

## **Windsor Debates - Richard Evans Speech**

### **“The future of food: environment and health challenges”**

#### **Introduction / the future**

Thanks Paul for that kind introduction. And thanks to you all for being here to take part in this important discussion.

Today’s event is about the future. We’ve already heard great insights about the future of energy supply, climate change and investing in a low-carbon future.

Today, in the short time we have together, I’d like to talk to you about the challenge of preparing for the future, and what the world of 2030 will look like. I’ll focus on the major environmental challenges – and why they are relevant for a food company like mine. I’ll also touch on the critical issues of obesity and health and what my company is doing about it.

Before doing so it’s worth reflecting on our spectacular venue today: Windsor Castle. It has survived sieges, the English Civil War, a Parliamentary Bill calling for its demolition, Zeppelins in World War I and Heinkels in World War II. It’s even survived the construction of Slough... It shows the durability of human construction. And that, in part, is the problem. Our activities today have consequences tomorrow. The greenhouse gases we pump into the atmosphere will be as long-lasting as these stone walls.

Anticipating the future is tough. But the task of a business leader is to prepare your company, and the society it serves, for success tomorrow as well as today. To think and act not just for the short term, but also long term.

And that’s difficult. Our working lives are dominated by weekly sales, tomorrow’s newspaper headlines, next quarter’s earnings statement. It’s all too easy to fall for the illusion of progress. But a relentless focus on the short-term comes at a cost. Due diligence lost in the rush to act now. Insights ignored because they can’t be actioned immediately.

This short-term world-view nearly brought the global economy down around us. It undermined attempts to protect our ethics, values and purpose. Short-termism also prevents us from tackling other huge challenges, from climate change to chronic disease. Dividend payments today, but a pension fund wrecked by the cost of environmental catastrophe later.

We need to have a core set of beliefs about how our businesses should behave, what kind of contribution they should make, what kind of society they want to be a part of, to enable longer term goals to be realized – and incentives to push towards it.

#### **The world of 2030**

Looking ahead, there are trends that we can make out that will have profound impacts.

Many of you will have read the scary headlines, or the underlying reports from the WHO and UN. The global population will be 8 billion. Food consumption will increase 50%. The demand for energy will increase by 45%. And, in the UK, we will be increasingly reliant on energy from unstable parts of the world.

The impacts of climate change will be serious and obvious. Scientists tell us tens of millions in South-East Asia will be flooded from their homes, and crops and stretched water suppliers will begin to fail. Severe weather will impact supply chains across key agricultural regions. Crops like potatoes, grown in the South East since arriving with Walter Raleigh, farmed for generations by the same families, will no longer be viable. Security of food supply could be under threat. There will be powerful electoral government pressure to reduce greenhouse gas emissions, both in the developed world – and in developing countries ravaged by climate change. The UK Government's stretching carbon targets will become the norm.

The WHO predict a billion people will suffer from under-nutrition and an equal number from obesity. The burden of chronic disease will increase, triggered by an explosion in obesity. In the UK, obesity will affect a third of the country, even higher amongst children.

Each of these trends is immense, virtually set in stone. But how the world, or PepsiCo, react to these challenges is not. Time Magazine once set business a clear challenge:

I quote "Don't blow it – good planets are hard to find."

As a simple message to business leaders, that's as good as any I have seen. But what are we going to do?

Lets first talk about Environmental sustainability, and I want to explain why they are relevant to me, and my business.

I am a proud father of two great kids. So, as a parent and citizen, as well as the steward of my business, I care about the future well-being of our planet. Actually my kids never let up about it, and have trained me well on separating our rubbish.

## **Climate Change**

And as President of a food company, I am painfully aware that we are critically reliant on agriculture, and a healthy planet. Every unpredictable weather pattern, every flood, every drought, and every crop failure impacts my business. It disrupts our farmers and growers, it lowers their yields, it increases our waste levels – and it hits my bottom line.

Floods, droughts and bad harvests are seen as somehow medieval, or happening in Africa. But the British floods of 2007 seriously damaged the potato crop on which our Walkers business depends – 100% of our potatoes are sourced from the UK. And thousands of tonnes of them rotted in the ground. 2007 also saw droughts in the Ukraine wreck the sunflower crop, forcing up the price of the healthier oil we use to cook Walkers. And at the start of a recession, the worst possible timing. Studies from the UN, European Union, WWF and others show that water scarcity threatens agricultural production in Australia, Southern Spain, Portugal, and Eastern Europe – where the farmers grow the wheat, oats, oranges and other crops that my brands rely on. Rising temperatures could allow the Thames Valley to host olive groves or rice paddies. Or they would if we had the water to support them.

## **Water**

Fresh water is not simply vital to sustain human life, but also our business operations and our supply-chain.

Today, the earth's water has to be shared by a population of some 6 billion people, rising to 8 billion by 2030 – and the Office for National Statistics have estimated the UK alone will gain a further 15 million people. Concentrated in the South-East, and in our major cities, they will be reliant on water mains that are already over 100 years old. One third are 150 years old. If we maintain our current lifestyles then our infrastructure, never mind the planet, will not be able to cope.

## Natural resources

Clearly, there are finite limits to key natural resources such as coal, oil and gas. In addition, forests and agricultural land are under threat as never before. The UN have estimated that 300 million hectares of former farmland are now too degraded to produce food.

If everyone in the world lived as most Europeans do we would need three planets to support us. If we all lived as Americans we would need five. In a crowded island, landfill too is finite, and increasingly expensive.

And society won't sit back and allow this to happen. The future world is one where environmental damage will rightly carry a much steeper cost.

Steven Chu, President Obama's Secretary of State for Energy said something recently that really struck me:

"I don't think the American public has gripped in its gut what could happen. We are looking at a scenario where there is no more agriculture in California"

That is the scale of the challenge.

## PepsiCo: Meeting the Challenge

So what is PepsiCo doing to meet it? We've made a start. Over the last few years we've reduced our energy and water use, shrunk our packaging, and begun to tackle our carbon emissions. We're a very different company. We've reduced the energy used to make a packet of Walkers Crisps by over a third since 2001, and water use by over 40%. At our Walkers factory in Leicester we've saved 700 million litres of water.

Last Summer PepsiCo UK published a series of environmental commitments. We promised both short-term action and long-term transformation, inside our business - and as an agent for change across our supply chain. We promised to make our entire UK operation fossil fuel free over the next decade and a half. We promised to unplug our Walkers factories from the water grid. We promised to send nothing to landfill, up and down our whole supply chain.

During 2008, the first year of our commitments, we reduced our energy use by 12%, and almost halved our waste sent to landfill. We doubled our use of renewable electricity, and we held our absolute carbon footprint flat - despite growing by almost 10%.

Walkers and the Carbon Trust pioneered the Carbon Reduction Label and this year became the first brand in the world to retain it. Disclosure via the on pack reduction commitment kept us honest and drove real carbon footprint reduction across our manufacturing, distribution and supply chain.

We have also invested real time and effort, during the current economic crisis, into long-term solutions. We're investigating the potential for on-site renewables at all our sites. If we meet our targets on renewable energy we would reduce our absolute carbon emissions by over 90%. And we're looking at how embedded water from the humble potato can be used to give our factories all the water they need. My time in the middle east and asia tells me just how valuable that technology will be. A huge win for us, and the communities we serve around the world, not just here in the UK. As with our work with farmers in India or Mexico, PepsiCo is proud of our ability to leverage action across the business.

But, like any business, we know transformational change is required to truly become sustainable. And we can't achieve it acting alone.

## **Working in partnership – Government**

To achieve radical carbon reduction, business will need Government to provide the right framework – real incentives, and a level playing field. In some respects the UK is leading the world - setting a national carbon budget, and aiming for stretching carbon targets to 2020, and out to 2050.

But, as I look to invest in environmental technology, the right incentives are still not there. There is no effective price on carbon, no penalty for the laggards, little reward or predictability for those who invest in solutions. Politicians seem to fear a business backlash against action. Yet many businesses, including my own, want to take radical steps.

This Government, and the next, face a huge funding shortfall – and a simultaneous need to de-carbonise the economy. There is no better time to unite these two objectives. In the words of Al Gore: “We should tax what we burn, not what we earn.”

## **Health & Wellness**

Environmental challenges, and their solutions, are critical to the future of food. But seeking sustainability on health promises to be just as tough. The burden of chronic disease has been growing, and is projected to explode. The Foresight Report, the seminal work on health, showed obesity, diabetes, heart disease and cancer rates all climbing rapidly.

Fundamentally, we're not eating more food than before. But employment has moved decisively from heavy industry to office jobs. We walk less and we drive more.

These trends mean that the consumer of the future, my own son or daughter, is likely to have a radically different set of needs. I don't have enough time today to do the topic justice, but here too PepsiCo has made a start.

In 2000 PepsiCo acquired Tropicana and Quaker, transforming our portfolio overnight. More recently Walkers invested millions of pounds in stripping out salt and fat. Every snack we make now has 80% less saturated fat. We've created new healthier products: Walkers Baked with 70% less fat than a standard crisp, SunBites with a serving of wholegrain. Our new healthy lunchbox range, Planet Lunch, is now on a national trial. I'm proud it provides kids with wholegrain, fibre or fruit - and meets the nutritional guidelines from OFCOM and the Food Standards Agency. Pepsi Raw from naturally sourced ingredients, and in smaller portions. We've also transferred all of our advertising spend from traditional Pepsi to our no-sugar Colas. And we've invested in R&D, building a new £16m research centre in Leicester to drive innovation on health and sustainability.

We believe we have been a powerful agent for change – leading others in the food industry to reformulate and invest. But we know we need to do more, much more, to be a true part of the solution.

This autumn, following last years' Environment commitments, we will publish our future health vision, and a range of short, medium and long-term targets. These will ensure we use our influence in the marketplace to change, for the better, what people are eating and drinking in the UK. To ensure our long-term business growth and profits come from healthy products.

## Conclusion

I'd like to finish my remarks back where I began – on the need to think, and invest, long-term. Tough economic times raise tough questions. Should sustainability, or public health, take a back seat while we sort out the global economy? Management time and capital are in short supply. Isn't being a "good company" just a luxury for the good times?

Earlier this year, our global CEO, Indra Nooyi, answered in clear terms. Talking about what would define the leading companies of the 21<sup>st</sup> century Indra said:

"..[the] hard-edged leader, delivering a return on capital no matter what the social cost, I believe, is yesterday's leader."

"The CEO [of the future] has to create sustainable value. They need to embed a culture of long-term thinking. They have a responsibility to the society that hosts them."

I can't put it better than that. But most businesses are a long way from that vision. My challenge, over the next few years, is to truly embed sustainability into every aspect of our strategy and decision-making. On environment, on health, wherever we have the ability to do so. That's a hugely ambitious goal, but it is our responsibility to try. This is not simply altruism. I am confident of the business case. Building sustainability and health into our corporate DNA creates longer-term strategic advantage. Sustainable businesses can cut costs, drive innovation, reduce risk, and motivate employees. It can help our customers and increase consumer loyalty. The profitable, efficient and sustainable business of the future will also support the pension funds that we all rely on. But I also want, as a dad, to leave a cleaner, greener, healthier world for my son and daughter to enjoy and inherit. Government, consumers, NGOs and business must forge a common agenda. We're in this together. I believe we can make tomorrow better than today. I believe it will take leadership from companies like PepsiCo. We must act now to make it happen.

**ENDS**