Why Sustainability Matters to Industry

David McLaughlin
World Wildlife Fund (WWF)

September 24, 2009
San Jose, Costa Rica

World Wildlife Fund

Largest independent global conservation organization

5 million members

4,000 staff

100 countries

Over 400 partnerships

Mission:
To conserve nature

Unaided recognition in the U.S. of 50%

Aided recognition in the U.S. of 80+%

8th most trusted brand in the U.S.

2nd most trusted brand in the Europe

Why Should We Worry about Sustainability…….

“ We should all be concerned about the future because we will have to spend the rest of our lives there.”

Charles F. Kettering

Why Sustainability Matters

McKinsey's Top Trends to Watch

7. Demand for natural resources will grow, as will the strain on the environment.

"The world's resources are increasingly constrained. Water shortages will be the key constraint to growth in many countries. And one of our scarcest natural resources—the atmosphere—will require dramatic shifts in human behavior to keep it from being depleted further. Innovation in technology, regulation, and the use of resources will be central to creating a world that can both drive robust economic growth and sustain environmental demands."

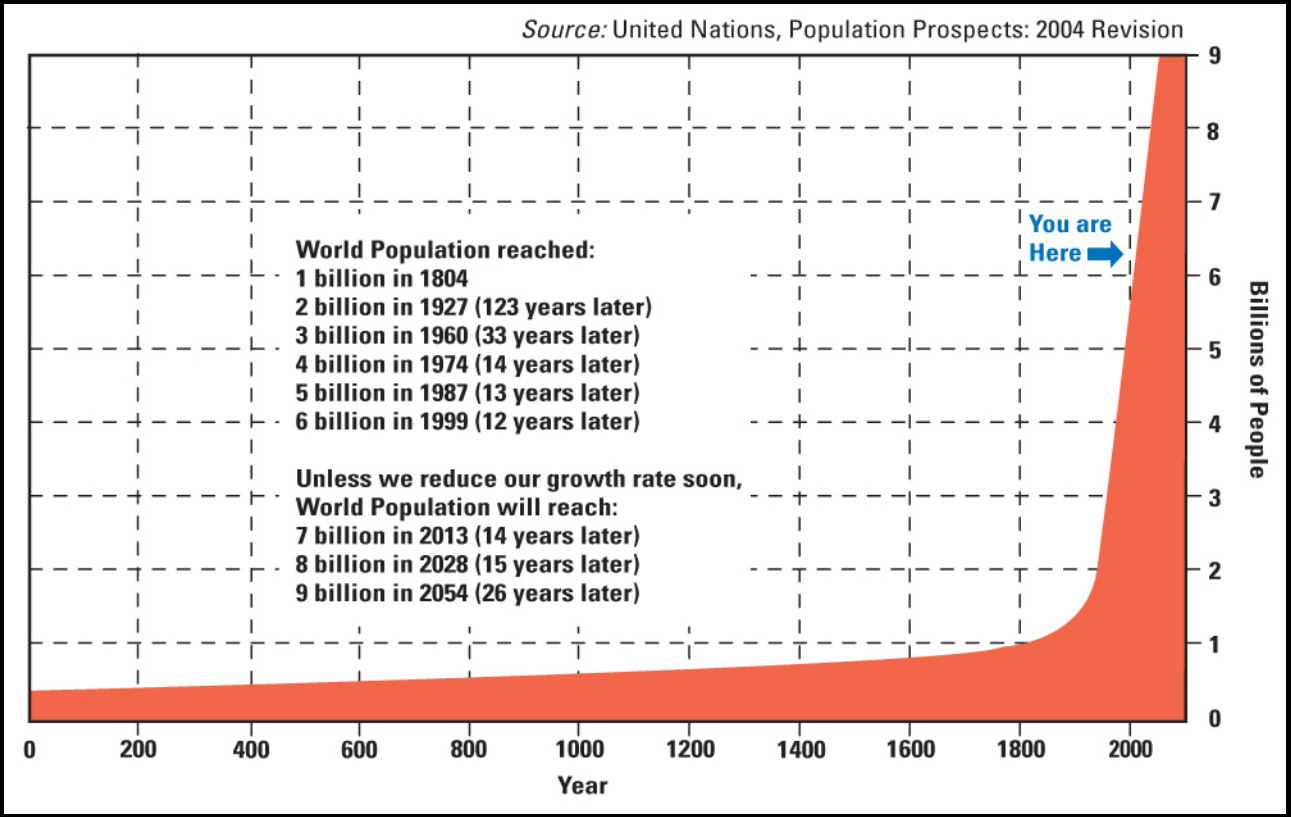
The McKinsey Quarterly, January 18, 2006

Why Sustainability Matters

Charles Darwin:

“It is not the strongest species that survive,
nor the most intelligent,
but the ones
who are most responsive to change.”

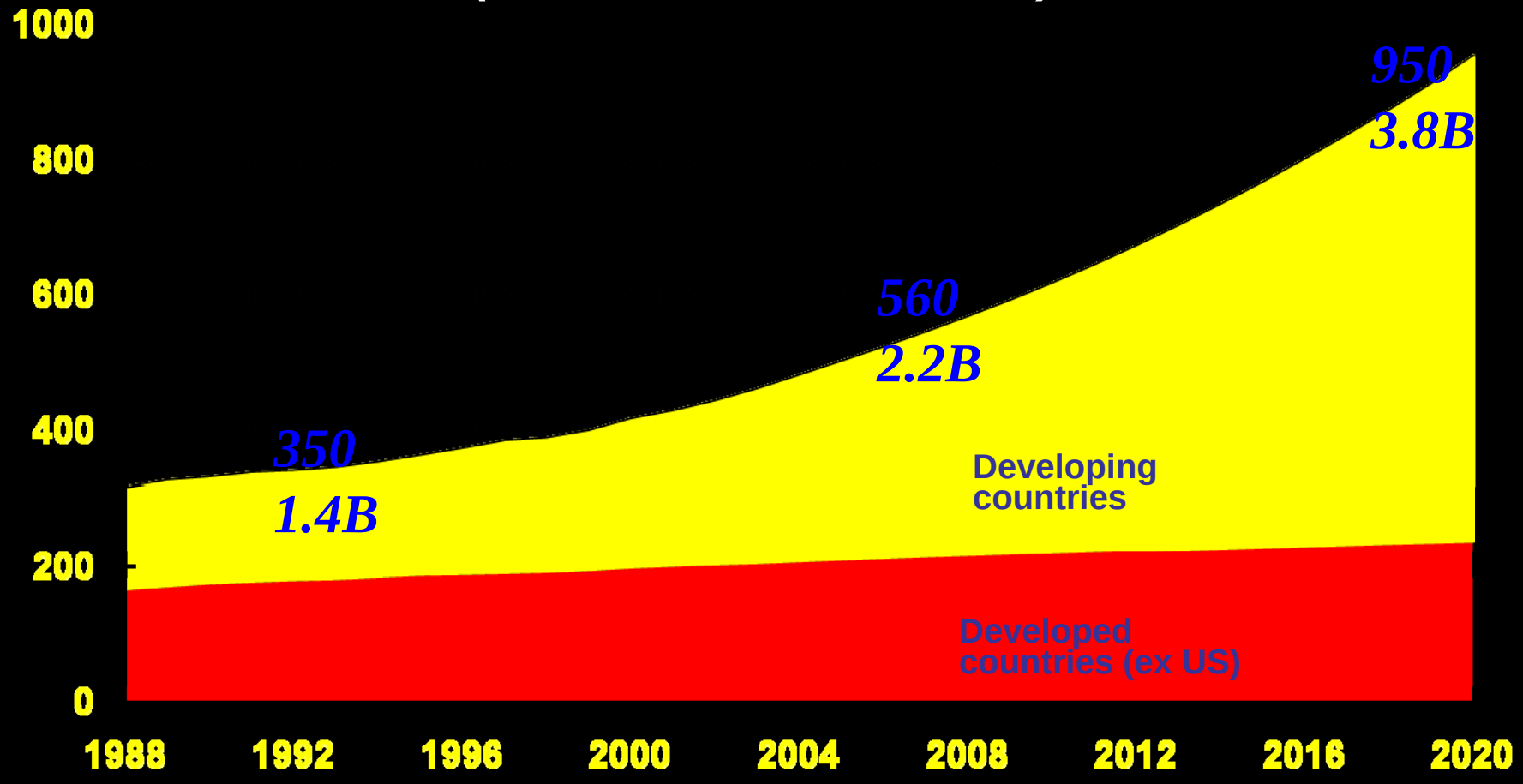
Global Population Growth



Consumption will double by 2050
Demand for commodities will double by 2050

Strong Economic Growth, Especially In Developing Countries, Stimulates Demand For Both Food And Fuel

Foreign households w/real PPP incomes greater than $20,000 a year (in millions of households)



2008 Living Planet Report highlights we will need 2 planets by the mid-2030's if we continue with "Business As Usual"

Biodiversity Loss

Fig. 4: **TERRESTRIAL LIVING PLANET INDEX,** 1970–2003

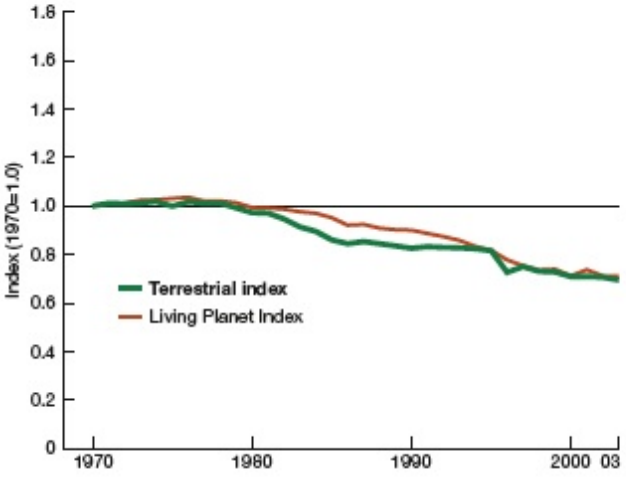


Fig. 5: **MARINE LIVING PLANET INDEX,** 1970–2003

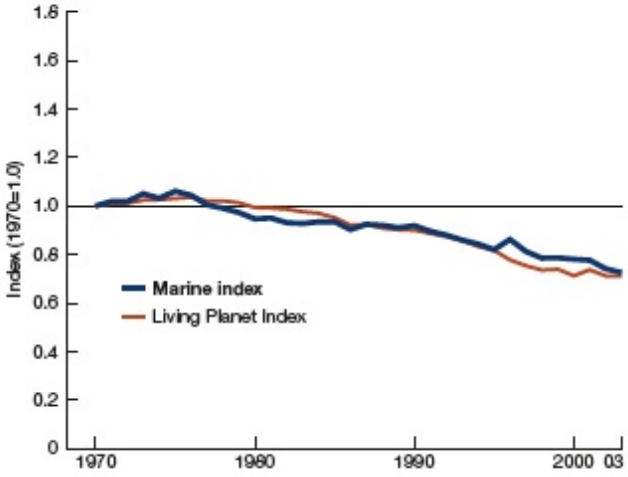
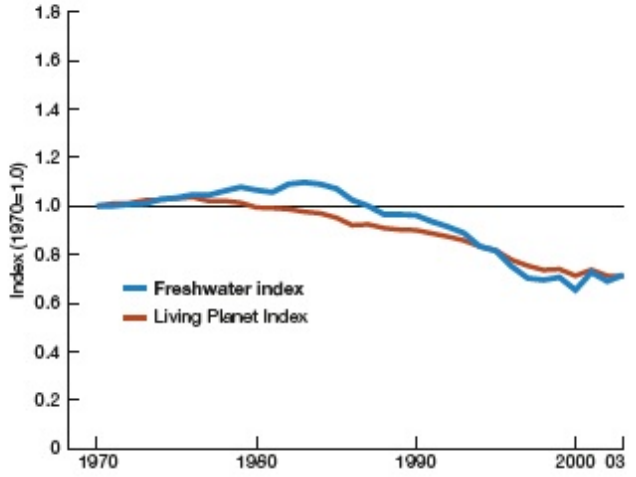


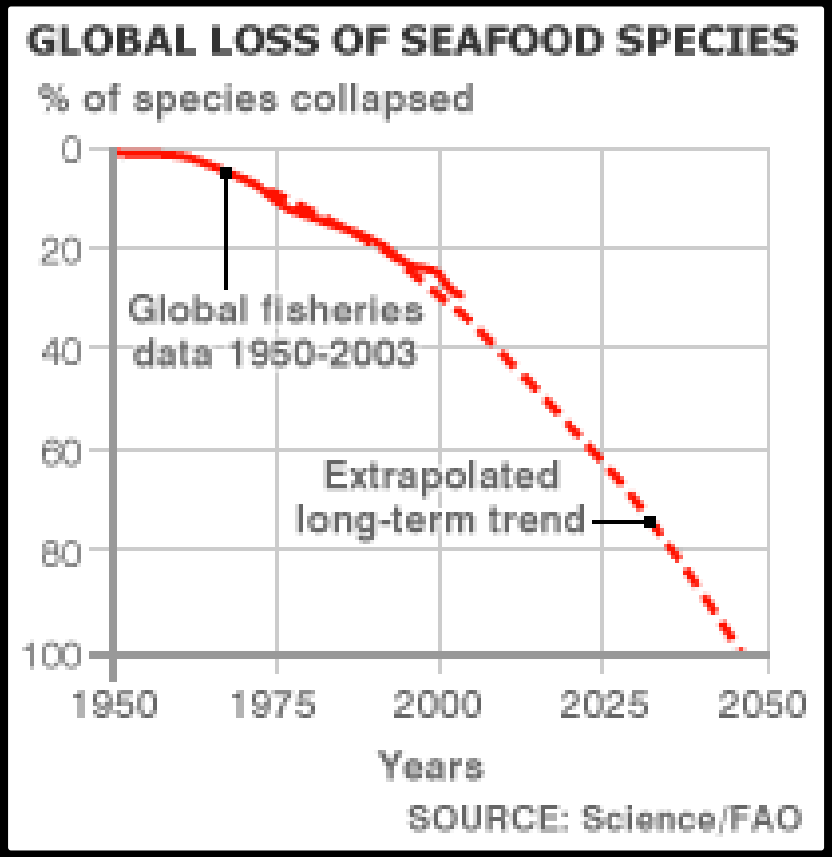
Fig. 6: **FRESHWATER LIVING PLANET INDEX,** 1970–2003



Forecast: Extreme Unpredictable Weather

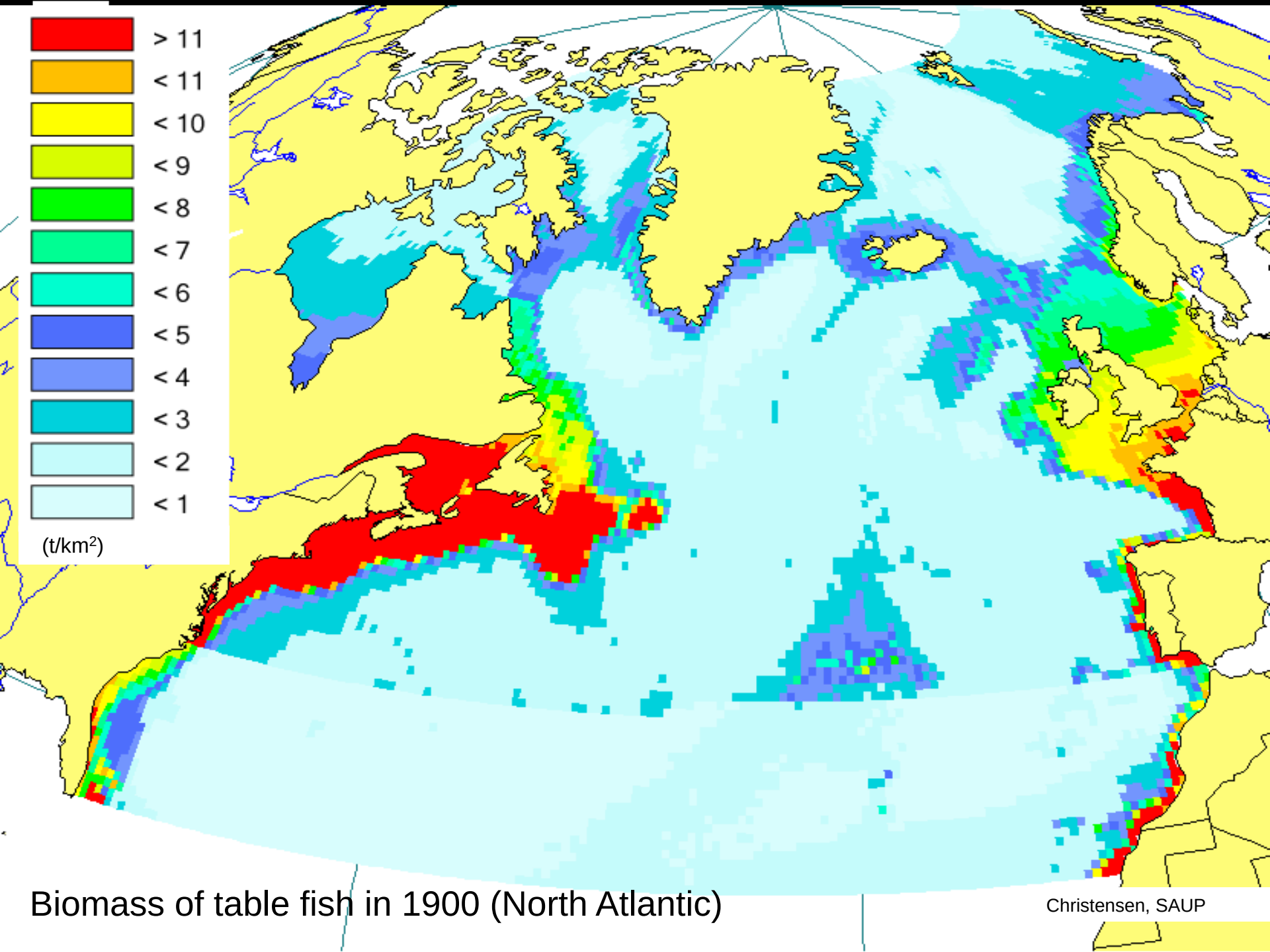
2007 Record Low Summer Sea Ice
in the Arctic
(22% lower than 2005)

Fisheries Collapsing



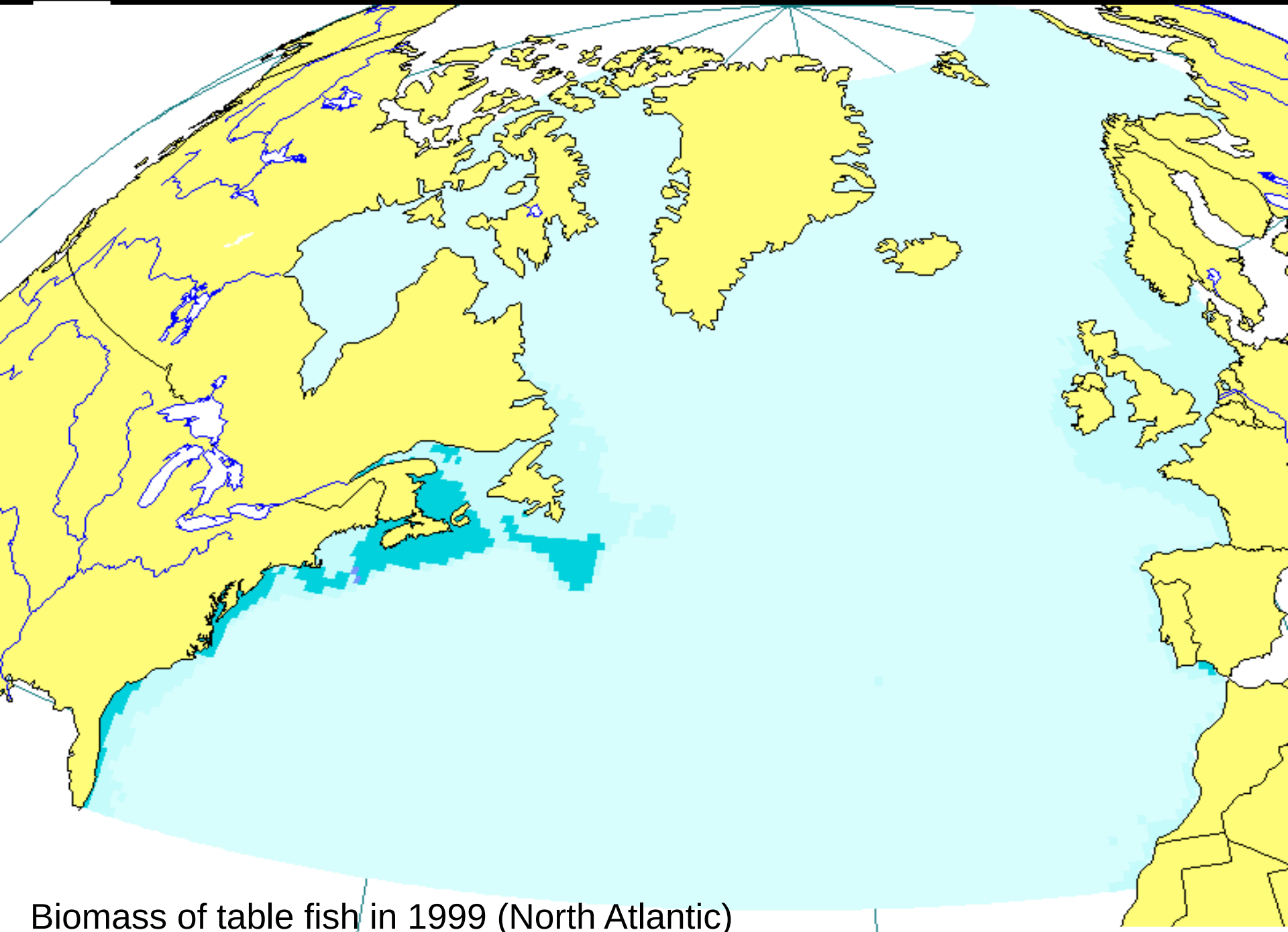
Scientists predict all the world's commercial fisheries will be exhausted by 2048, at current rates of fishing.

"Unless we fundamentally change the way we manage all the ocean species together, as working ecosystems, then this century is the last century of wild seafood." **Steve Palumbi, Stanford University**



Biomass of table fish in 1900 (North Atlantic)

Christensen, SAUP



Biomass of table fish in 1999 (North Atlantic)

Christensen, SAUP

Diminishing Forests and Carbon Emissions


Habitat loss is threatening many species

JP Morgan on Water Risk

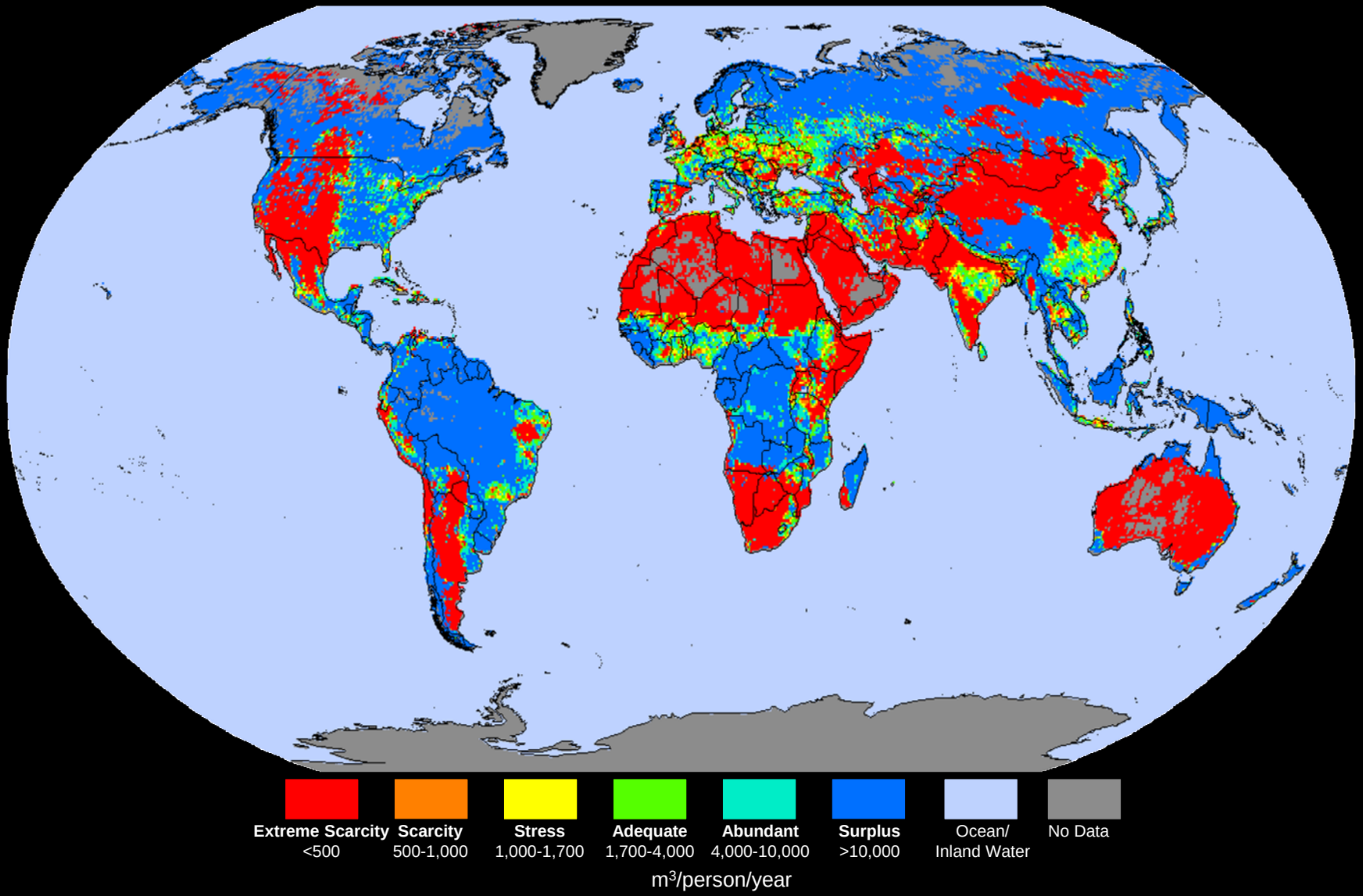
Global Equity Research, March 2008

We recommend that investors assess the reliance of their portfolios on water resources and their **vulnerability to problems of water availability and pollution.**

The power generation, mining, semiconductor manufacturing and **food and beverage sectors** are particularly exposed to water-related risks, in our view.

Exposure to water scarcity and pollution is not limited to onsite production processes, and may actually **be greater in companies' supply chains** than in their own operations.

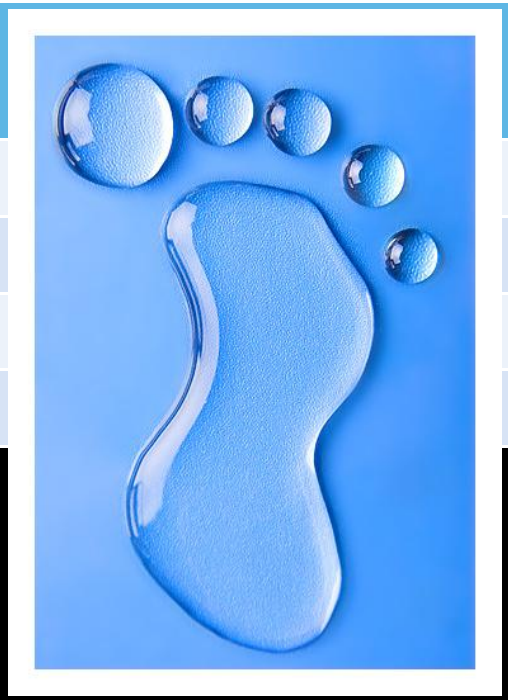
Water Increasingly Scarce



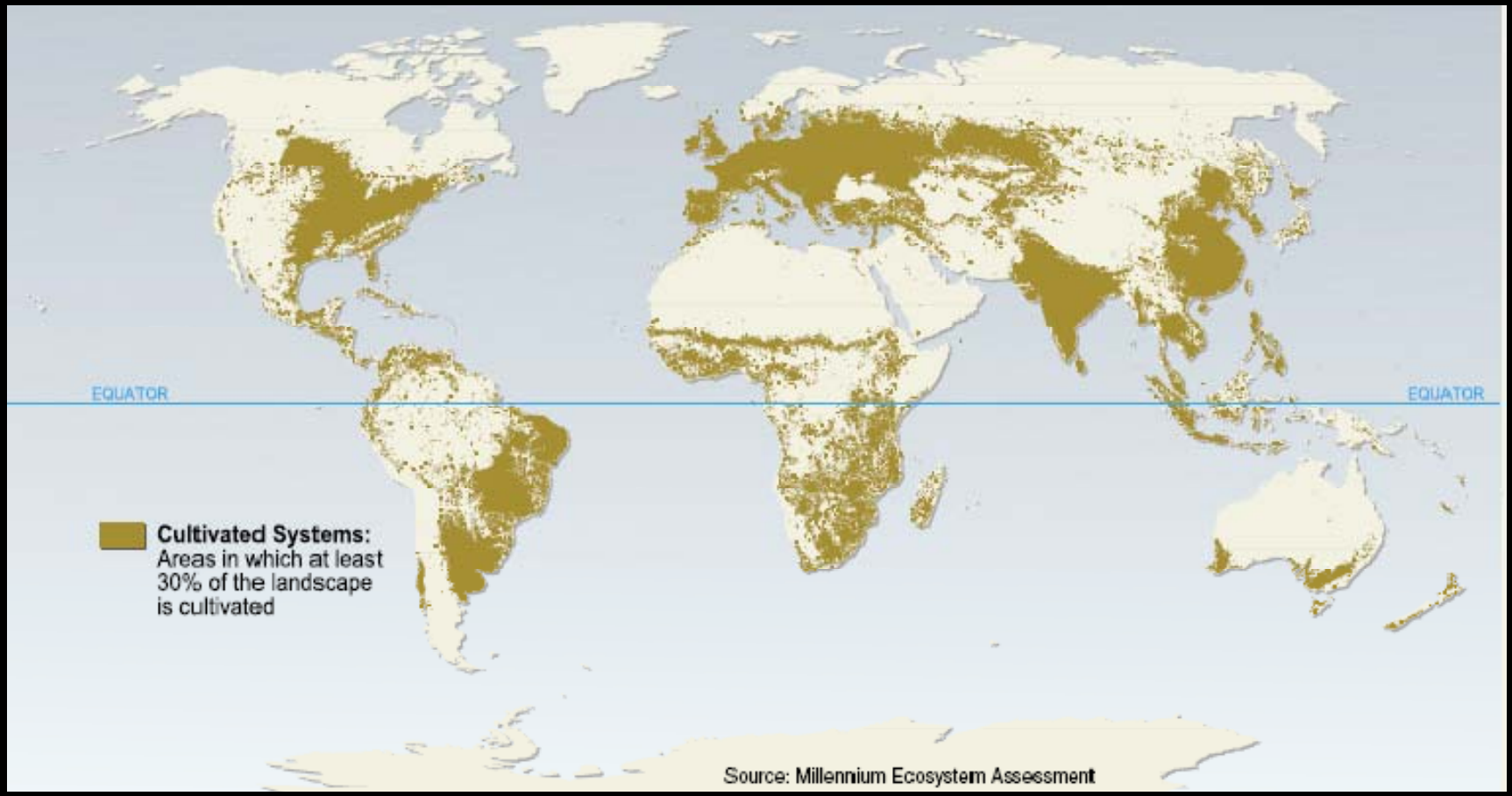
Water is Embedded in All Products

>90% of most products' water footprint lies outside a company's control

Selected Products and Water Use	
Product	**Water to produce the raw material**
1 cotton T-shirt	500 – 2,000 liters
1 liter of soda (w/sugar)	175 – 250 liters
1 oz slice of cheese	40 liters
1 half pound hamburger	3,000 – 15,000 liters



Agriculture's Current Global Footprint



33% of Earth's surface in crops or grazing; 55% of habitable area

Soil Loss: 10 years of soy production

20 years of soy production

Marketplace Trends

- PUBLIC POINT OF VIEW - The public believes businesses are responsible for environmental and social issues associated with their supply chain

- GLOBALIZATION - Increasing globalization creates growing interdependence and complexity

- BEYOND COMPLIANCE - Compliance with environmental, health and safety regulations is now the floor for the public's expectations

What's Required of Business Is Changing

- Reputation and brand risk
- Higher consumer expectations – performance and price PLUS environmental and social impacts
- Voluntary actions becoming the new standard
- Investors using sustainability in ratings and analyses
- Supply chain footprints requested

Thinking Is Changing

From Risk Management	To Value Creation
Corporate Social Responsibility	Sustainability
Public Relations	Transparency
Doing good	Doing well by doing good
Changes around the edges	Changes to the core business
NGOs as threats	NGOs as partners
Philanthropy	Cost of doing business
Internal corporate focus	Supply/value chain focus
Telling companies what they can't do	Helping companies figure out what to do

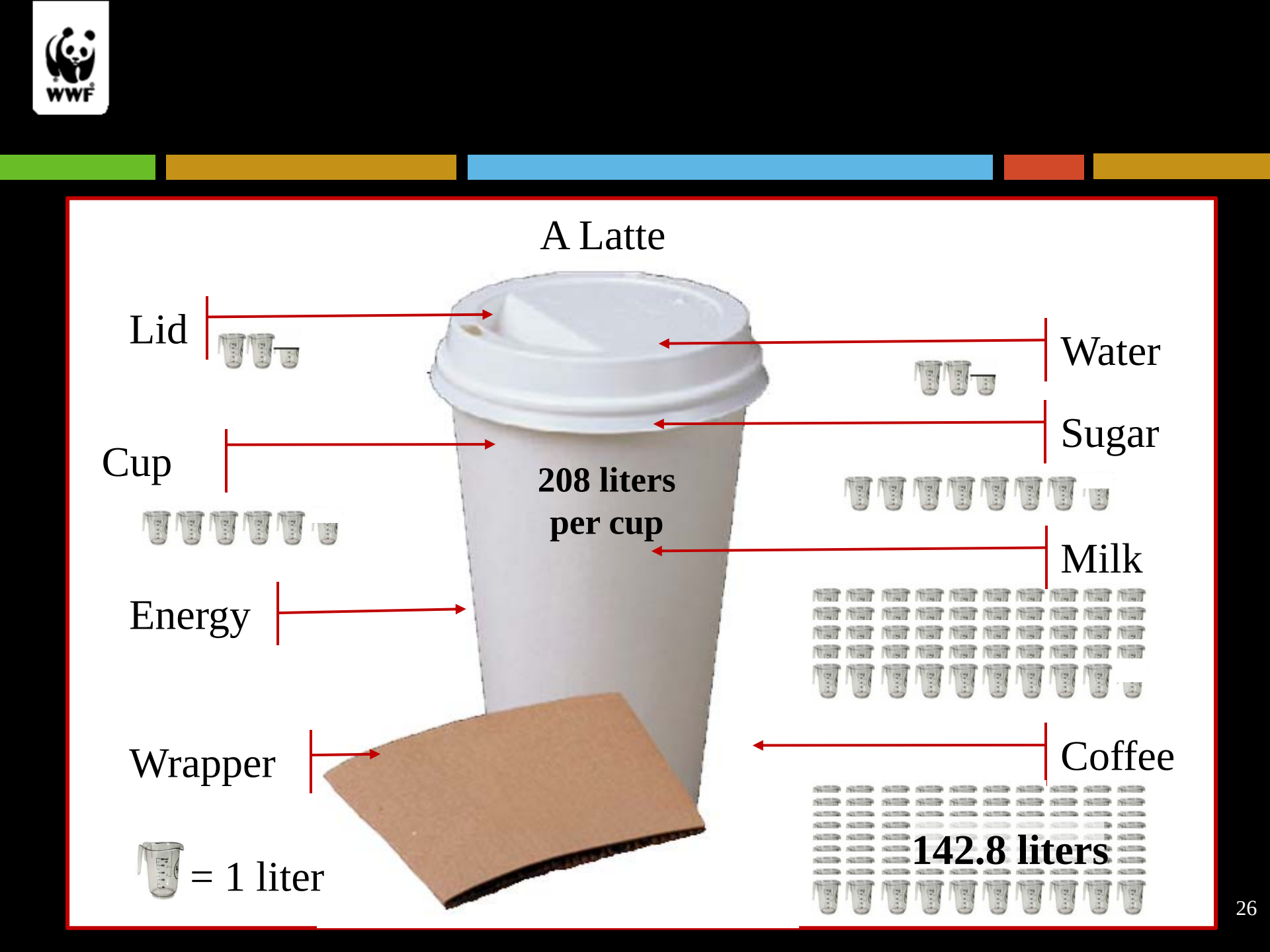
Building a Sustainable Future

THE ABILITY TO SUSTAIN

WILL COME FROM

CHANGING HOW WE THINK…

A Latte

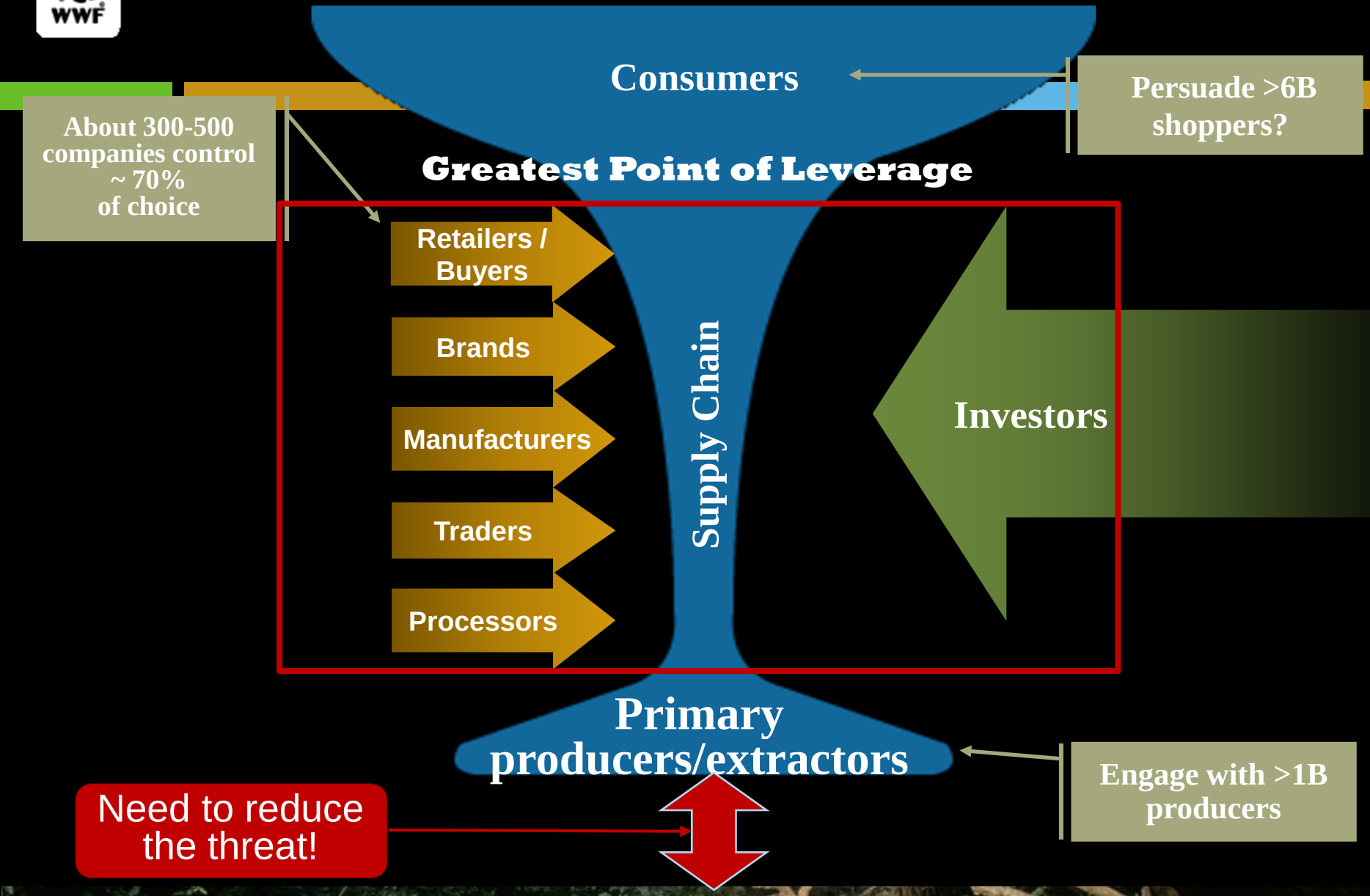

Lid
Cup
Energy
Wrapper
= 1 liter
208 liters per cup
Water
Sugar
Milk
Coffee
142.8 liters

A Need to Partner

Contagious Collaboration

- Complimentary capacity/skills
- Different networks
- Strategic action plans and targets
- Collective voice
- New markets/products/services
- Security of raw material inputs
- Media relations
- Financial benefits
- License to operate
- Internal benefits

Focus


Consumers
Persuade >6B shoppers?
About 300-500 companies control ~ 70% of choice
Greatest Point of Leverage
Retailers / Buyers
Brands
Manufacturers
Traders
Processors
Supply Chain
Investors
Primary producers/extractors
Engage with >1B producers
Need to reduce the threat!

Commodity or Sector Approaches

- Standard Setting
  - Agriculture (palm oil, soy, sugarcane, cotton, cocoa, livestock/beef)
  - Biofuels and Renewables
  - Aquaculture (salmon, shrimp, tilapia, molluscs, pangasius, catfish, trout, etc.)
  - Pulp and Paper
- New Initiatives to Be Defined
  - Mining
- Trade Networks to Promote Existing Standards
  - Global Forest and Trade Network (FSC)
  - Seafood Trade Network (MSC and aquaculture)

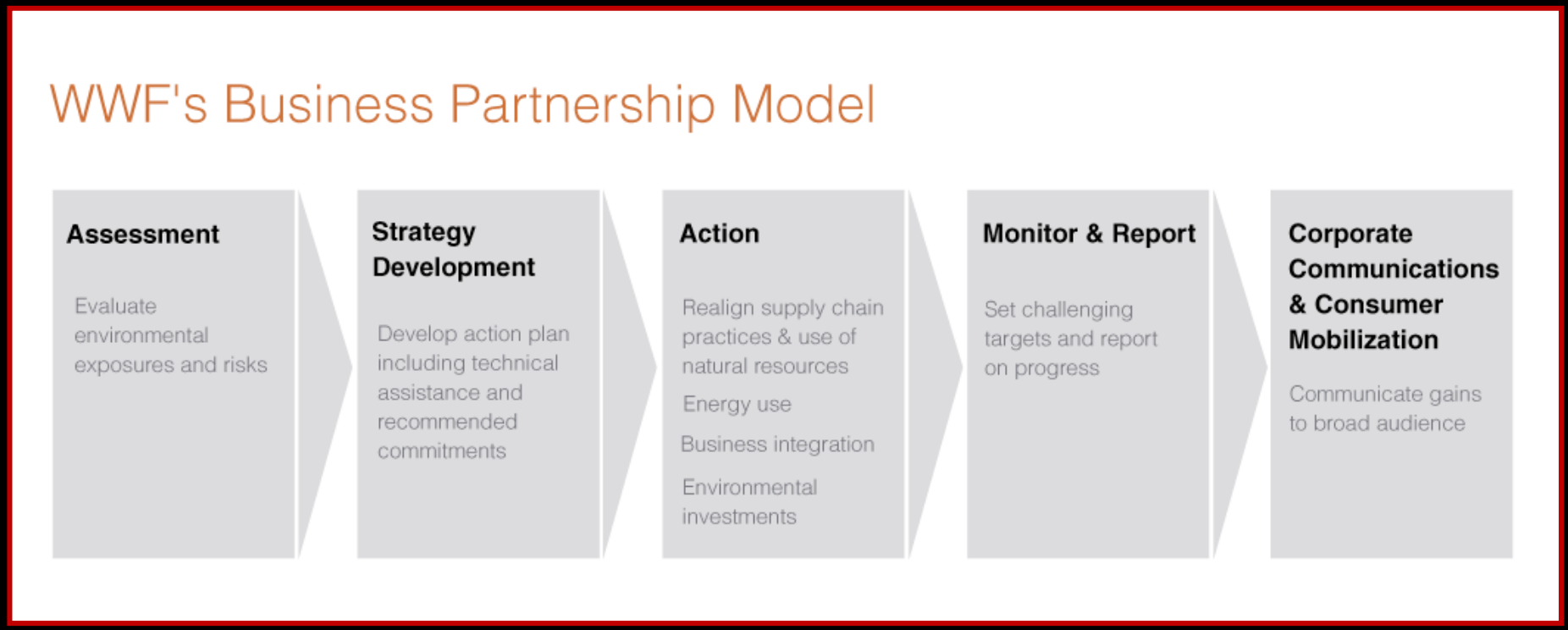
Drivers and Global Commodity Ranking

Driver	Commodity	Overall Ranking
Agriculture	Livestock/Beef	1
Forests	Pulp and Paper	2
Agriculture	Livestock/Dairy	3
Agriculture	Palm Oil	4
Forests	Roundwood	5
Agriculture	Sugarcane	6
Agriculture	Rice	7
Agriculture	Soy	8
Agriculture	Cotton	9
Agriculture	Cocoa	na
Agriculture	Coffee	na
Fisheries	Tuna	1
Fisheries	Whitefish	2
Fisheries	Shrimp	3
Fisheries	Forage Fish	4
Aquaculture	Shrimp	1
Aquaculture	Salmon	2

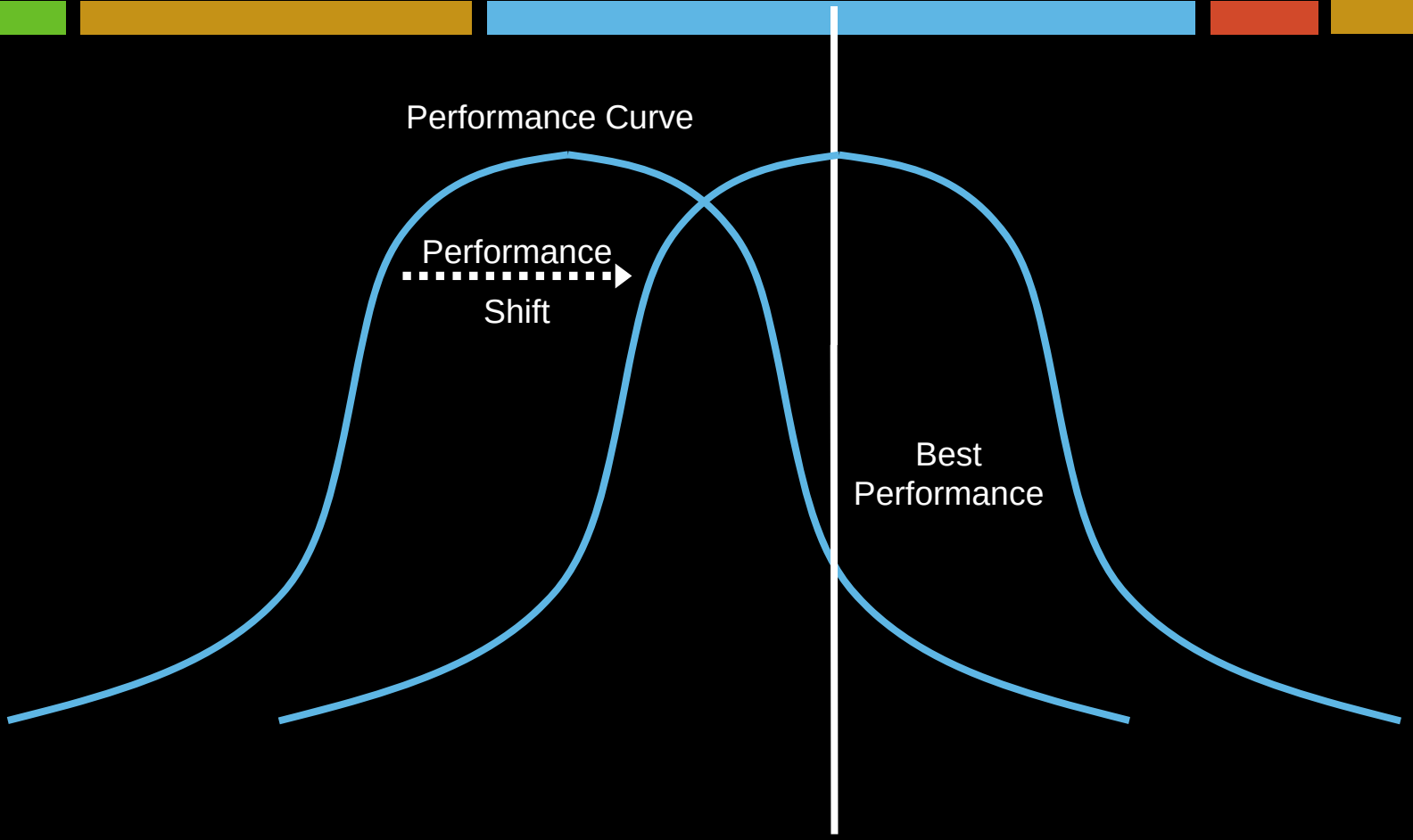
Key Lessons Learned to Date

- Partnerships take time--incubation is essential
- We need to be more strategic
  - Identify most important commodities
  - Where are the largest opportunities?
  - Identify the companies that are key to those commodities
  - Start with one or two key activities, then expand gradually.
- We should expand relationships with existing partners
- Transformation is not just about WWF partners—it's about WWF's capacity and thinking as a partner, too
- Measurable conservation results are key—they reduce risks for everyone

A Strategic Partnership Approach



Accelerating Better Practice Adoption

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