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
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.

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

% who agree it’s more important to “do good” rather than “do no harm”

Important

Food & beverage safety

Employee safety

Environmental sustainability

Meeting customer demand

Better nutrition for all people

Operational efficiency

Supply chain resilience

Diversity & inclusion

Product innovation

Financial returns/profitability

Charitable giving/philanthropy

INFORMED CONSUMERS

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

<table>
<thead>
<tr>
<th></th>
<th>GLOBAL</th>
<th>U.S.</th>
<th>U.K.</th>
<th>SOUTH AFRICA</th>
<th>MEXICO</th>
<th>FRANCE</th>
<th>BRAZIL</th>
<th>AUSTRALIA</th>
<th>CHINA</th>
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<td>Water Quality</td>
<td>Climate Change</td>
<td>Pandemics/Disease</td>
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<td>Climate Change</td>
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<td>Land Degradation</td>
<td>Waste</td>
<td>Pandemics/Disease</td>
<td>Deforestation</td>
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Q19a: Please select up to three factors below that you believe pose the greatest food systems risks to your company. Base: FB&A Decision Makers
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

- **55%** INCREASED ALLOCATION
  - Significantly more resources allocated toward sustainability (14%)
  - Somewhat more resources allocated toward sustainability (41%)
  - No change (17%)
  - Somewhat fewer resources allocated toward sustainability (21%)
  - Significantly fewer resources allocated toward sustainability (7%)

### Reasons for Increased Resource Allocation towards Environmental Sustainability

<table>
<thead>
<tr>
<th>Reason</th>
<th>Reporting: % Selected</th>
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<tbody>
<tr>
<td>The need to reduce long term harmful impacts on the planet</td>
<td>35%</td>
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<tr>
<td>It will give us a competitive advantage</td>
<td>33%</td>
</tr>
<tr>
<td>Increased earnings have provided more funds to invest in sustainability initiatives</td>
<td>33%</td>
</tr>
<tr>
<td>Growing interest from ESG investors</td>
<td>32%</td>
</tr>
<tr>
<td>Others in our industry are investing in sustainability</td>
<td>30%</td>
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</table>

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.

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.
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.

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

**Reporting: % Would Trust, Top 3 Box Average**

<table>
<thead>
<tr>
<th>Reason</th>
<th>% Would Trust</th>
<th>Examples</th>
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</thead>
<tbody>
<tr>
<td><strong>PERFORMATIVE</strong></td>
<td>Invest in sustainability only to improve company image and avoid negative backlash.</td>
<td>55%</td>
</tr>
<tr>
<td><strong>PROCEDURAL</strong></td>
<td>Invest in sustainability as part of necessary operational and business practices.</td>
<td>59%</td>
</tr>
<tr>
<td><strong>PREVENTIVE</strong></td>
<td>Invest in sustainability to prevent and mitigate potential business risks.</td>
<td>59%</td>
</tr>
<tr>
<td><strong>PROACTIVE</strong></td>
<td>Invest in sustainability for the betterment of the environment and future generations.</td>
<td>60%</td>
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</table>
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.

**NOT ALL CATEGORIES SEE THE SAME RETURNS.**

**DISRUPTOR BRANDS HAVE THE MOST TO GAIN.**

**POLITICS PLAYS AN UNAVOIDABLE ROLE.**
“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

Traditional Sustainability CSR Model

- Emphasis on raising awareness of general sustainability issues as a means to build consumer favorability and engender support from the general public.
- Engagement in CSR-related activities that contradict with the reality of company practices and/or reactive, surface-level donations to momentary priorities.
- Overt focus on projecting a positive company image.

TO

Placing Sustainability at the Core of Business

- Identify and act on specific areas where business transformation will contribute to 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.
- 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.
- 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.
For additional questions, please contact The Nature Conservancy.

GlobalCommunicationsNews@tnc.org
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.

<table>
<thead>
<tr>
<th>Location</th>
<th>INFORMED CONSUMERS</th>
<th>FB&amp;A EMPLOYEES</th>
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<tbody>
<tr>
<td>Global</td>
<td>67%</td>
<td>80%</td>
</tr>
<tr>
<td>China</td>
<td>80%</td>
<td>86%</td>
</tr>
<tr>
<td>Brazil</td>
<td>76%</td>
<td>86%</td>
</tr>
<tr>
<td>Mexico</td>
<td>75%</td>
<td>84%</td>
</tr>
<tr>
<td>South Africa</td>
<td>72%</td>
<td>81%</td>
</tr>
<tr>
<td>Australia</td>
<td>68%</td>
<td>81%</td>
</tr>
<tr>
<td>U.S.</td>
<td>67%</td>
<td>78%</td>
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<tr>
<td>UK</td>
<td>53%</td>
<td>76%</td>
</tr>
<tr>
<td>France</td>
<td>46%</td>
<td>67%</td>
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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

**FB&A DECISION MAKERS**
- Behind: 16%
- On Par: 46%
- Ahead: 38%

**FB&A EMPLOYEES**
- Behind: 19%
- On Par: 49%
- Ahead: 32%

- 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
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).

**VAN WESTENDORP PRICE SENSITIVITY**

Based to “Standard” Basket of Goods

- **Point of marginal cheapness**
  where the product is cheap but not too cheap to raise questions.

- **Optimal price point**
  where you maximize audience who consider the product cheap and expensive.

- **Point of marginal expensiveness**
  where the product is on the verge of being “too expensive”
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

- 27% <5%
- 48% 6% - 15%
- 16% 16% - 30%
- 6% 6% - 15%
- 3% >30%

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