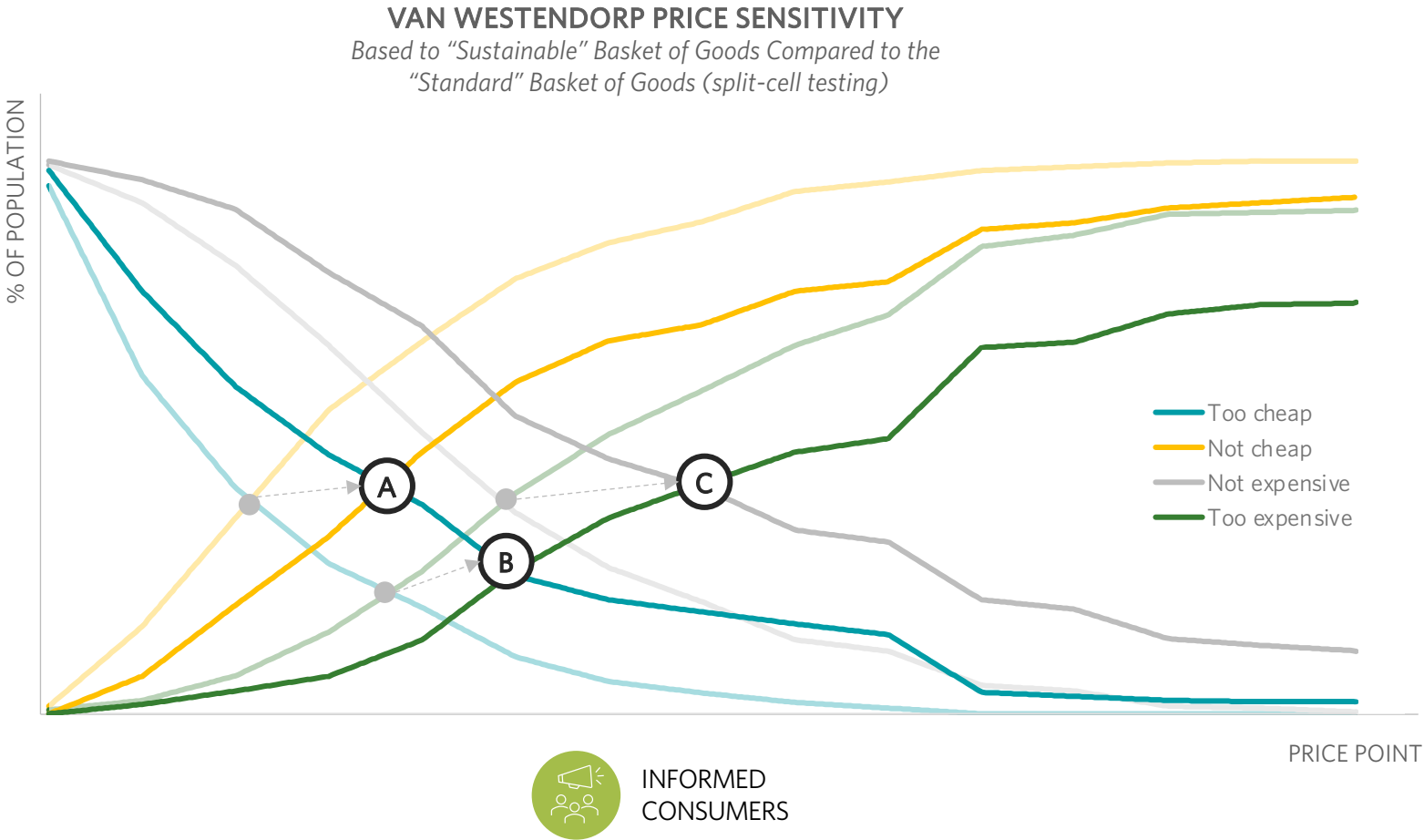
PROACTIVE

Invest in sustainability for the betterment of the environment and future generations.

EXAMPLES

- It's the right thing to do morally
- Reduce the impact of the production process
- A duty to protect nature and the environment
- Ensure resources for future generations

Informed consumers place a greater value on sustainably produced goods when compared to standard goods.



A Van Westendorp analysis discovered that informed consumers expectations increased across all price-points, including bargain level pricing 67% (A), premium-level pricing 43% (C), and the "optimal" price point 36% (B).

Customers recognize significant value in products that support sustainability initiatives. Translating consumer intentions into action is the critical next step for FB&A companies.

It is overly simplistic to say consumers consider sustainable goods to carry a "premium" price and they are willing to pay more. Rather, **there is a value proposition inherent to sustainability that, if done right, could encourage consumer partnership, action and loyalty.**

...however, actually driving purchase will necessitate more than pricing alone—instead, companies must prove the value.



NOT ALL CATEGORIES SEE THE SAME RETURNS.

Categories that have a less linear connection to farming/agriculture (e.g., soda, confectionery) and categories where personal preferences are seen as being under attack (e.g., plant-based vs. meat) tend to see flat or decreased returns for sustainably produced products, indicating an external influence more important to the consumer population than sustainability.



DISRUPTOR BRANDS HAVE THE MOST TO GAIN.

Emerging markets and entry-level products are more positively impacted by sustainability, indicating this is a powerful differentiator for disruptor brands.



POLITICS PLAYS AN UNAVOIDABLE ROLE.

Brazil actually saw a decrease in willingness to pay for sustainability given cultural sensitivities about the current reality of food shortages and a long-standing skepticism and rising nationalism against pressure from other countries.

“Doing good” for the environment is officially a business imperative for FB&A companies.

Companies that still treat environmental sustainability as a CSR-initiative need to start integrating it more formally into their core operations, strategy, and brand identity. Brands leading on this already should continue to focus on maximizing their ability to “do good” while championing and challenging their peers to rise to the occasion.

FROM



TO

Traditional Sustainability CSR Model

Placing Sustainability at the Core of Business



Emphasis on raising awareness of general sustainability issues as a means to build consumer favorability and engender support from the general public.



Identify and act on specific areas where business transformation will contribute most to environmental risk mitigation as a means of showcasing the company’s identity, values, and mission; future-proofing supply chains; and delivering against consumer expectations/demand.



Engagement in CSR-related activities that contradict with the reality of company practices and/or reactive, surface-level donations to momentary priorities.



Engrain environmental sustainability - including regenerative production models and sustainable sourcing - in core operational decisions to develop long-term dedication to initiatives and avoid costs associated with rising consumer demand for greater transparency and accountability.



Overt focus on projecting a positive company image.



Develop strategies that authentically present the challenges faced by the company and industry overall, set goals against these challenges, and address provide updates on progress.

¹Supported by analysis from The World Economic Forum’s Nature Risk Rising Report



**For additional questions,
please contact
The Nature Conservancy.**

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APPENDIX

The FB&A industry operates from a position of strength and with a high degree of trust.

The industry is trusted by over two-thirds of informed consumers and eight-in-ten FB&A employees.

Trust the FB&A Industry to Do What is Right
Reporting: % Agree; Top 3 Box



 INFORMED CONSUMERS



INFORMED CONSUMERS



FB&A EMPLOYEES

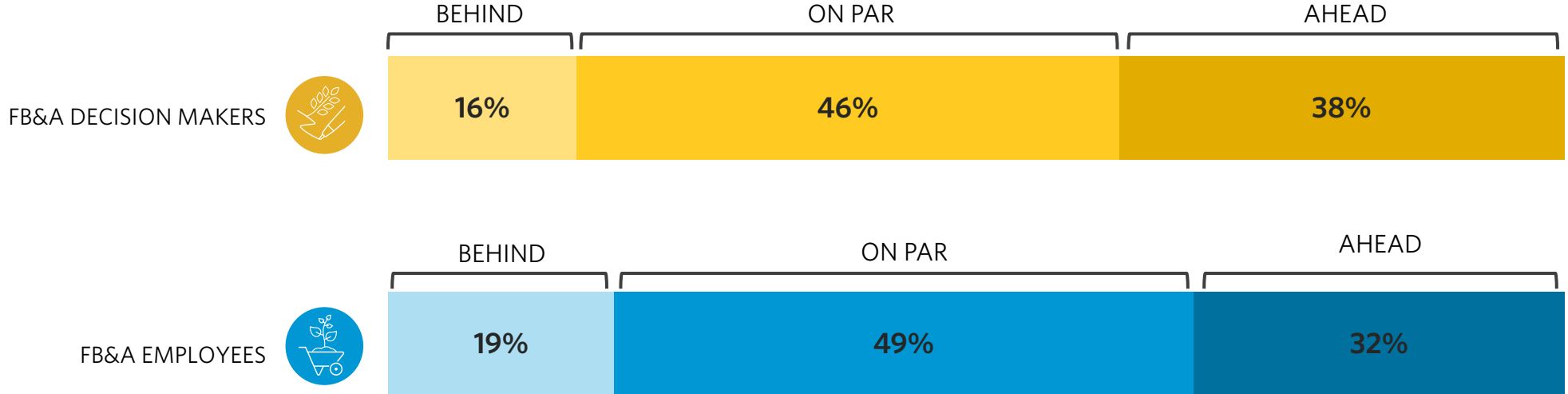
Global	67%	80%	Global
China	80%	86%	Australia
Brazil	76%	86%	Brazil
Mexico	75%	84%	Mexico
South Africa	72%	81%	South Africa
Australia	68%	81%	U.S.
U.S.	67%	78%	China
UK	53%	76%	UK
France	46%	67%	France

Trust in the industry is approximately **20%** higher among FB&A employees.

Q1: Overall, how much do you trust the average food, beverage, or agriculture company to do what is right? Base: FB&A Employees, Informed Consumers

Most companies and employees believe they are successfully on par with or ahead of their industry.

Perceptions of Sustainability Commitments Compared to Other Companies
Reporting: % Selected

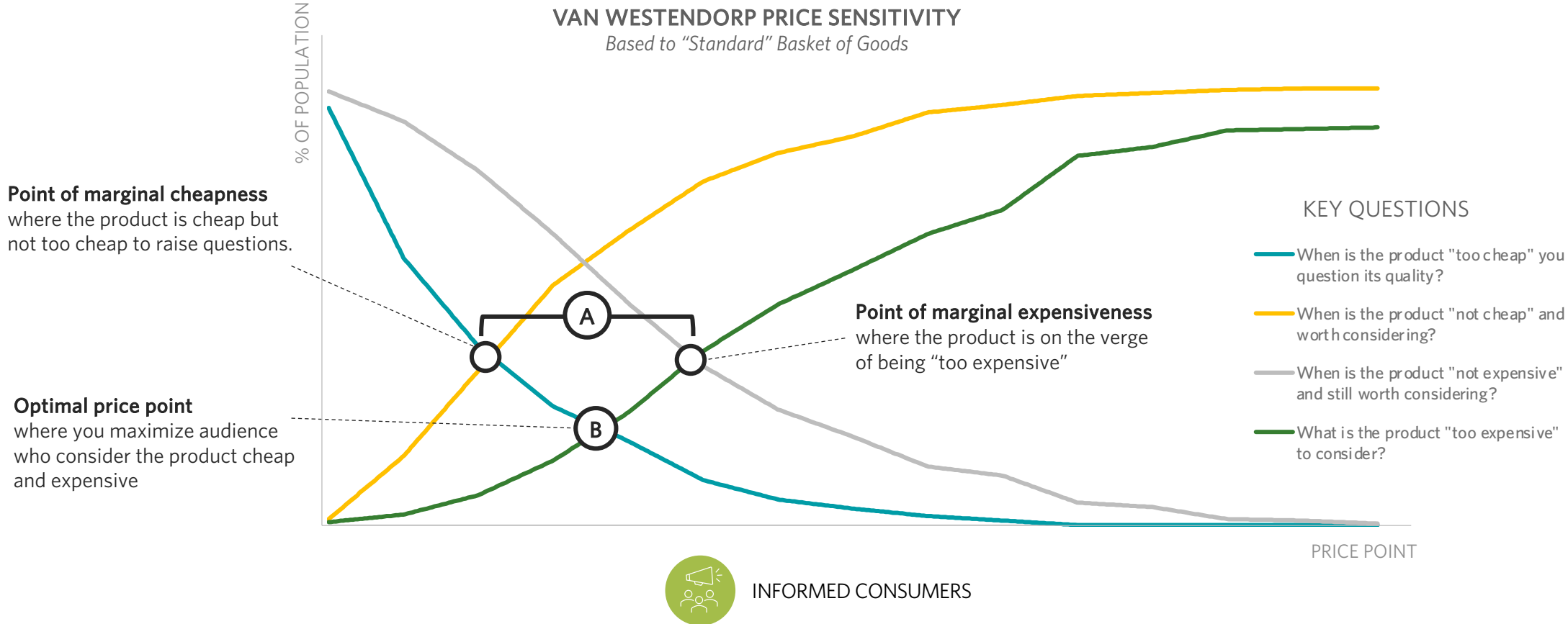


■ My company is behind the rest of the industry ■ My company is on par with the rest of the industry ■ My company is ahead of the rest of the industry

Q31: How do you feel your company's sustainability commitments compare to those of others in the industry? Base: FB&A Decision Makers/Employees

Value Analysis: Understanding the Framework

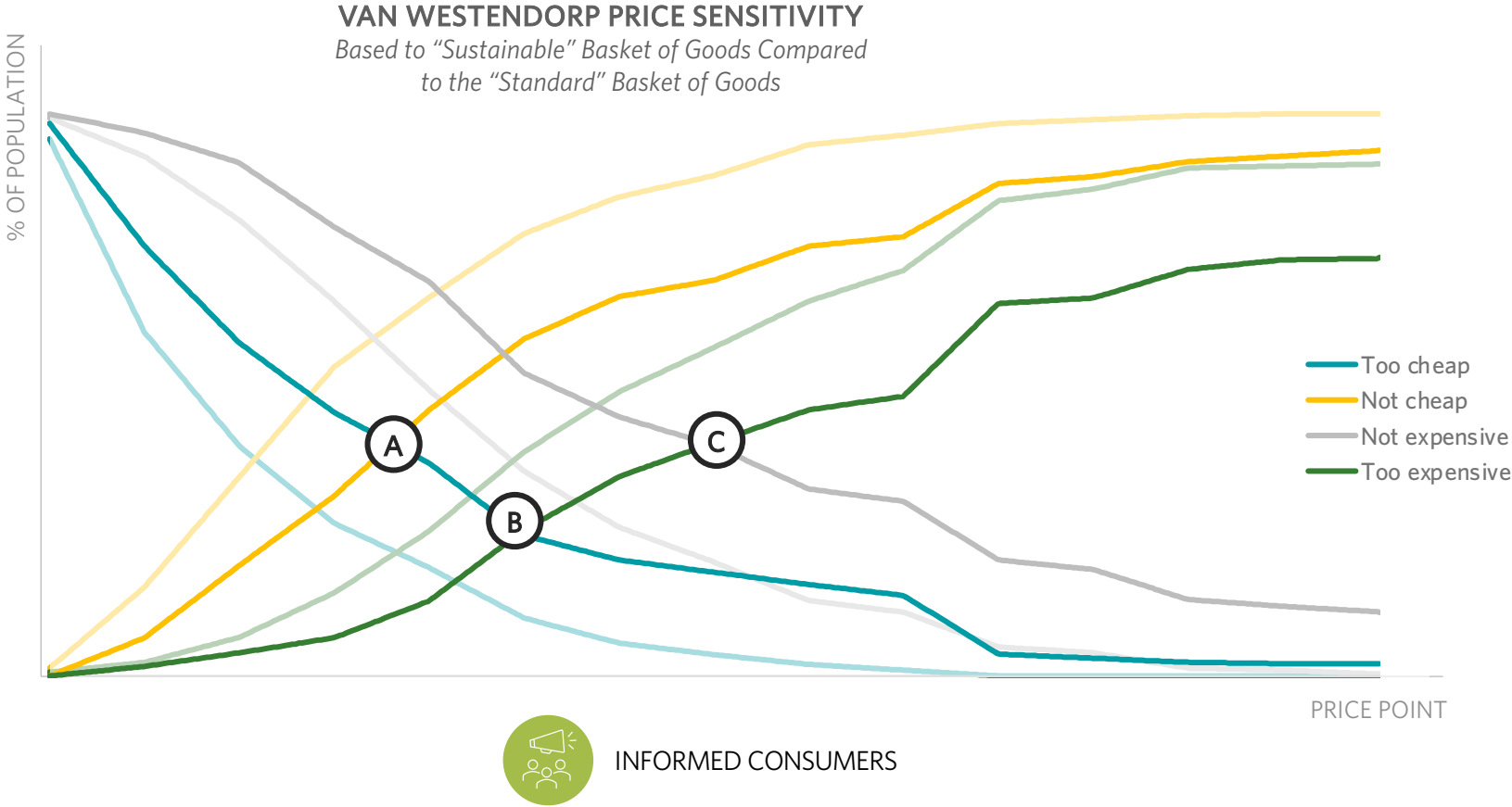
We asked consumers to rate expected price points against four key questions for 80+ different products within a standard FB&A basket across global markets. The average basket of goods explored had a range of \$2.17 to \$4.88 between marginal cheapness and expensiveness (A) with an optimal price point of \$3.66 (B).



Value Analysis: Applying the Framework

We then asked a separate audience of respondents to rate the same basket of goods, but told them that it was sustainably produced. In looking at the same items made sustainably, we saw increases in the floor pricing by 67% (A), the ceiling pricing by 43% (B) and the optimal price point by 36% (C).

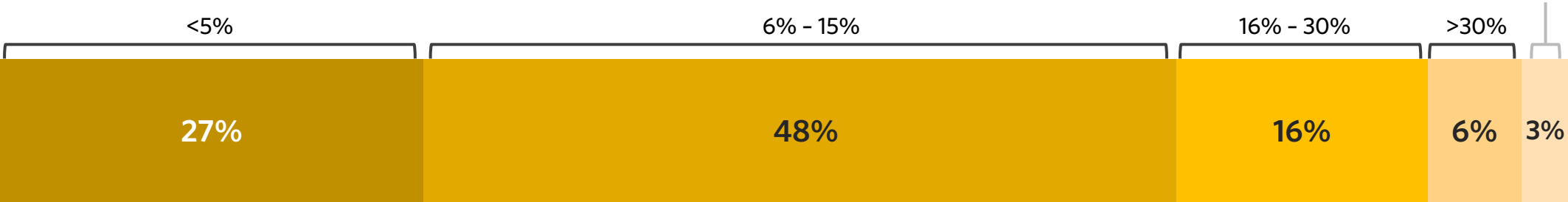
This said, we know that price to purchase is not a linear relationship and that to garner an audience for a higher priced audience necessitates an engaging and desirable value proposition.



Self-reported investments for sustainability initiatives.

Percentage of Earnings Allocated towards Environmental Sustainability
Reporting: % Selected

Sustainability budgeting is rolled up with operating costs and not considered separately



On average, decision makers say their companies are allocating **13.5%** of earnings to environmental sustainability.



FB&A DECISION MAKERS