

SEMINAR: "FUTURE OF FOOD"

SÃO PAULO, JUNE 27 - 29, 2013

São Paulo, June 27 to 29, 2013

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Seminar: “ Future of Food”

São Paulo, June 27 to 29, 2013

Introduction:

Speaker: *Marcelo Drügg Barreto Vianna*

This presentation was delivered by the author at the *Seminar : Future of Food”* during the Section 1 held in São Paulo, June 27th, 2013.

On this presentation the speaker describes some of the main economic outlook data of the Brazilian economy and the opportunities to develop business in the country understanding the culture and sustainability aspects of the Brazilian society.

The presentation was prepared by *Marcelo Drügg Barreto Vianna and Reynaldo Saad*, National Industry Leader of Consumer Business, Partner of *Deloitte*, using data and information from the Research and Marketing Department from *Deloitte Touche Tohmatsu* in Brazil.

The author complemented the presentation with information from other papers and speeches, as well as documents *from ICC- International Chamber of Commerce* and the latest survey on social responsibility, sustainability and conscious consumption that was launched on March 2013 by the *Akatu Institute* called “*Towards the Well Being Society*”, which was kindly provided by *Helio Mattar* and *Dalberto Adulis*, respectively President and General Manager of Akatu Institute.

Seminar: “Future of Food”

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- I - Brazil: Economic Outlook - Performance and Forecast.
- II - Environmental Issues in Latin America.
- III - Survey on social responsibility, sustainability and conscious consumption called “*Towards the Well Being Society*”, that was launched on March 2013 by the *Akatu Institute*.
- IV - Summary of the messages coming out of the BASD Business Day (ICC / WBCSD / UN Global Compact) held on June 19th , 2012 at the Rio +20.
- V – Challenges and opportunities for the Business Sector.



***Brazil: Economic Outlook
Performance and Forecast
June, 2013***

World Outlook

Performance of major economies

- **World economic powers - 2012**

Country	GDP (US\$ BILLIONS)	% of Global GDP
1° USA	15.724	22.09%
2° CHINA	8.221	11.55%
3° JAPAN	5.887	8.27%
4° GERMANY	3.404	4.78%
5° FRANCE	2.622	3.68%
6° UNITED KINGDOM	2.458	3.45%
7° BRAZIL	2.260	3.17%
8° ITALY	2.037	2.86%
9° RUSSIA	1.970	2.77%
10° INDIA	1.881	2.64%
WORLD	71.191	100%

- Brazil has lost the 6th world economic position for UK.

- If expected growth confirms in 2013, Brazil is going to return to the 6th world economic position.

- *“These developing countries can for the most part boast robust economic growth rates and government finances in decent shape – attractive propositions for western investors confronted by a lack of both in their domestic markets.”*

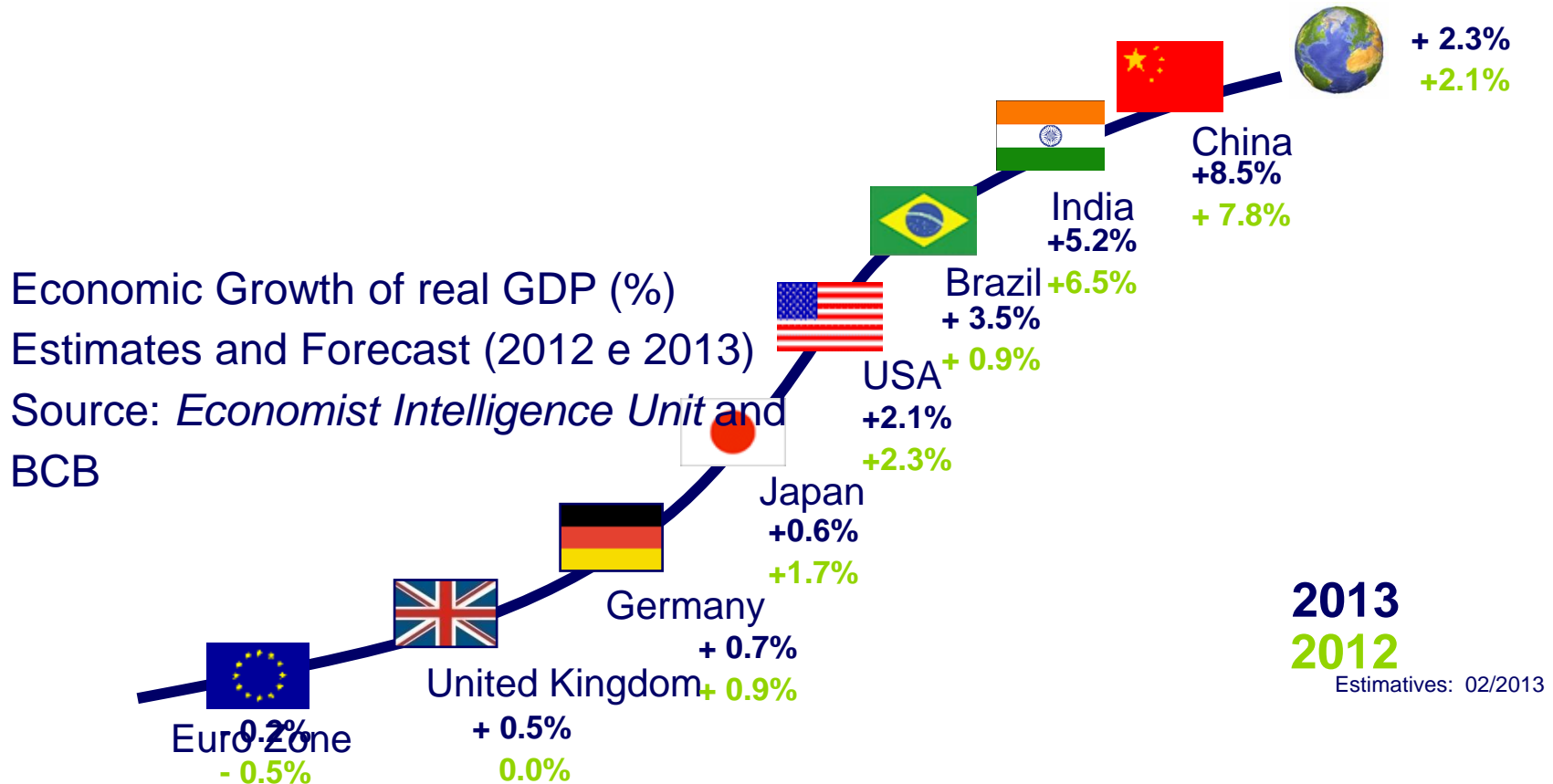
Stewart Cowley

(Fund Manager at Old Mutual – Feb/2013)

World Outlook

Performance of major economies

- The market estimates a global economic growth of 2.3%.
“*We stopped the collapse, we should avoid the relapse and it's not time to relax.*”
(Christine Lagarde – Management Director – 01/23/2013)
- According to Goldman Sachs’ research, it is expected the world economy to grow at higher rate, 4.1%, from 2011 to 2020.
- For instance, this growth path has been sustainable due to BRICS’ growth.

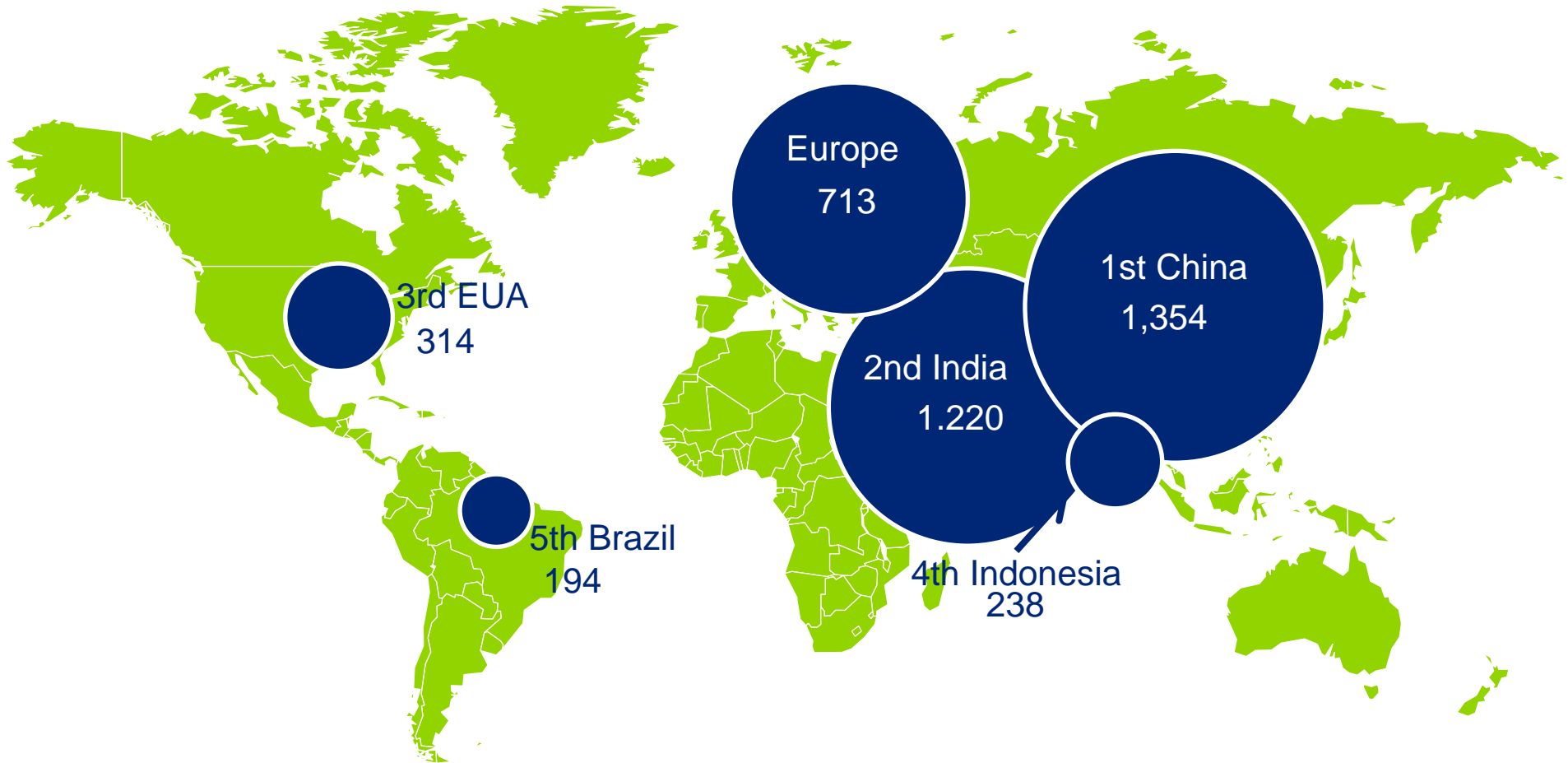


World Outlook

Highlights of major economies

Most populous countries

● Millions of inhabitants - 2012



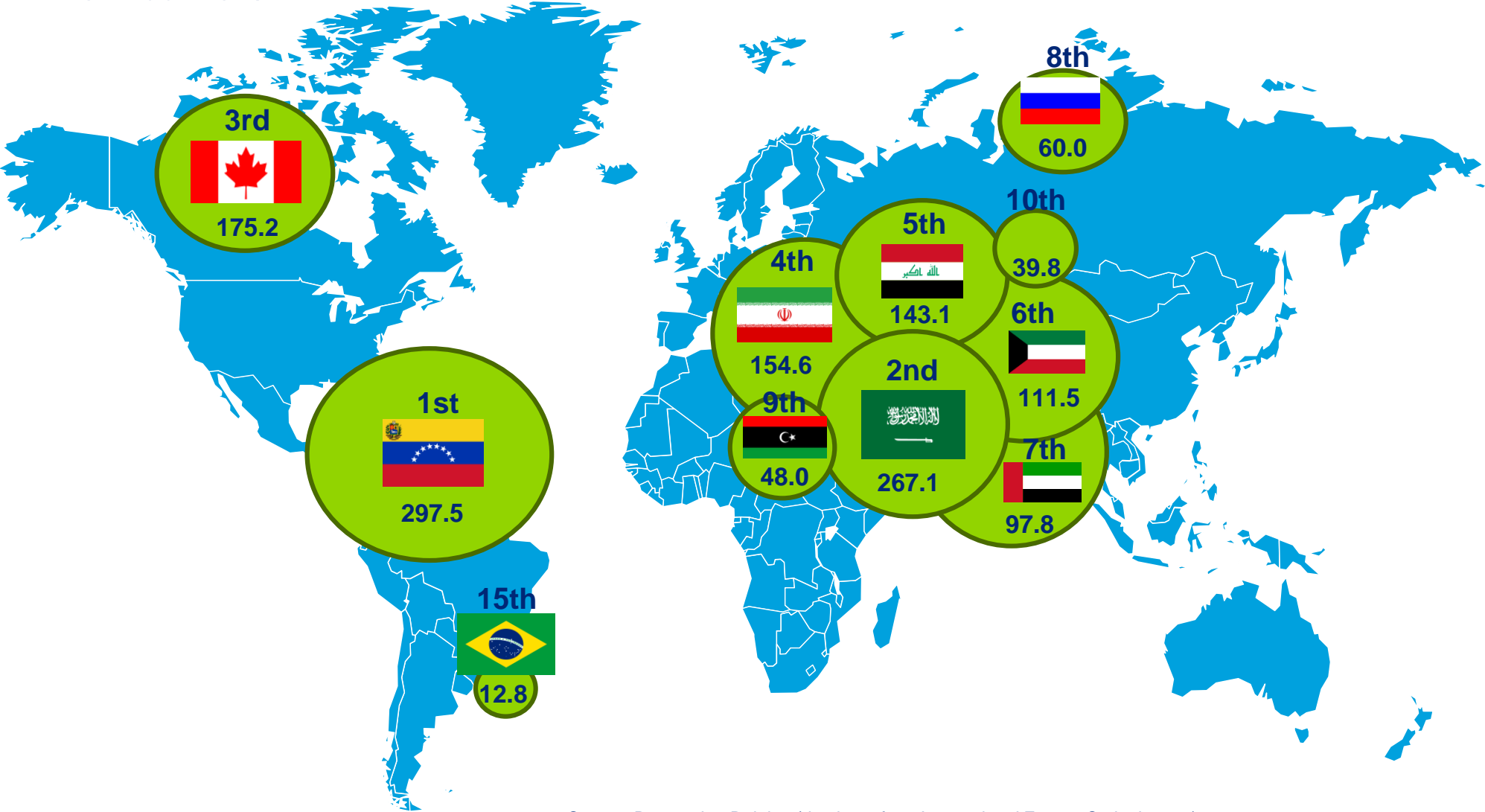
Note: European database includes all countries, even countries which are not considered in the EU.

Source: ONU e EIU.

World Outlook

Highlights of major economies

Oil reserves Billion barrels



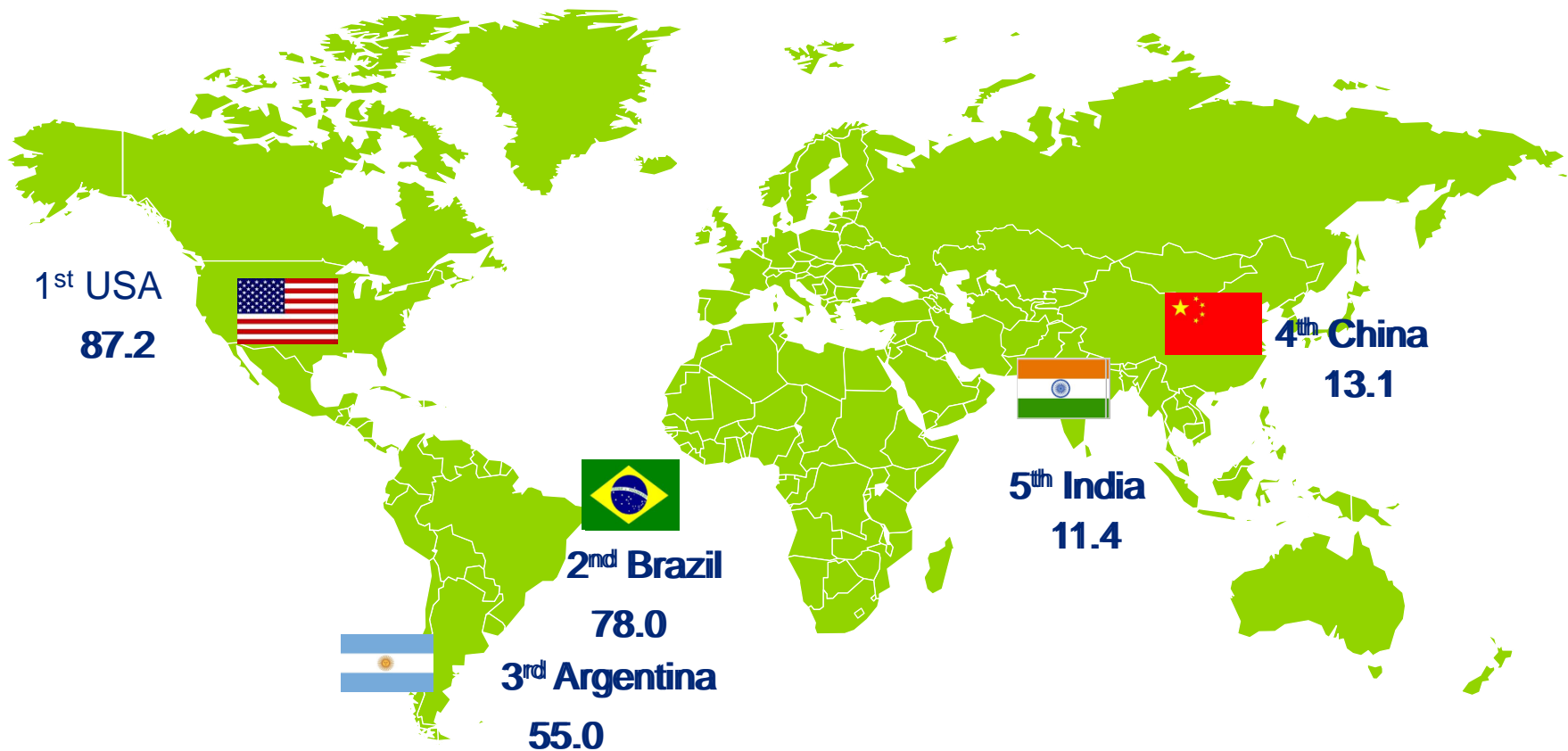
Source: Research – Deloitte (database from International Energy Outlook 2011).

World Outlook

Highlights of major economies

- Soybean Production

Millions of tones –



Source: US Agriculture census.

National Economy

National Economy

Top Hot Issues - 2013

- ❑ Expected GDP growth rate of 3.5% for 2013
- ❑ Increase in infrastructure concession and bidding.
- ❑ Return of growth for manufacture industry.
- ❑ Possible reversion of monetary policy.
- ❑ Inflation target rate is expected to be maintained within the interval.
- ❑ Maintenance of the primary surplus.
- ❑ Investments is going to accelerate for World Coup and Olympic Games.
- ❑ Activities in building sector, related to real state, will stabilize.
- ❑ Economy will stand full employability.
- ❑ The income distribution adopted by Government may continue.
Current unemployment rate is going to stand levels lower that historical average rate.
- ❑ Brazilian consumer market will remain heated.

Political Economy Evolution

Competitiveness among industries

- Brazilian Government has been stimulating economy to grow faster, by protecting national industry from foreign competitiveness. Accordingly , Brazilian Government has elaborated “**Brasil Maior**”.
- **Brasil Maior**
- The main focus is to increase Brazilian industry competitiveness and promote technological innovation. The plan is expected to be completed from 2011 to 2014.
- Main measures adopted to increase Brazilian worries' in three pillars:
 1. **Incentives for investment and innovation**
 - Tax exemption
 - Financing for investment and innovation
 2. **International Trade**
 - Exemption of exports
 - Financing and guarantee for exports
 - Trade promotion
 3. **Defense industry and internal market**
 - Payroll tax reduction
 - Special arrangements sectorial
 - Government procurement
 - Public Agreements: Matching funding policies

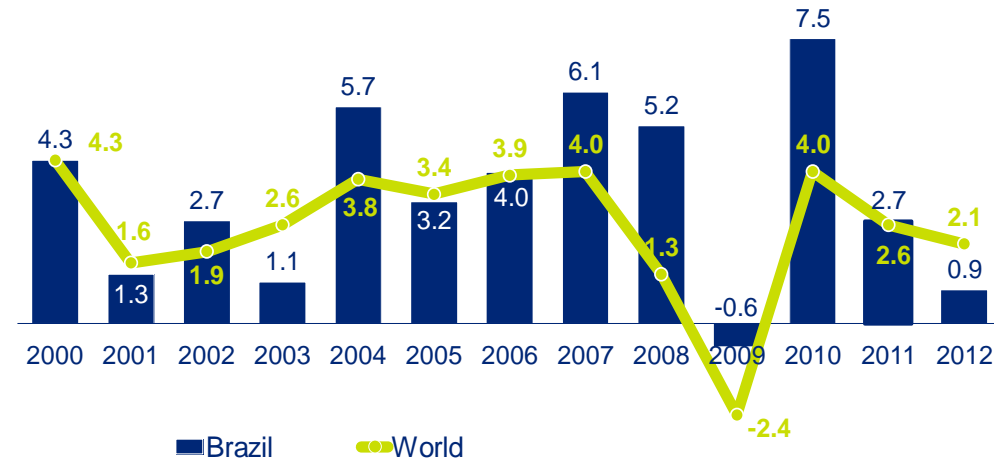


National Scene

Price index

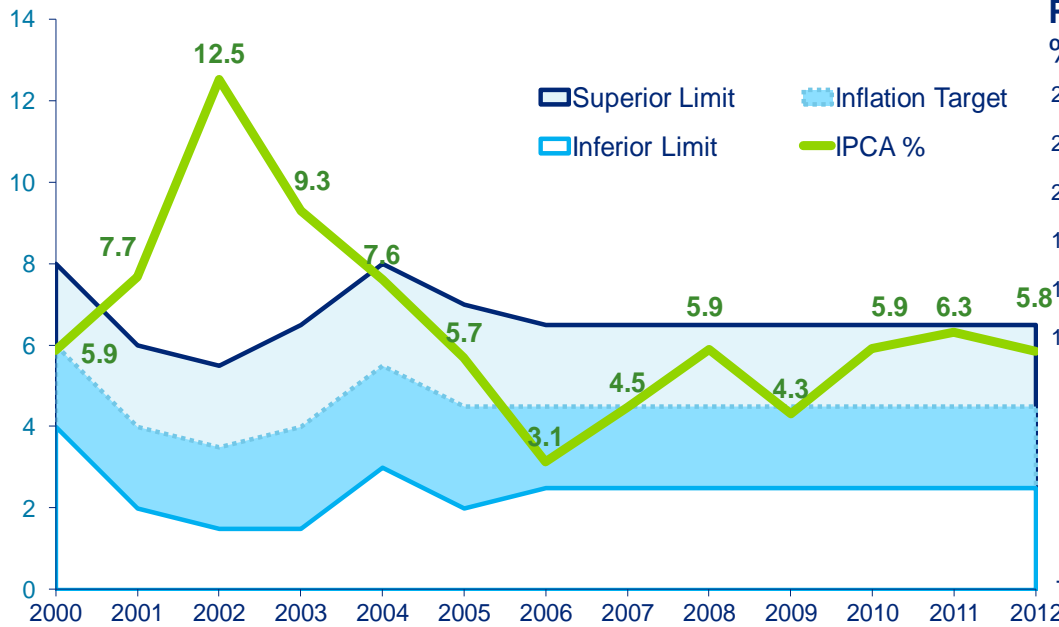
The Central Bank of Brazil intends to keep the inflation rate between 4.5% and 6.5%. If expected inflation rate of 2013 becomes above the inflation target of the Central Bank of Brazil, there should be a reversal on the current monetary policy and a rise in interest rates.

Brazilian real GDP growth x Global GDP growth rate



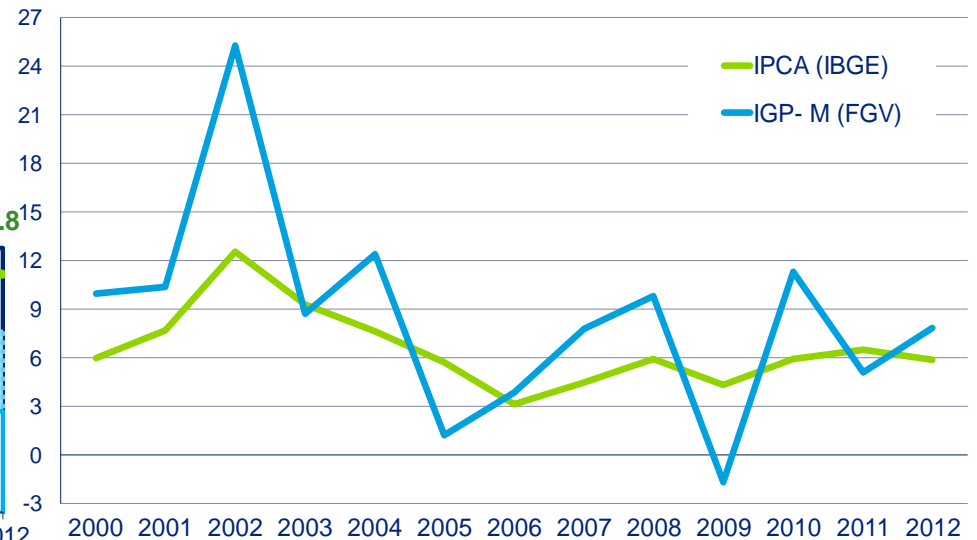
Source: Research - Deloitte (based on Instituto Brasileiro de Geografia e Estatística - IBGE and Economist Intelligence Unit - EIU data), 2012 forecast.

Inflation Target vs Inflation



Source: Research - Deloitte (based on Bacen data)
*Note: Expected.

Price Index
% Variation per year



Source: Research - Deloitte (based on IBGE and FGV data), (*) Forecast.

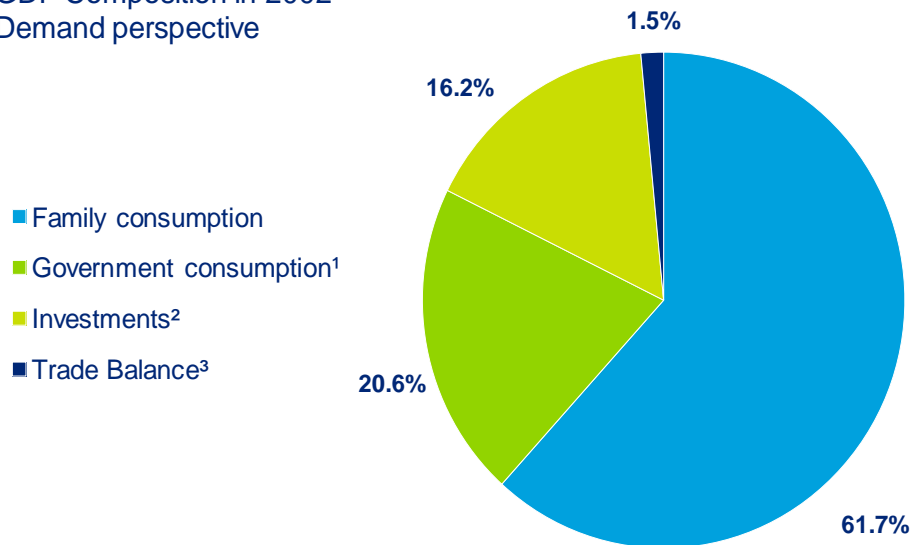
National Scene

GDP - composition

If it is considered the demand side of the GDP, in the last ten years there has not been a huge change in the composition of GDP. For instance, family consumption changed from a level of 61.7% to 60.6%.

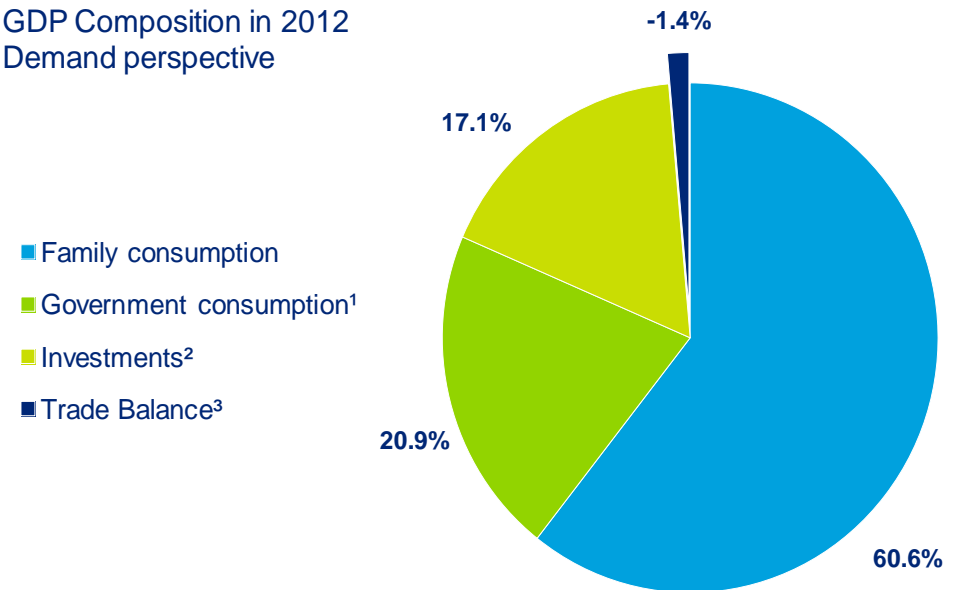
The investment rate has been kept in a level of 16% to 19% of GDP, but the government's goal is investment reaching 22% of GDP until 2014.

GDP Composition in 2002
Demand perspective



Source: Research - Deloitte (based on IBGE data).
Note(1). Expenditures of public administration. (2). gross fixed capital formation plus changes in stock. (3) exports and imports of goods and services.

GDP Composition in 2012
Demand perspective



Source: Research - Deloitte (based on IBGE data).
Note(1). Expenditures of public administration. (2). gross fixed capital formation plus changes in stock. (3) exports and imports of goods and services.

National Scene

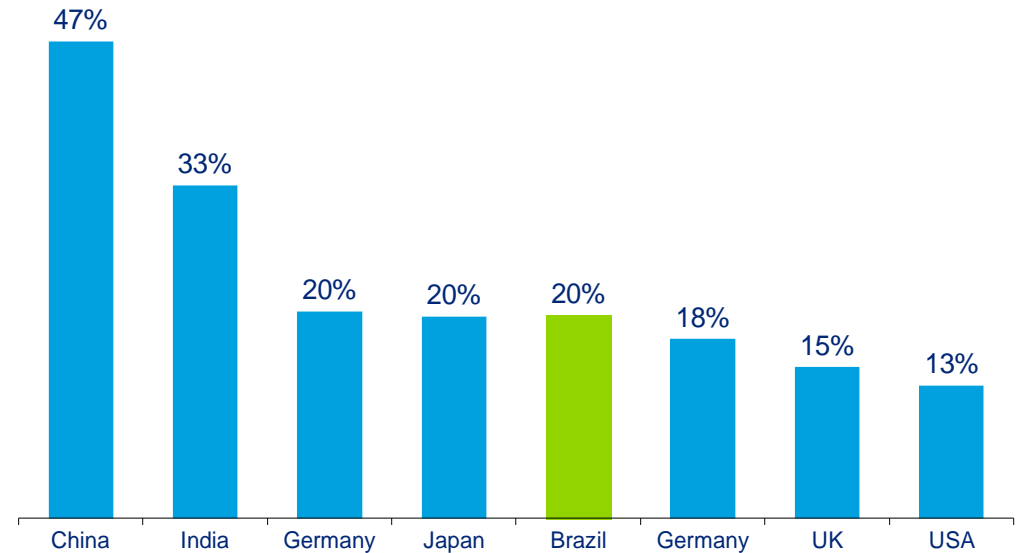
GDP - composition

- The Central Bank of Brazil (BCB) expects the economy to grow in 2013 driven mainly by investment and improvement in industry sector.
- According to Central Bank of Brazil, this improvement in gross fixed capital formation must occur through the following channels:

GDP - Supply	2012	2013 *
Industry	-0,9%	2,8%
Processing and Mineral Extraction	-2,9%	4,0%
Building Sector	2,3%	3,8%
Distribution of gas, water and electricity	2,3%	2,3%

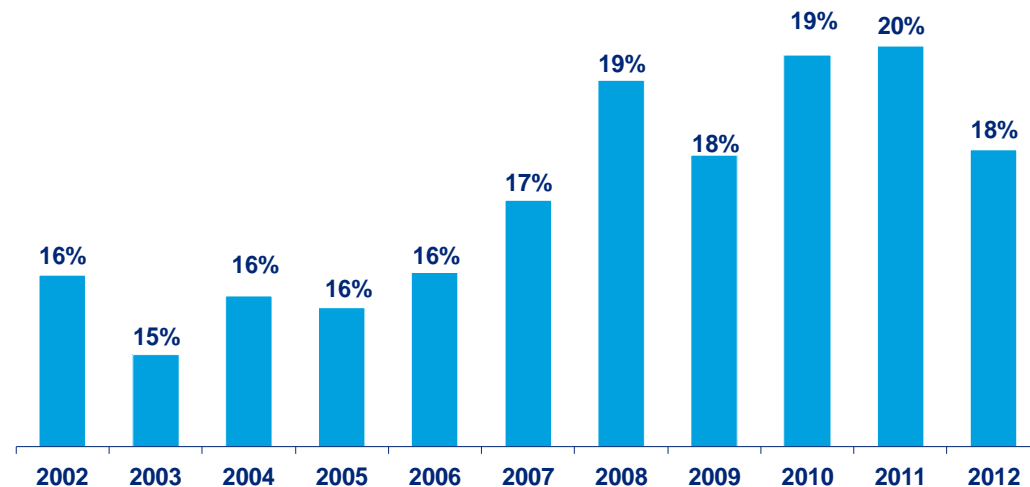
GDP - Demand	2012	2013 *
Demand	-2,4%	3,1%

Investments (FBKF)
GDP Participation in 2011 (%)



Source: Research - Deloitte (based on Economist Intelligence Unit data).

Investments (FBKF)
GDP Participation (%)



Source: Research - Deloitte (based on IBGE data).

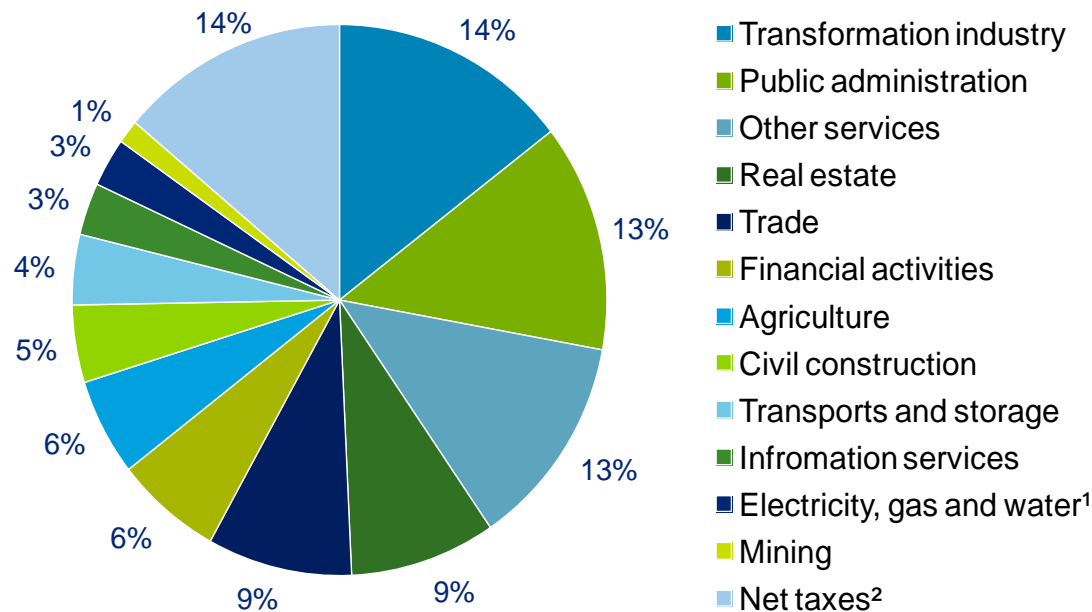
National Scene

GDP - composition

Considering the supply side of GDP, categories which have presented major growth rate in 2012, comparing to 2002, are: public administration, net taxes, real state, information service and other services.

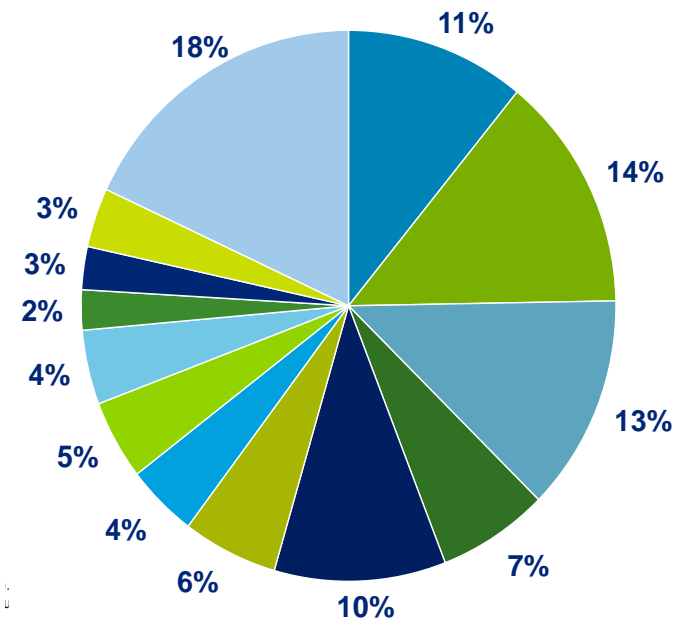
GDP Composition in 2002

Supply perspective



GDP Composition in 2012

Supply perspective



Source: Research - Deloitte (based on IBGE data).

Note (1). Only distribution. (2). Taxes over production, minus subsidies.

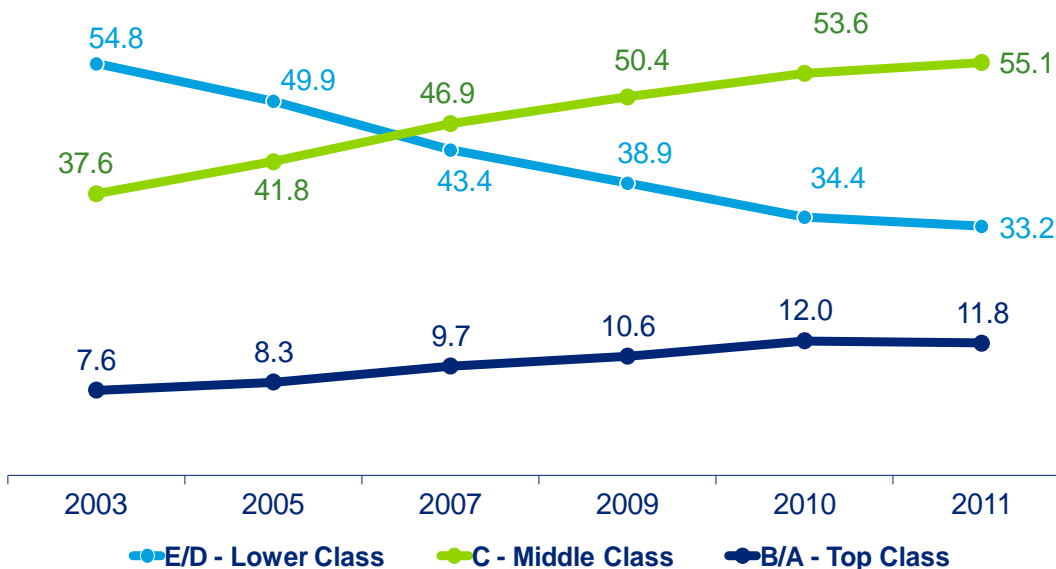
National Scene

Economic classes

- Among the indicators of income, the most prominent is the increment in the population median income classes. The income class C, which, according to the Center for Social Policies at *Getulio Vargas Foundation*, earn between \$ 1,200 and R \$ 5,174, increased from 37.6% in 2003 to 55.1% in 2011. Half of the population is middle class, which is the class C.
- The population within classes A and B has also increased. The share rose from 7.6% to 11.8% between 2003 and 2011.

Economic classes evolution

Population composition (%)



Source: Research - Deloitte (based on CPS/FGV data).

Economic classes definition

Household per capita Income per month

Classes	Lower	Top
A	6 745	...
B	5 174	6 745
C	1 200	5 174
D	751	1 200
E	0	751

Source: Research - Deloitte (based on CPS/FGV data).

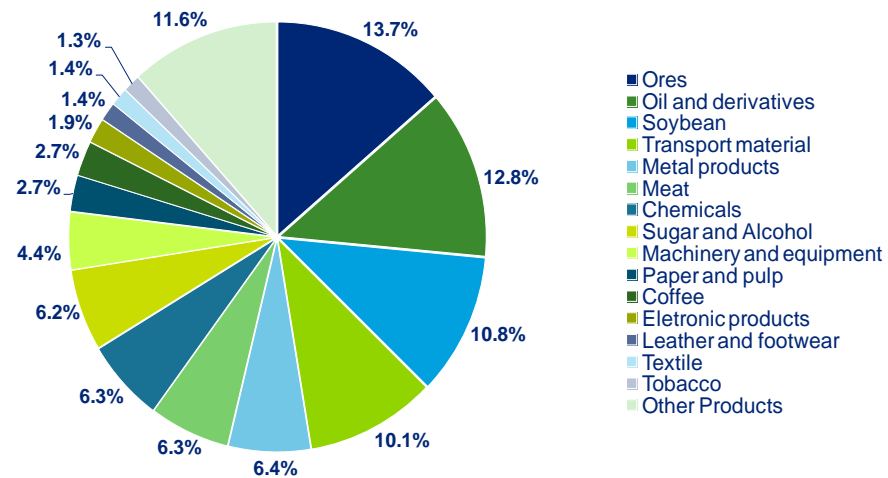
External Sector

National Scene

Trade balance

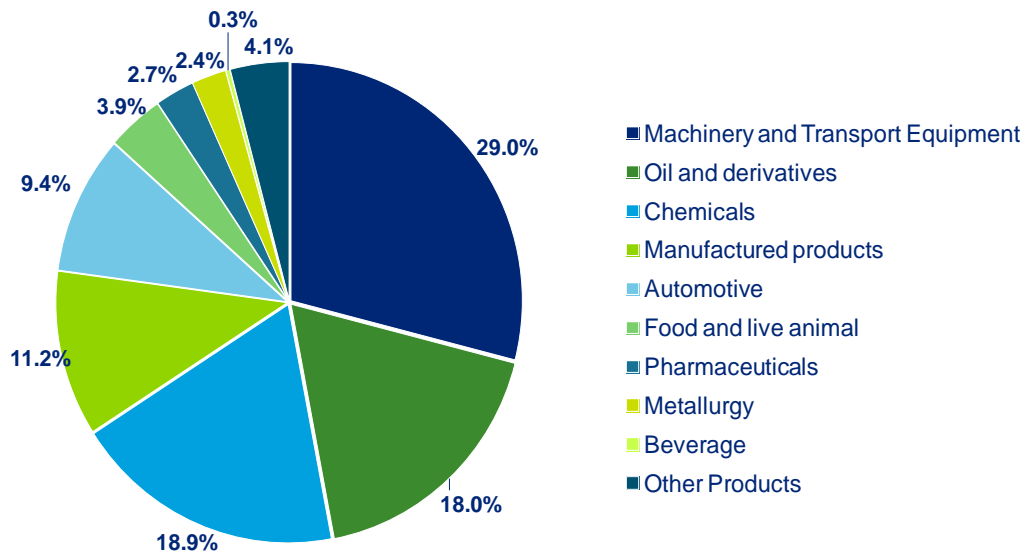
Brazilian exports are mainly based on minerals, oil and derivatives, soy, transport equipment and other products. Imports are based on machinery and transport equipment's, chemicals, petroleum and fuels.

Brazilian Exports in 2012
% Composition



Source: Research - Deloitte (based on MDIC data).

Brazilian Imports in 2012
% Composition



Source: Research - Deloitte (based on MDIC data).

The composition of balance trade reflects that exports are mainly based on commodities and imports are tied to industries of medium-high technology.

National Scene

Investments

Asian countries have been demonstrating saving rates higher than investments.

However, Brazil is on the opposite side, which means that investments have been superior than savings.

Investments plans in Brazil, from 2012 to 2017, amounts R\$ 553,2 billions

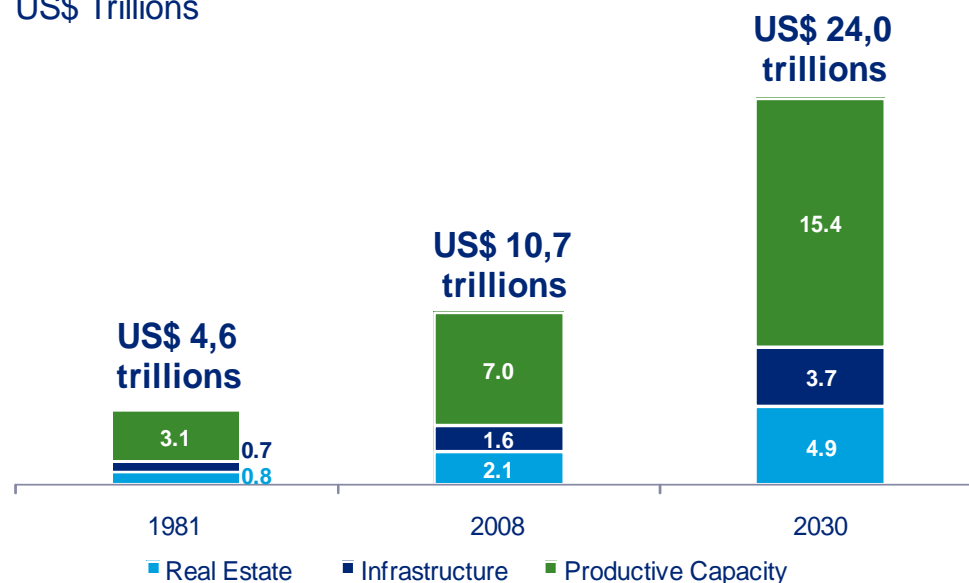
Investment Plan		
Company	Date	Value (R\$ Billions)
Petrobras	2011 - 2015	389.0
Grupo EBX	2012 - 2022	83.5
Vale	2012	35.7
Gerdau	2012 - 2016	10.3
Braskem	2012	8.4
Louis Dreyfus Commodities	2013 - 2016	7.0
AES Brasil	2012 - 2016	5.5
Bunge	2012 - 2017	4.1
Ambev	2012	2.5
Companhia de Saneamento do Paraná	2013-2015	2.3
Brasil Foods	2012 - 2015	2.0
Grupo Pão de Açúcar	2012	1.4
BHG	2013-2015	1.0
GM	2013	0.5

Note: In Green: The initial amount of investment was made in US dollar and converted to R\$. Conversion rate: 1.67 (2011 and 2012 average - investment announcement date).

Source: Research - Deloitte (based on companies data).

World's Productive Investments Total

US\$ Trillions



Source: Exame Magazine and McKinsey Global Institute

Country savings to finance investments

US\$ Billions

	Savings	Investments	Current-Account
China	3,968	3,734	234
USA	1,522	1,990	-468
Japan	1,322	1,258	64
Germany	832	603	229
India	458	544	-86
Brazil	353	412	-59
Australia	386	438	-52
South Korea	332	307	25
Mexico	236	244	-8

Source: Research - Deloitte (based on EIU). 2012 data.

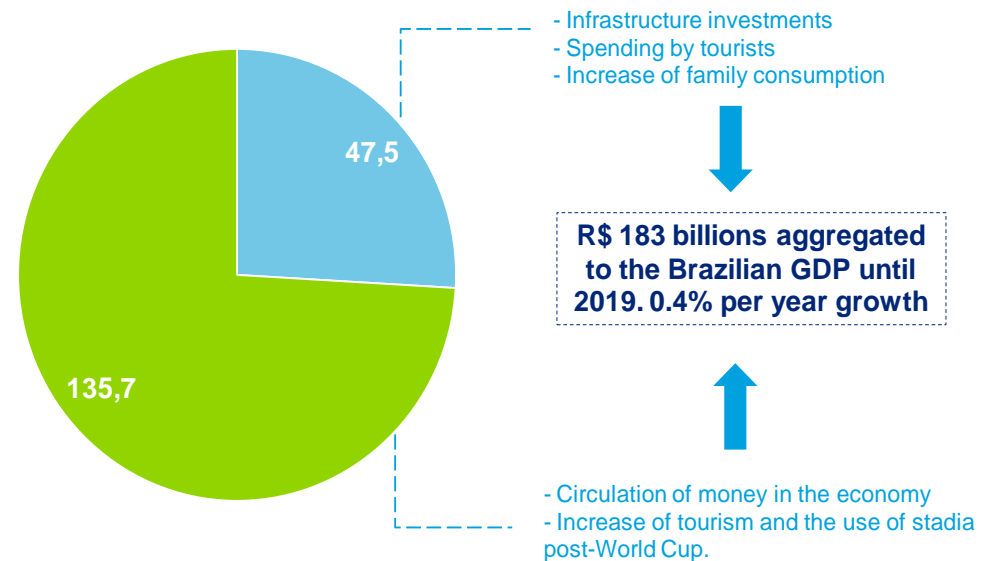
National Scene

Investments

- **World Cupe 2014**

- The World Cup 2014 will add \$ 183.2 billion to the Brazilian economy, according to a requested study from Ministry of Sports to Value Partners Company's. Generated direct investments are estimated on \$ 47.5 billion, and indirect on R\$ 135.7 billion. Only in infrastructure, the impact is estimated to be \$ 33 billion. In addition, it is worth to mention that 78% of investments is going to come from the public sector.

Forecast of 2014 FIFA World Cup in Brazil budget R\$ billions



Source: Research - Deloitte (based on Value Partners Brasil data as asked by the Ministry of Sports).
Note: The data refers to estimates.

Rio 2016

Total investment is \$ 30 billion, according to government's estimative and budget. It is expected to receive 380,000 foreign tourists, spending about \$ 152 million.

National Sectors' Performance

National Scene

Agribusiness' evolution

Regarding soybeans, the market expects lower prices for 2013 due to high harvest in Brazil and Argentina. However, there are possibilities to change due to weather conditions in South America that may affect productivity.

Considering corn, there is a downward trend in prices for the harvest in February and March. However, there are risks of increased price volatility due to climate change in Latin America and increase exports.

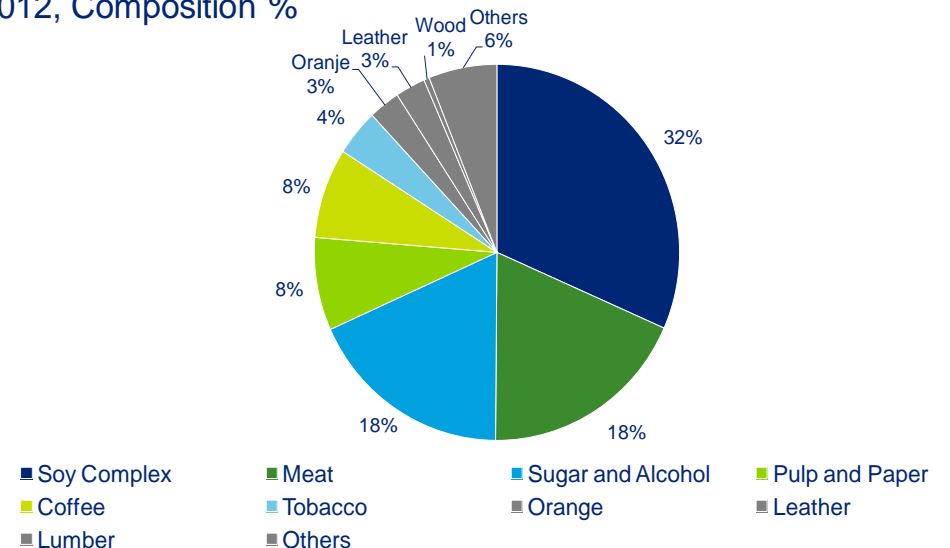
Whereas coffee's price presents volatility until the harvest in May, due to uncertainties about weather conditions in Brazil.

Regarding the meat, there is a downward trend in prices until the arrival of the dry season in May.

Finally, sugar and ethanol, there is a growing trend due to the price of exports to the U.S. and a downward revision of production.

Agribusiness: Exports

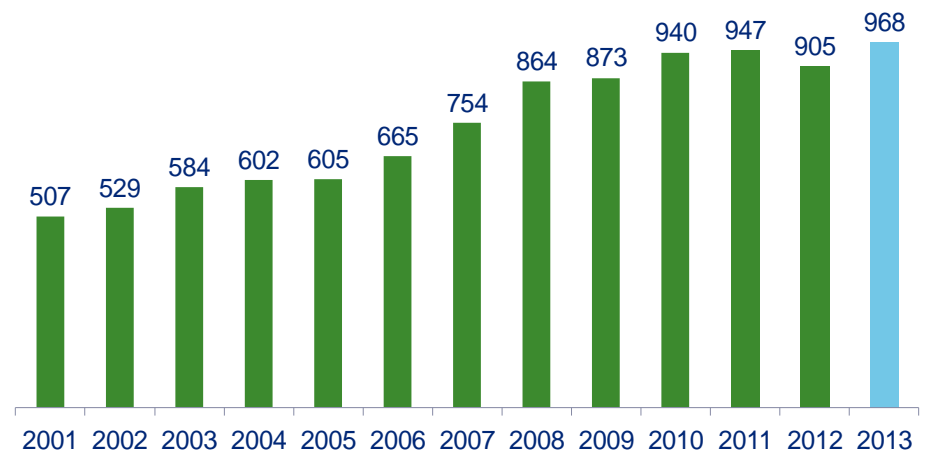
2012, Composition %



Source: Secex.

Agriculture harvest

Millions of tones



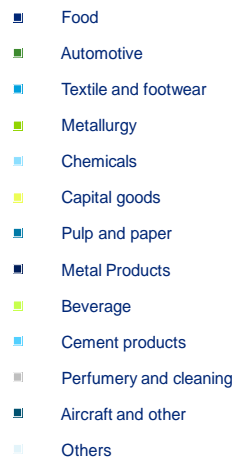
Source: Research-Deloitte (based on IBGE data). June Forecast for 2013.

National Scene

Manufacture's evolution

- Industrial manufacturing production had fallen on the representativeness of GDP since financial crisis (2008-2009), specially throughout 2012. Although it has showed slight recovery in October 2012. Moreover, despite a fall in industrial production, domestic demand has been complied with manufacturing imports.

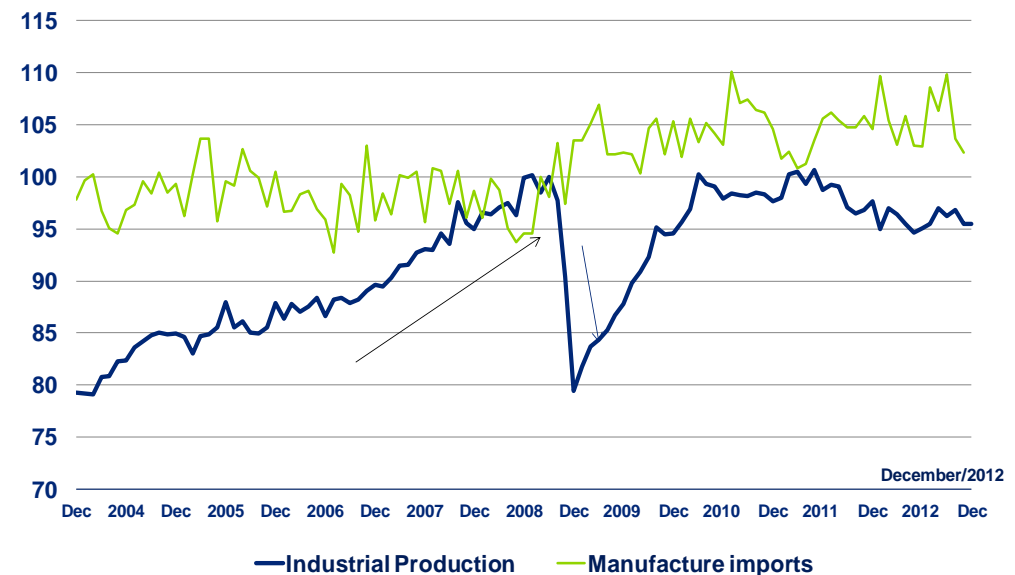
Manufacture industry in 2012
% Composition



Source: Research - Deloitte (based on Instituto Brasileiro de Geografia e Estatística - IBGE data).

Evolution of industrial production

Index Sep/2008 = 100



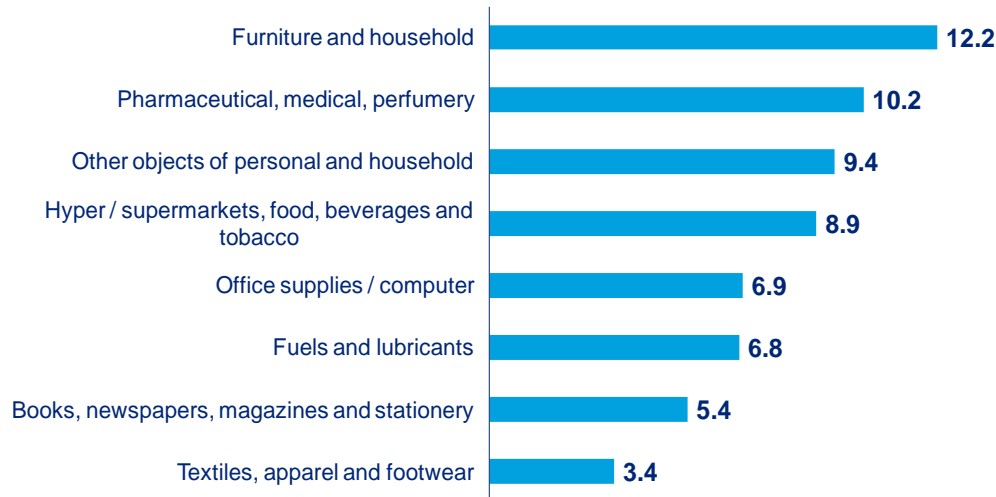
Source: Research - Deloitte (based on IBGE data). Seasonally adjusted.

National Scene

Commerce's evolution

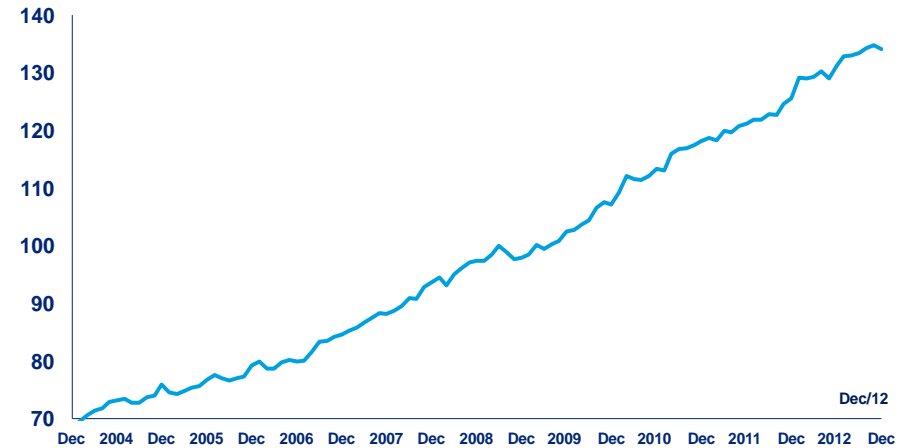
- The volume of retail sales remains high since 2003, without major impacts advent from the financial crisis (2008 – 2009). This result seems to be an aftermath of measures taken by Government to stimulate consumption.

% Growth in sales of volume trade Year accumulated (2012)



Source: Research - Deloitte (based on PME - IBGE data).

Retail Sales Evolution Index Sep/2008 = 100



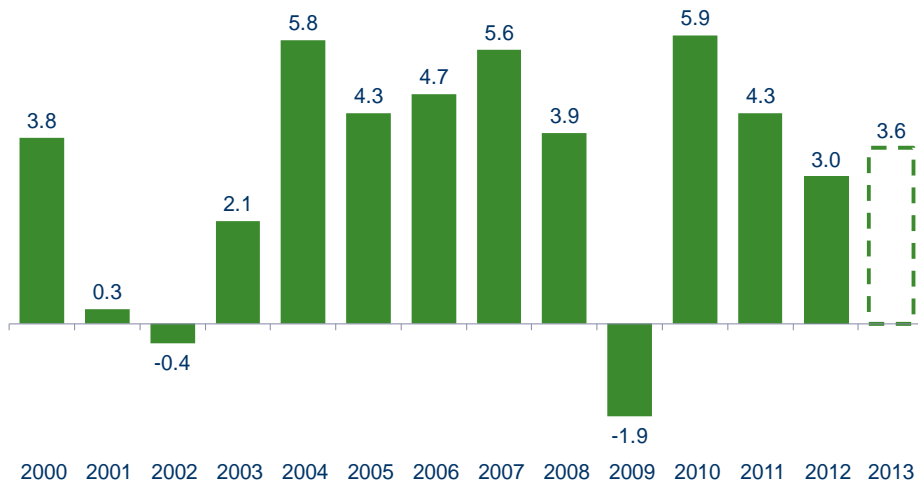
Source: Research - Deloitte (based on IBGE data). Seasonally adjusted.

World Stage

Latin – American Economy

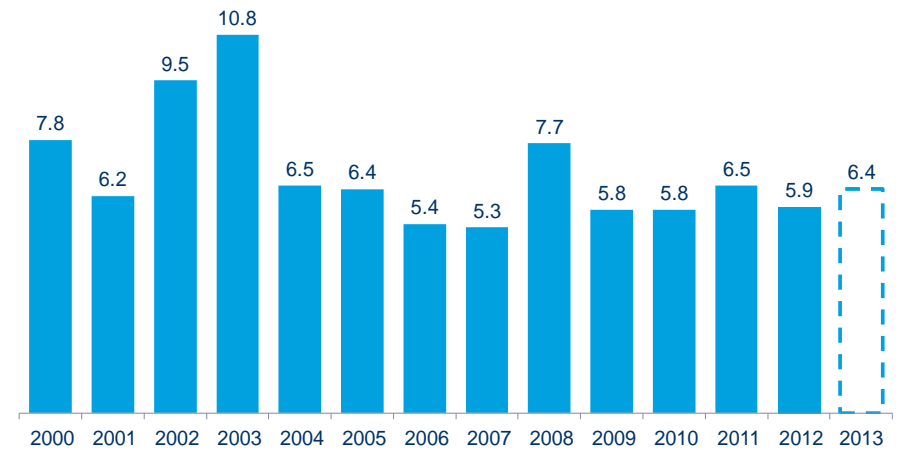
- Deceleration in real GDP in Latin American (4.3% to 3.1%) has been more cyclical and less structural.
- The region has been resistant to possible recession in developed countries (double-dip recession), due to strong economic fundamentals and a more concise domestic demand, which has been kept through access to credit and expansion of labor force

GDP evolution - Latin America
% Variation



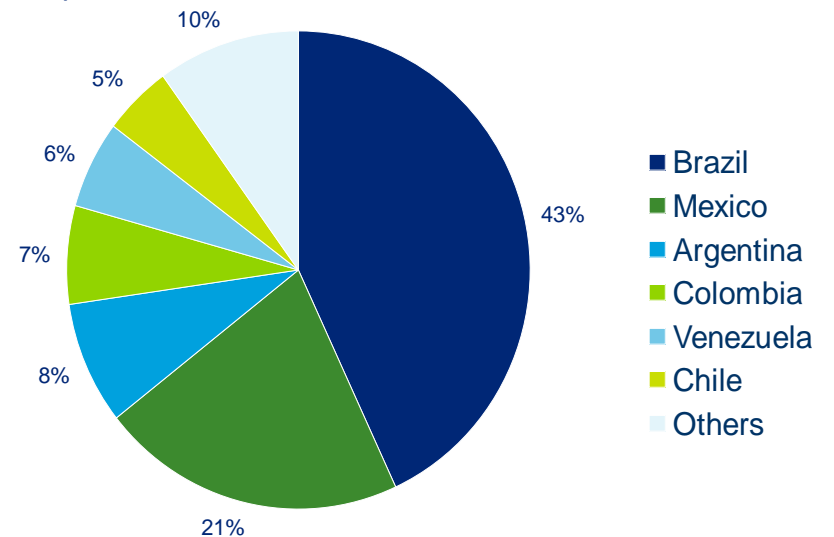
Source: Research - Deloitte (based on Intelligence Unit - EIU data).

Evolution of inflation - Latin America
% variation at the end of the year



Source: Research - Deloitte (based on Economist Intelligence Unit - EIU data).

Participation of the Latin-American counties in the region GDP
% Participation



Source: Research-Deloitte (based on IMF data)

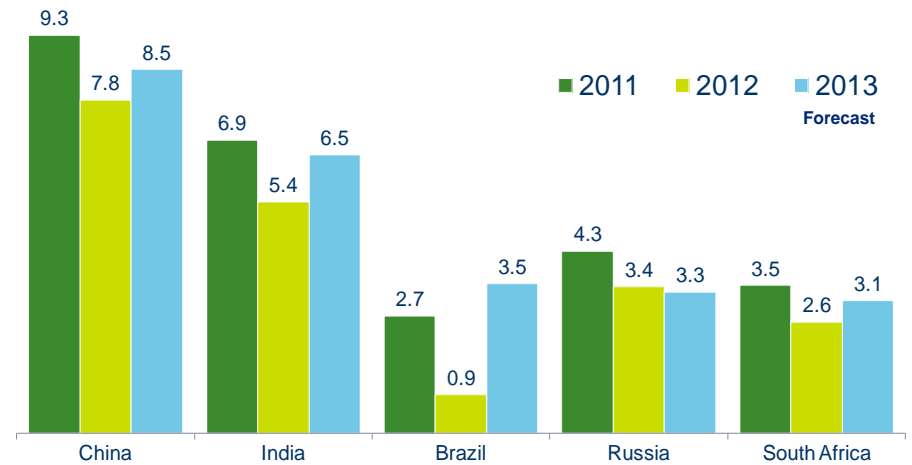
BRICS' Economy

World Scene

BRICS' Economy

- BRICS' growth rate showed a downward trend, but BRICS countries still have rates above the world average.
- In addition it is worth mention that each BRICS' country has adopted a different countercyclical policy.

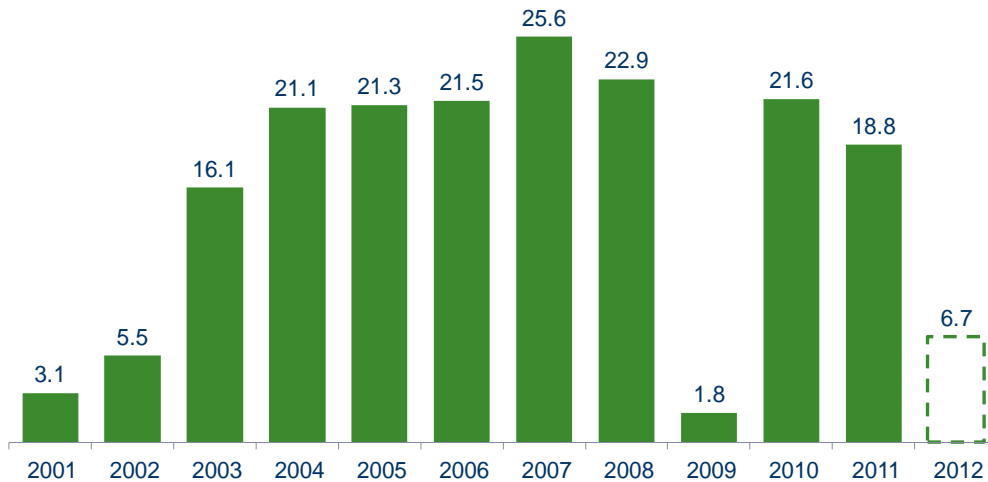
GDP real evolution - BRICS
% growth



Source: Research - Deloitte (based on EIU data).

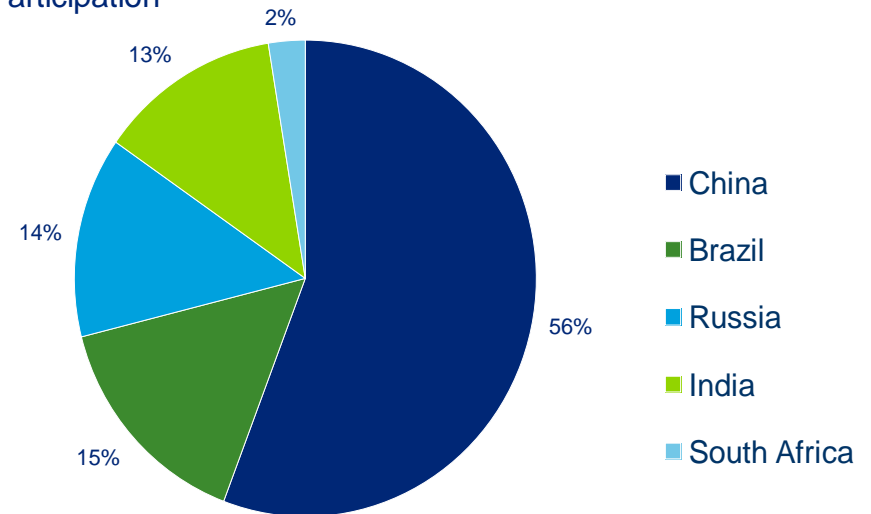
GDP Evolution - Brics

% Yearly variation over the nominal GDP of all the Brics together.



Source: Research - Deloitte (based on Eurostat and EIU data).

Participation of the countries' GDP on Brics- 2012
% Participation



Source: Research-Deloitte (based on IMF and EIU data)

National Scene

National Scene

Trends and perspectives

- **Short-term Scenario: Economy "growth rate next to world rate"**

- **Results:** return of growth in manufacturing.
- **Policies adopted :** policies and tax breaks for industries seeking new concessions
- **Final results:** seeking to expand infrastructure's investments.

Positive Impacts: national consumption may be maintained

Negative Impacts: possible increase of prices due to the risk of heighten in consumption, even considering reduction of tariffs on the energy sector.

- **Mid-term Scenario: investment in infrastructure is needed**

- **Results:** capital is needed;
- **Policies adopted :** public and private partnership; concessions and auctions, lines of BNDES financing at low interest rates.

Positive Impacts: tracking results and tax savings for social investment.

Negative Impacts: some activities are going to develop more than others, due to some factors, such as return on investment and private bureaucracy to carry out the operations.

National Scene

Trends and perspectives

- **Sector Highlights**

- **Building Sector**

- It is expected that the sector will grow 3.5% to 4.0%, according *Sinduscon - SP*. It is also expected a stabilization in activity level of construction and number of employees.

- **Agribusiness**

- The national grain production will reach 180.41 million tons, an increase of 8.3%, according to *Conab*. Furthermore, it is expected that the cultivated area increases by 2.2%.
- According to the report from Rabobank, it is expected that volatility in commodity prices will continue in 2013, with upward pressure in the first half of 2013, before the decline in production leads prices to fall in the second half of 2013.

National Scene

Trends and perspectives

- **Sector Highlights**

- **Wholesale and retail**

- The Brazilian consumer market will remain heated due to income maintenance of Brazilians and low unemployment rates. However, there is a moderate growth following the evolution of credit.

- **Financial activities**

- Credit operations directed to final consumption may have a moderate movement. However, there are opportunities in other segments, such as financial insurance area. In addition, there are expectations about the occurrence of more consolidation operations between multiple banks.

- **Capital Markets**

- The scenario of low global growth keeps the uncertainties about the dynamism of financial markets. In Brazil, through reduction of interest rates, companies can obtain funds by bank or issuing of fixed income securities, while Brazilian stock market does not retake a steady growth. Moreover, Brazilian banks have also shown a reduction in the spread, due to the fall in interest rates, at the same time that international scenario indicates a no regeneration in ROE's banking sector.

National Scene

Trends and perspectives

- **Sector highlights**

- **Mining and metallurgy**

- The reduction of international purchases, mainly due to lower investment in Chinese infrastructure, coupled with the poor Brazilian industry's performance, impacts price and chain of metals production.
- Resumption of the Chinese infrastructure investment in the coming months, increment in Brazilian production, combined with the large investment projects underway in Brazil, will keep the mining and metallurgy sector with good growth prospects.

National Scene

Trends and perspectives

- **Sector Highlights**

- **Tourism, hospitality and leisure**

- The scenery keeps positive due to the growth of national income and sporting events advertised.
- The trend for the number of foreign tourists in Brazil is also positive. If world economic comes back to present growth, in other words, if the income of the population in developed countries comes back to present growth between the next 2 to 3 years, the number of people visiting country will increase exponentially.
- Investments have been doing until sporting events will be performed in Brazil.
- After this wave of investments in hotel chain has been completed, mergers and acquisitions activity may move the sector to provide a better professional services.

Sources

- Brazil Central Bank – Bacen
- Ministry of Development, Industry and Foreign Trade – MDIC
- Securities and Exchange Commission – CVM
- Brazilian Institute of Geography and Statistics– IBGE
- Ministry of Finance
- Federal Reserve - Fed
- The Economist Intelligence Unit – EIU
- Central Intelligence Agency , World Factbook – CIA
- United Nations Program for Development – PNUD
- Entities and associations
- Emerging Markets Private Equity Association

II- Environmental Issues in Latin America



Environmental Issues in South America

- **Population Growth**
- **Urbanization**
- **Poverty**
- **Air quality, Sanitation, Water, Waste Management**
- **Environmental Governance and Legal Framework**
- **Ecosystem Services and Biodiversity**
- **Climate Change**
- **Extreme Weather Events**
- **Natural Disasters**
- **Millennium Development Goals for ALC**
- **World Bank Case:Licensing Process for Hydroelectric Projects**
- **Private Sector:Environmental Management**
- **Private Sector:Financial Institutions**
- **The Sustainability Chain Survey**



Latin America and the Caribbean: Population Growth

- Population growth is one of the most basic forces influencing the quality of the natural environment.
- In Latin America and the Caribbean, as elsewhere, continued population growth also raises difficult issues for environmental quality, as well as economic growth and social development.
- In Latin America and the Caribbean countries, growing populations place rising pressures on natural resources to provide water, food, shelter, and energy.
- According to United Nations estimates, the LAC region is expected to reach the population of 613 million by 2015 and 706 million in 2030.
- In the last decade, population growth was fastest in the Central American and Andean sub-regions (1.8 percent per year) and slowest in the Caribbean (1.3 percent annually).
- Although fertility in some LAC countries remains above an average of 4 children per woman, the trend is toward declining birth rates. The U.N. projects that regional fertility rates will fall to 2.2 children per woman by 2025 and 2.1 children per woman by 2050 (medium-variant forecast).

Latin America and the Caribbean: Urbanization

Urban and Rural Populations and Growth Rates

- Nearly three-quarters of the population of Latin America and the Caribbean lives in cities. Some 340 million people live in urban areas of the LAC region. Urban populations have grown at an average rate of 2.7 percent per year since 1970.
- The population of rural areas has remained mostly constant, and in some cases has even declined.

Population Growth in Urban Agglomerations

- The ten most populous cities in LAC are found in six countries in three of the four sub-regions. The three largest - Mexico City, São Paulo, and Buenos Aires - are among the world's ten most populous cities, with inhabitants numbering from around 13.0 to 20.0 million. Growth rates for the region's largest cities are expected to range from 0.4 to 1.5 percent per year over the next 15 years.
- Although important centers of human development, cities often are characterized by rapid and unplanned development that can have harmful economic and environmental impacts. Inadequate housing, poor public transportation systems, air and water pollution, inadequate waste disposal, and land degradation, are all urgent challenges that will face the region's urban areas in the coming decades.

Latin America and the Caribbean: Poverty

- In Latin America and the Caribbean, as in the rest of the world, the relationship between poverty and environmental degradation can be mutually reinforcing.
- Poor people often suffer disproportionately from air and water pollution, natural disasters, and lack of tenure and control over the resources they depend on for their livelihoods.
- Poverty, especially pronounced in the rural areas of the region, can aggravate problems of environmental degradation, as poor people often have little choice but to continue to deplete already scarce resources.
- The LAC region struggles with income inequalities that are among the most extreme in the world. In four countries—Ecuador, El Salvador, Guatemala, and Honduras—more than half the population lives on less than US\$2 per day.
- In another six countries (Bolivia, Mexico, Paraguay, Peru, Trinidad and Tobago, and Venezuela), more than 30 percent survives on this meager income

Latin America and the Caribbean: Health and Environment

Air Quality, Sanitation, Water

- Air quality in many cities of the Latin America and the Caribbean region is poor. Several LAC cities exceed *WHO* guidelines for health-damaging air pollutants, including total suspended particulates, sulfur dioxide, and nitrogen dioxide.
- These emissions are responsible for elevated rates of respiratory diseases as well as significant economic damages. The transportation sector is one of the largest contributors to poor air quality.
- Car ownership rose substantially in the last decade, providing increased mobility for trips to work, shop, visit, and recreation, but also creating more traffic, congestion, noise, and higher levels of air pollution. Public transport may be able to offset some of these problems. Rail, tram, or subway systems serve at least one city per country within most sub-regions, except the Caribbean.
- Some countries in LAC, such as Brazil, are developing more on the production and use of renewable and alternative energy sources, including hydropower and bio-fuels, such as sugar cane-based ethanol and biodiesel. Parts of the LAC region, especially Brazil in the case of sugar-cane based ethanol production, already possess considerable experience and international comparative advantage in this regard which needs to be further exploited. In addition to reducing GHG emissions, more climate-friendly development paths are likely to boost regional employment and competitiveness. They should, thus, be seen as “win-win” ways of boosting economic growth and reducing poverty as well as promoting long-term environmental sustainability.

Latin America and the Caribbean: Health and Environment

Sanitation and Waste Management

- In areas where potable water and adequate sanitation services are lacking, diarrheal diseases and cholera can cause serious illness and death. Within all LAC sub-regions, access to safe drinking water in rural areas is below the global average. Urban residents do better, with all sub-regions except the Caribbean at or above the global average.
- Among LAC sub-regions, the rural population of the Caribbean has the greatest access to adequate sanitation (61 percent), but this figure is still nearly 25 percentage points below access to adequate sanitation in urban areas.
- Over 80 percent of the urban population in LAC has access to adequate sanitation, equaling or surpassing the world average. Access to sanitation in rural areas also is above the world average, though it remains far below the *World Health Organization (WHO)* standard of 100 percent.
- Disposal of solid waste, especially in smaller cities, was identified in a recent survey, as one of the region's most important environmental health problems. Waste scattered in streets and parks, as well as illegal or poorly managed waste disposal sites, is a highly visible problem and a concentrated location for disease vectors.
- Continued lack of access to basic systems to manage water, sanitation, and air quality is a fundamental problem for human health and the environment in the LAC region.
- Longer life expectancy in urban areas is an indication of improved living conditions, but poor access to safe drinking water and sanitation facilities persists in rural areas. Policies and investments that strengthen both rural and urban infrastructure are sorely needed throughout the LAC region.

Latin America and the Caribbean: Environmental Governance and Legal Framework

- All Latin American countries have national institutions devoted to environmental and natural resources policy-making and protections (ministries or high level commissions).
- Institutional frameworks: specific sector policies (water, sanitation, forests, biodiversity, coastal ecosystems, land degradation, energy); policy instruments, EIA, regulatory requirements and economic incentives.
- In most countries the political priority given environmental management and conservation is low. Most political leaders in the region place economic development and poverty reduction well ahead of the country's environmental agenda.
- According to ECLAC -Economic Commission for Latin America and the Caribbean from United Nations the levels of expenditure as a percentage of GDP for selected LAC are the following: Argentina (0.38%), Brazil (0.33%), Chile (0.48%), Colombia (0.68%), Costa Rica (0.64%), Ecuador (0.72%), Mexico (0.70%), Peru (0.60%).
But in almost all cases the largest share is allocated to water and sanitation projects and very little to environmental protection per se.

Latin America and the Caribbean: Environmental Governance and Legal Framework (continued)

- The effectiveness of the environmental management of the government institutions is limited among other aspects by: (1) Lack of political priority, (2) Lack of funds, (3) Lack of resources and skilled personnel, (4) Lack of continuity from one government to the next, (5) Lack of comprehensive up-to-date information for decision making, (6) Lack of monitoring, (7) Lack of evaluation, (8) Few logistical resources for working effectively in the field.
- Increased public participations and growing members of NGOs and activism of civil society organizations, in the past 20 years. These groups have also forced accountability on public officials, private sector, financial institutions and the whole society.
- On occasion, however, this activism has polarized the debate about environmental issues to such a degree that public authorities or private investors discard the very idea of participation and negotiation.
- A recent report prepared by ECLAC/UN notes that LAC governments, academic and other civil society organizations increasingly ensure that environmental issues are considered in decision making and that governments increasingly recognize that environmental management is closely related to issues of poverty and inequity, and argues that good governance should include a stable economy as an instrument for sustainable development and not just as a goal in itself

Latin America and the Caribbean: Environmental Governance and Legal Framework (continued)

- Multilateral finance institutions, such as the World Bank, IFC and IDB, are supporting major projects and programs to improve environmental governance in all LAC countries, including the needs to mainstream environmental concerns in national development planning, strengthen environmental institutions, and enhance renewable natural resource management.
- In the last years, multilateral institutions emphasized that the financial support to countries in LAC need to promote environmentally sustainable development together with the integration of environmental and risk considerations into planning processes; and are requiring that each country should organize its environmental management efforts around six “structural” issues:
 - (i) environmental planning in territorial management;
 - (ii) integrated water resource management;
 - (iii) knowledge, conservation, and sustainable use of biodiversity;
 - (iv) promotion of competitive, sustainable productive processes;
 - (v) prevention and control of environmental degradation; and
 - (vi) strengthening the National Environmental Systems to promote sound environmental governance.

Latin America and the Caribbean: Environmental Governance and Legal Framework (continued)

- Increase of *international environmental awareness* manifested in:
 - Financial Mechanisms
 - GEF administration
 - International aid now has a “*green coloring*”
 - Follow up and monitoring mechanisms
 - UN /Sustainable Development Commission
 - BIRD, IDB, EBRD, National Financial Institutions (BNDES...)
 - UN / Economic Commission for Latin America (ECLA)
 - UNEP/Finance Initiatives
 - Institutional Mechanisms
 - harmonization of standards among the LAC countries
 - more restrictive environmental standards, rules and policies in LAC
 - GATT/UNCTAD/ISAR
 - ISO 14001 (Certification, Eco Seal, Life cycle analysis)
 - External drivers for the industries and financial institutions
 - compliance (laws and regulations)
 - customers/quality (ISO 9000, ISO 14001, EMAS)
 - good practices (ecolabeling, packaging constraints, industry/government voluntary agreements...)
 - leadership codes (ICC Business Charter for Sustainable Development/ BCSD, Ceres, Responsible Care...)

Latin America and the Caribbean:

Private Sector: Environmental and Sustainability Management

The role of the private sector has changed markedly over the past decade in LAC

- National enterprises and multinational firms have committed to achieve Sustainability and Corporate Social Responsibility Programs and Environmental, Social, Health and Safety Management Systems (ISO 14001, OHSAS 18001), concepts of eco-efficiency, energy savings, emissions reductions, GRI.
- Environmental, health, safety and social issues became effective parameters in the business and financial activities.
- Environmental, safety, health and social issues (sustainability issues) become more complex (technological, legal, social and financial aspects, company image and liabilities)
- Implementation of *Environmental, Health, Safety and Social Management Systems* by industries/ businesses/financial institutions.

Latin America and the Caribbean:

Private Sector: Environmental and Sustainability Management

The role of the private sector has changed markedly over the past decade in LAC

- **More emphasis regarding:**

- Compliance with standards and environmental, health, safety norms and legislation
- Harmonization of standards among LAC countries
- Transference of technology
- Liberation of financial resources in adherence with the Equator Principles /IFC rules
- Environmental and sustainability requirements:
 - Environmental / Safety / Social Audits
 - Environmental Impact Assessment (EIA)
 - Risk analyses and assessment
 - Life cycle concept approach
 - ISO 14.000, OHSAS 18.001, GRI (voluntary x regulatory)
 - Eco Seals/ Eco-labeling
- Partnerships with ONGs in follow up/ monitoring programs.
- Technological development, education and capacity building.

Main environmental issues to be addressed by the business sector and financial institutions in the next decade in LAC:

- *Environmental, Health, Safety and Social Management* as an integral part of the business activity.
- Better relationship and communication with government and communities (necessity of a better dialogue and straightforwardness in the actions).
- More emphasis in the process of *environmental awareness* and education.
- More involvement with the government in the development of standards, norms and legislation.
- More emphasis in the determination of environmental and social issues and initiative in the adequacy and implementation of actions to solve those issues.
- Development of *environmental* and technology and *capacity building*.
- Life cycle thinking, accounting for products and operations.
- Implementation of *Environmental, Health and Safety Management Systems* (ISO 14001, OHSAS 18.001 and SA 8000).
- Development of *environmental accounting systems* and implementation of *environmental programs* to reduce operational costs (pollution prevention, waste minimization, recycling, etc.)
- Ensure compliance with all applicable laws and regulations, and develop and employ more restrictive internal standards, where necessary, to conform with the company's EHS policy.

Main environmental issues to be addressed by the business sector and financial institutions in the next decade in LAC:

(continued)

- More emphasis from consumer organizations, stakeholders and government towards the link between *consumption patterns* and *environmental sustainability*.
- Attention should be given to the discussions of the *concepts and guidelines* related to *sustainable consumption* and *sustainability concepts*.
- Ensure the *product stewardship concept* - from the design stage to manufacturing, distribution, use and final disposal.
- *Voluntary initiatives* should be encouraged by the business sector to improve the dialogue between stakeholders, NGOs, government and business sector.
- Review mechanisms to improve the *efficiency of voluntary initiatives*.
- More attention should be given by the *financial institutions* and *business sector* to the *environmental and sustainability concepts*.
- More attention should be given by the *financial institutions* and *business sector* to *public consultation* and *disclosure of environmental information* of projects and business activities.
- *All sectors of the society must promote partnerships* to achieve *sustainable development*.

III - Survey on social responsibility, sustainability and
conscious consumption: “*Towards the Well Being Society*”
launched by *AKATU Institute* in March, 2013



PESQUISA AKATU 2012: RUMO À SOCIEDADE DO BEM-ESTAR



Assimilação e Perspectivas
do Consumo Consciente no Brasil | Percepção da Responsabilidade Social
Empresarial pelo Consumidor Brasileiro

***Akatu Institute* has launched a survey on social responsibility, sustainability and conscious consumption in March 2013.**

The research, called “*Towards the Well Being Society*”, shows that Brazilians are more vigilant regarding the corporate actions and show an interest in pathways that lead to sustainability.

The original report can be downloaded at www.akatu.org.br

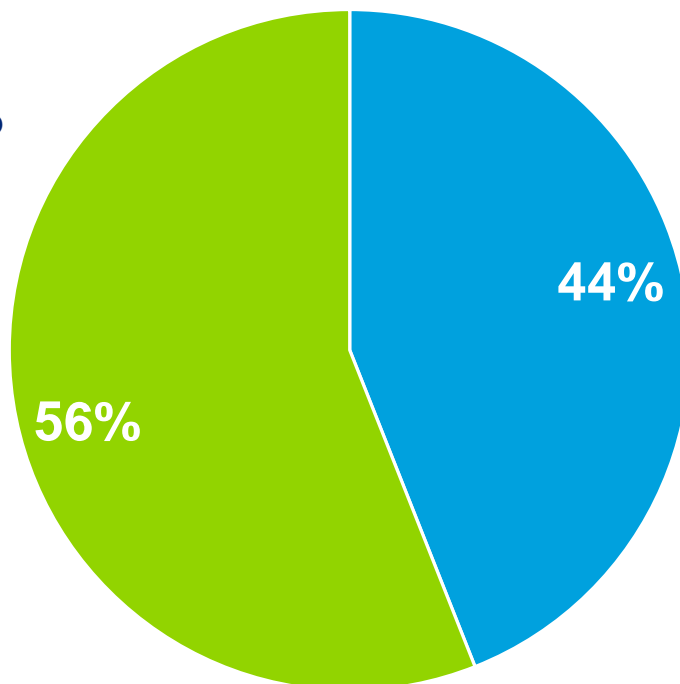
Knowledge regarding sustainability

There was an increase in the number of people who have "heard" the term sustainability.

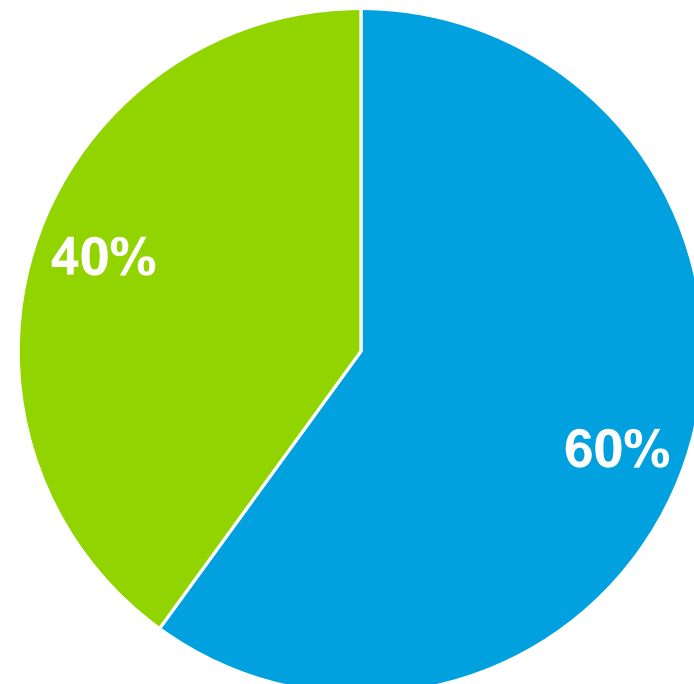
The proportion of Brazilians who "heard" the term sustainability has increased from 44% to 60% from 2010 to 2012.

2010

■ YES ■ NO



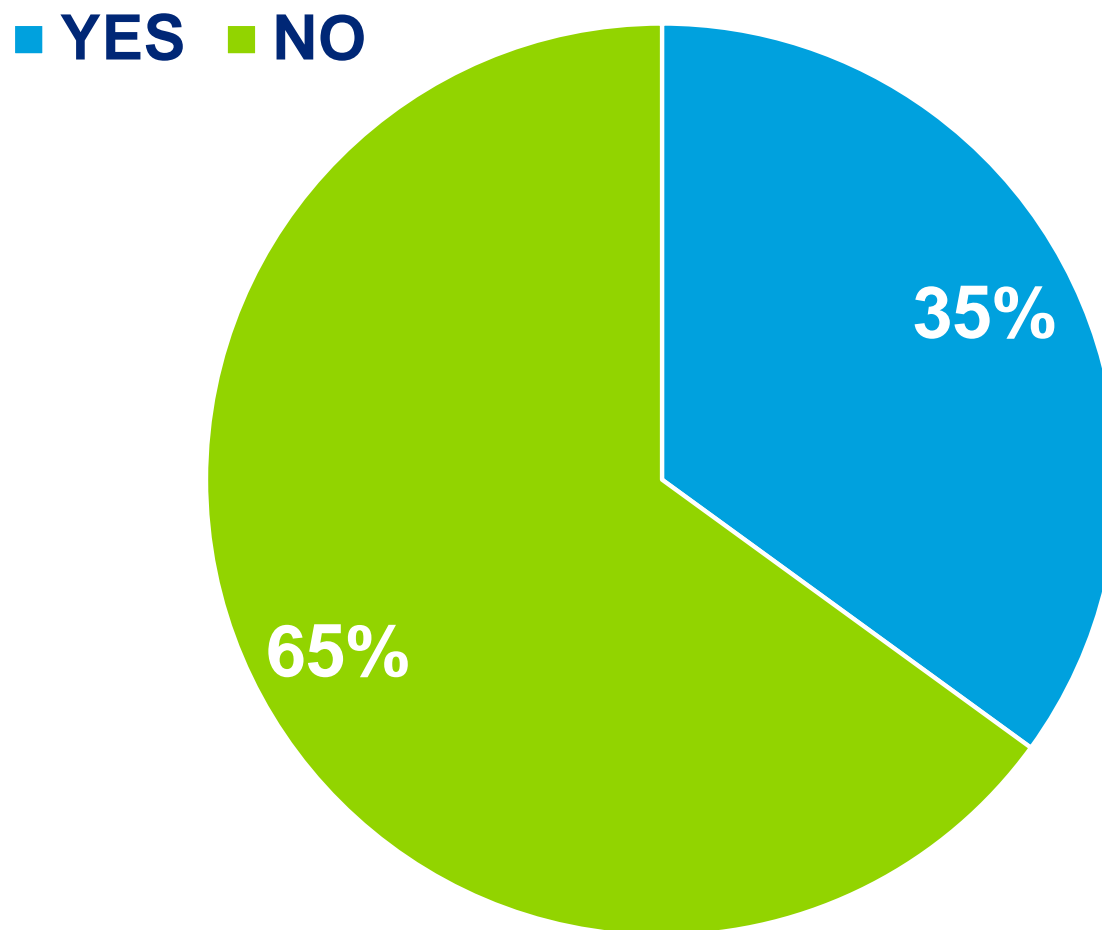
2012



Source: Akatu

Interest regarding CSR

The proportion of people interested in seeking information about CSR raised from 16 to 35% from 2010 to 2012



Source: Research promoted by Akatu, 2012

Sustainability x Consumerism

For Brazilians, happiness is more associated quality of life (health, sociability and wellbeing) than goods, property or money.

Having enough to eat, have a good diet / not worry about violence / be safe



Being healthy (me and my family) and physic and psychological well-being

Being near family, have a family structured and united, well-being with people and get together with friends

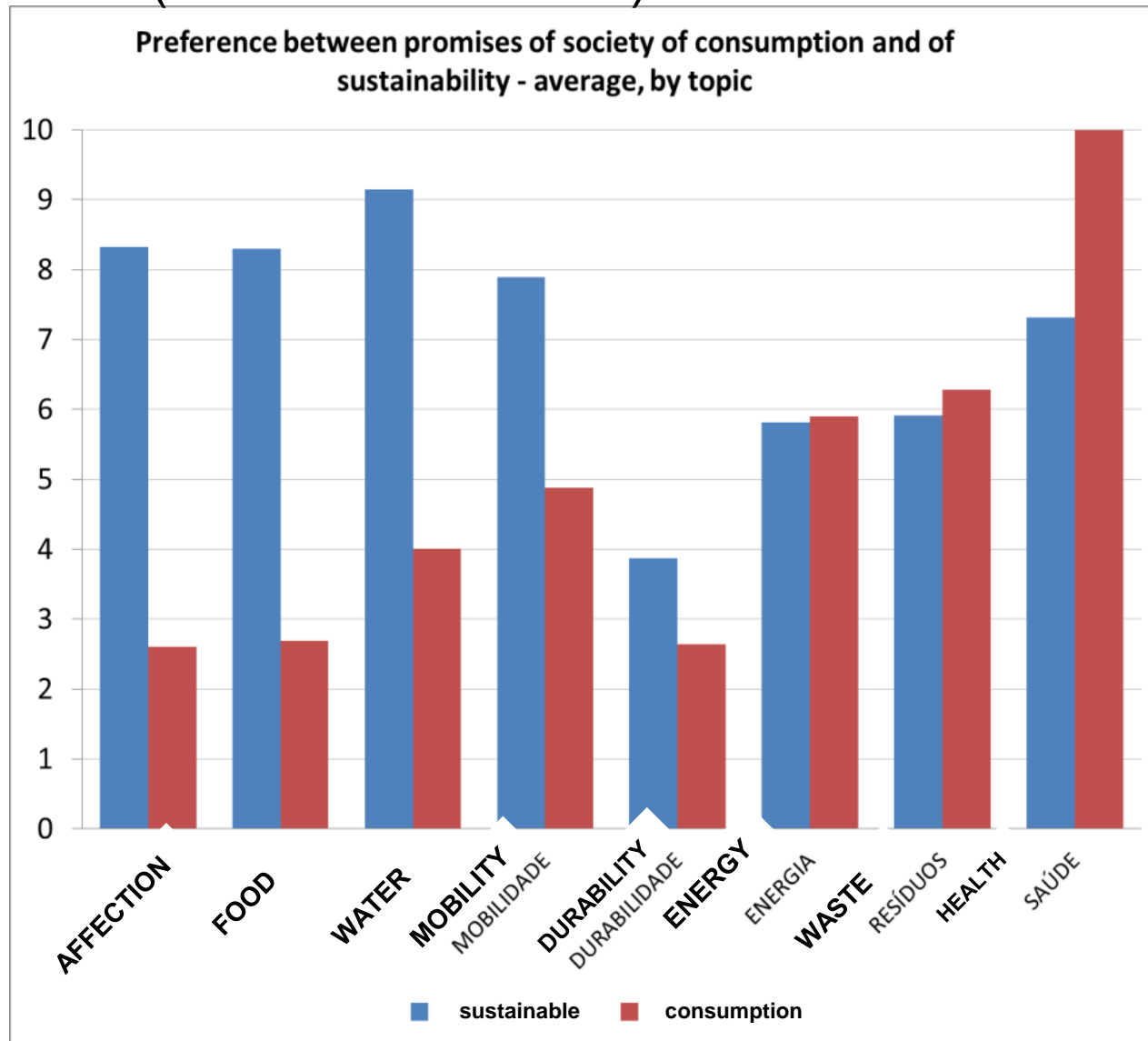
Live in peace and joy spirituality

Having a career / work and feel fulfilled

Do not be concerned with debts or lack of money. Have house, car and money to pay the bills

Sustainability x Consumerism

Brazilians show preference in ways that lead to more sustainable lifestyles instead of following traditional consumerism patterns (business as usual)



10 New ways for more sustainable production and consumption, proposed by *Akatsu Institute*

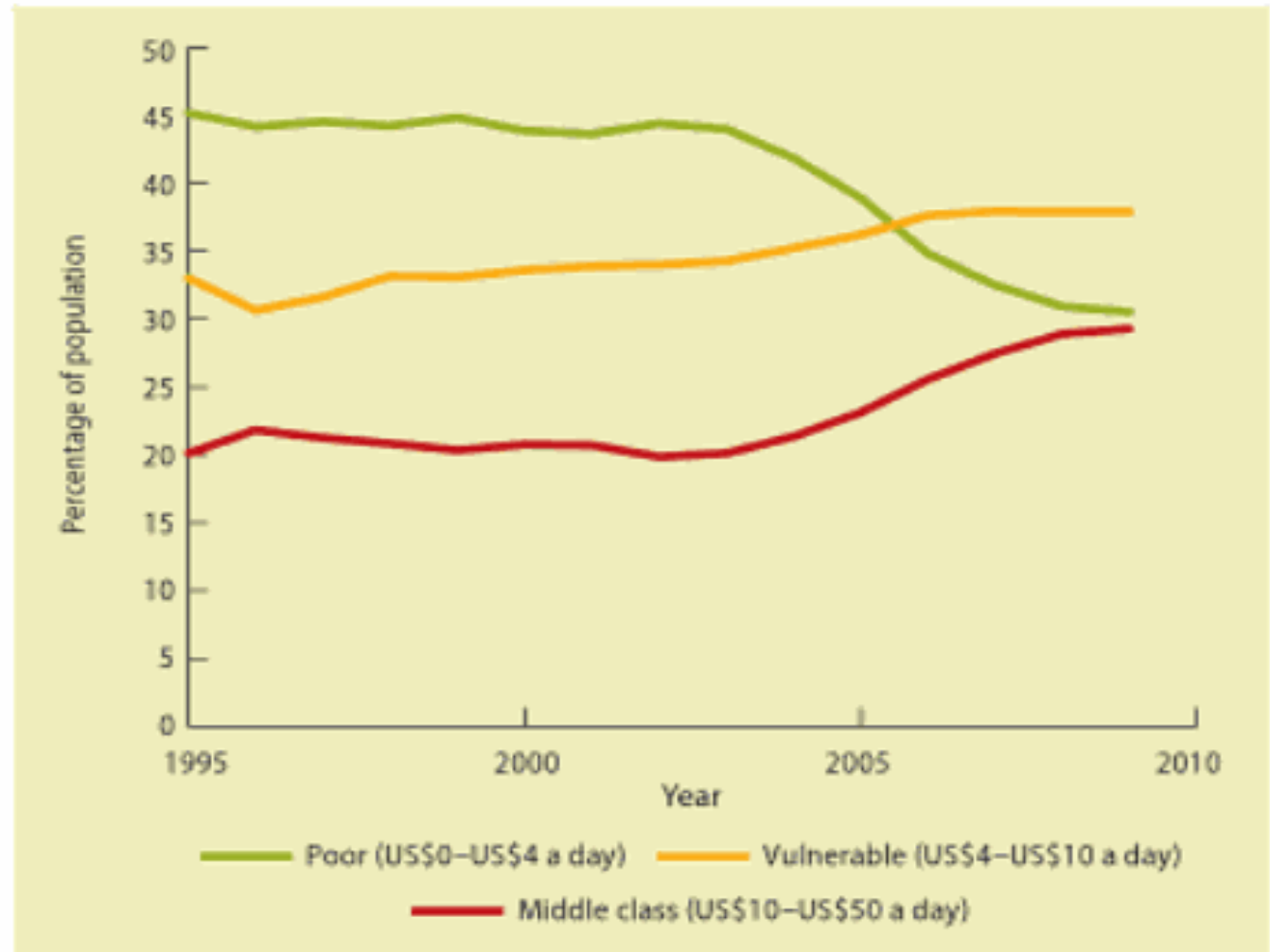
1. From **disposable** to **durable**
2. From **global** to **local**
3. From **individual** to **shared use**
4. From **waste** to **full use**
5. From **unhealthy** to **healthy**
6. From **material** to **virtual**
7. From **excess** to **sufficiency**
8. From **tangible** to **experience**
9. From **competition** to **cooperation**
10. From **consumerist** to **sustainable advertising**



**Socially and
environmentally
sustainable
production**

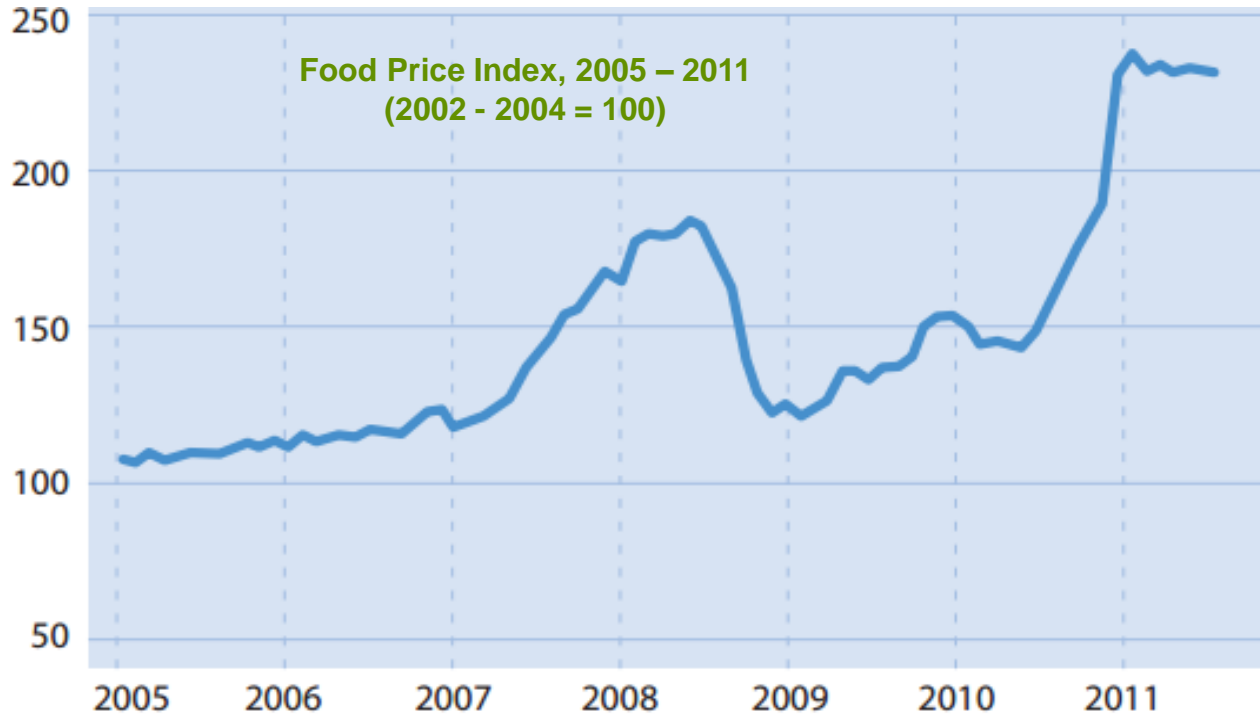
Latin America: the growth of middle class

Growth of the middle class is a good economic sign, BUT still very unequal access to education, health, water and electricity, as well as huge disparities in opportunities.

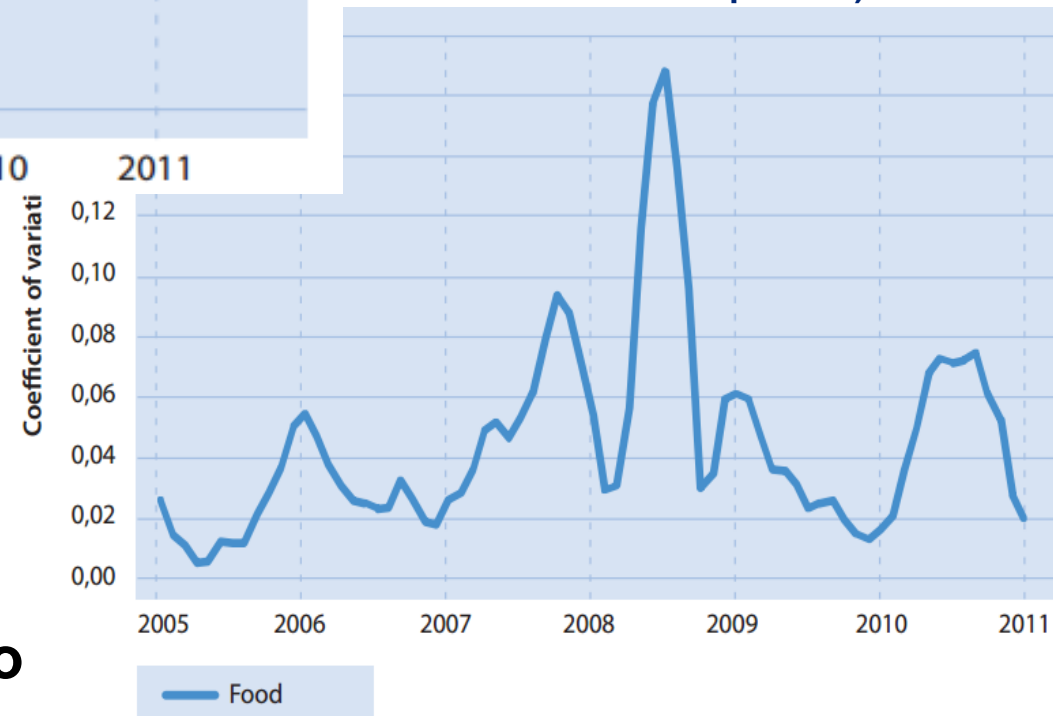


Source: SEDLAC (Socio-Economic Database for Latin America and the Caribbean), available in ECLAC, 2012.

Latin America: food prices



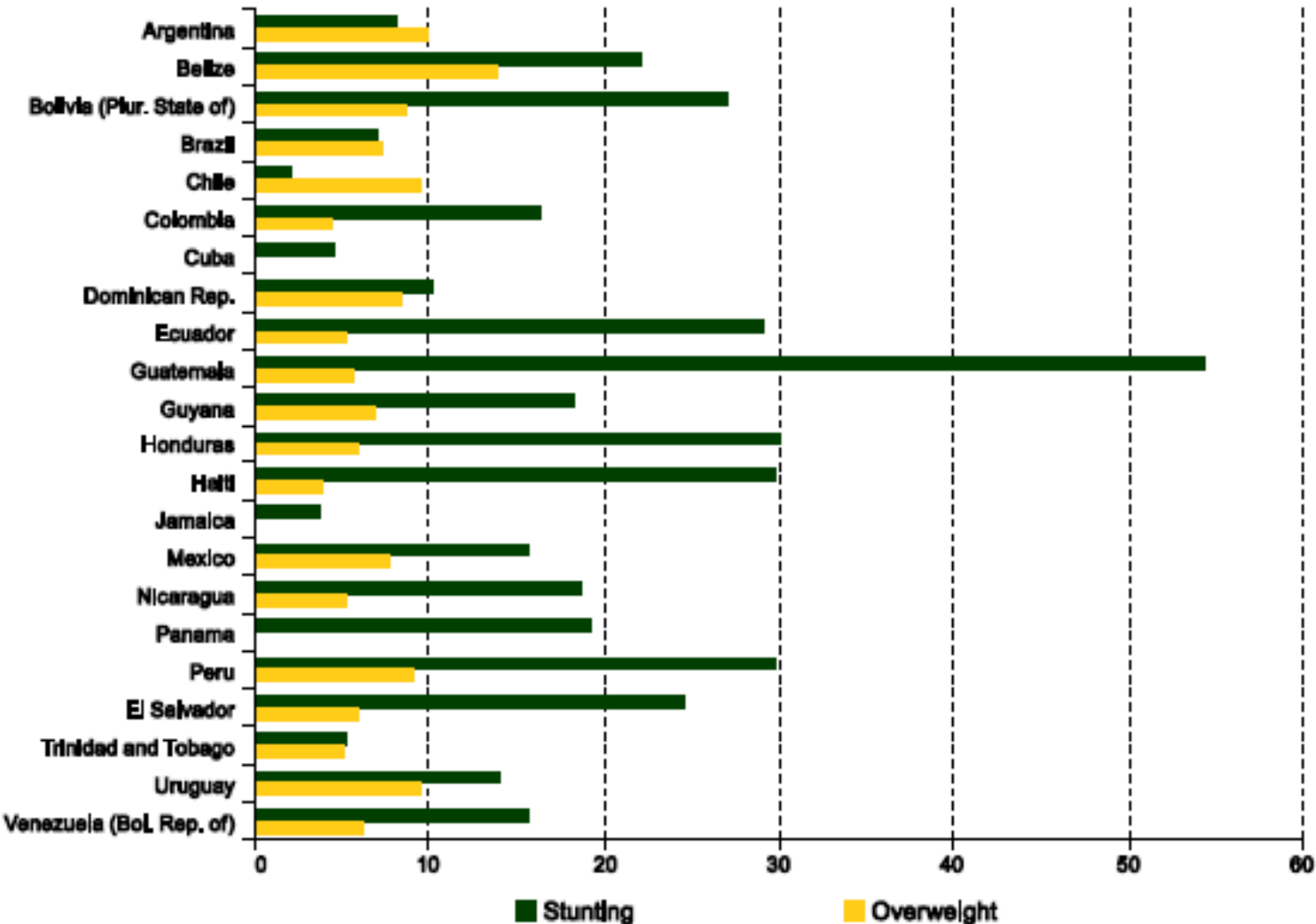
Coefficient of Variation
(FAO food price index, 2005 – 2011, 6 months periods)



**New level of food prices:
40% higher than four years ago
highest volatility recorded in the last 30 years**

Source: Food and Agriculture Organization of the United Nations (FAO), *Panorama of Food and Nutrition Security in Latin America, 2010*

Consumption patterns, lifestyles and health



Undernutrition and overweight (% , children under 5 years, 2000 to 2009)

Source: Food and Agriculture Organization of the United Nations (FAO), Panorama of Food and Nutrition Security in Latin America, 2010



International Chamber of Commerce

The world business organization



RIO+20
United Nations
Conference on
Sustainable
Development

Business

Part of the solution



BASD - Business Action for Sustainable Development

Outcome of the *BASD Business Day* at the Rio +20

Summary of the messages coming out of the *BASD Business Day (ICC / WBCSD / UN Global Compact)* held on June 19th 2012:

- “Business recognizes the need for urgent action to address sustainability challenges, and urges government to engage with the private sector to address this need.
- Business, and other organizations, are actively moving forward, with or without formal action at the international level, to promote both corporate sustainability, and sustainable development in general.
- While celebration of the progress made since 1992 is merited, particularly in terms of the investments made by business in global sustainability, we recognize that these efforts have not had the desired impact at the global level. We remain on an unsustainable path.
- Business commits to 'scale up' collective efforts to address the growing lack of sustainability in our global consumption patterns.
- Business is the primary investor in, and the primary solution provider for sustainable development.
- The vast majority of the technology and skills necessary to achieve sustainable development at scale already exist.
- Collaboration between business and government, particularly at the local level, provides the best hope for an accelerated transition to a green economy, and to a sustainable future.”

Site: http://basd2012.org/wp-content/uploads/2012/07/BASD-Business-Day_19-June-2012_Output-Document-Update-20-Jul-2012.pdf



Corporate Sustainability and Social Responsibility Management System

- For the business sector, in the next decade, the incorporation of *sustainability and social responsibility models* in accordance with the concepts of the “*green economy*” concepts will become both necessary and essential.
- Good business practices and examples around the world demonstrate the importance to incorporate the *sustainability and social responsibility management systems* into the business corporate governance.

Reference: “*Corporate Sustainability and Social Responsibility* “ written by *Marcelo Drügg Barreto Vianna* from the book “*Competitive Brazil : Challenges and Strategies for the Manufacturing Industry*”, published by Deloitte, Brazil, June, 2012.

http://www.deloitte.com/assets/Dcom-Brazil/Local%20Assets/Documents/Ind%C3%BAstrias/Manufatura/livro_ingles.pdf



Corporate Sustainability and Social Responsibility Management System

Corporate Sustainability and Social Responsibility:

- Obeying and complying with the environmental, safety, health and social laws and regulations whenever necessary, and adopting more stringent internal standards;
- Preventing and controlling pollution and the environmental impacts resulting from industrial operations, and their products and services;
- Anticipating sustainability, environmental, safety, health and social issues, respecting the environment, the health of employees, customers, consumers and members of the communities;
- Working with the government, NGOs (non governmental organizations), civil society and independent entities – academia, associations and society in general –, at all levels, in the search for transparency and shared sustainable development and social responsibility values;
- Recognizing the importance of the continuous and ongoing involvement of employees and of the commitment of management, ensuring that they have the necessary support and training with regard to sustainability, environmental, safety, health and social issues;
- Preparing inventories of greenhouse gas emissions and adopting mechanisms to reduce emissions;
- Preparing emergency and contingency plans to be implemented in situations that may compromise industrial, distribution and sales operations of products and services in relation to employees, members of the community, consumers and the environment;



Corporate Sustainability and Social Responsibility Management System

Corporate Sustainability and Social Responsibility: (continuing)

- Developing energy efficiency, natural resource conservation, and water use and waste reduction programs, in search of efficient means of using raw materials, recycling materials throughout the product manufacturing and distribution chain, fighting waste and establishing more rational and sustainable forms of consumption;
- Establishing criteria and norms to prohibit child or forced labor, fight discrimination and corruption in its industrial, distribution and sales operations, as well as in those of its suppliers and customers, and continue the monitoring and verification of suppliers of goods, services and products;
- Adopting clean technologies that enable the reduction of wastes by using energy and raw materials more efficiently and, consequently, minimizing, recycling and reusing wastes;
- Implementing mechanisms for auditing, process monitoring, legal compliance verification, internal company rules and standards, and adherence and achievement of goals, objectives, metrics and sustainability indicators established for planning and implementation of corporate actions and activities;
- Adopting mechanisms of transparency to fight corruption, respecting human rights and social inclusion and promoting these strategies with its customers, suppliers and the community where the company operates.



Corporate Sustainability and Social Responsibility Management System

Challenges and opportunities for the Business Sector:

- The *new concepts of corporate sustainability and social responsibility management* require that issues of innovation, technology, and environmental, health and safety management, in addition to quality and concern for social issues of the communities, be part of all efforts and actions of business management of a company (including senior management and employees).
- The “*green economy*” model requires three pillars for the business sector: *economic, social and environmental*, for an effective transition that enables *sustainable development and social responsibility*.
- Business community should be part of the solution of the environmental, sustainable development and social responsibility issues and it should be proactive and pragmatic in making concrete efforts that include: the reduction and elimination of the social and environmental impacts of its operations and processes, the continuous improvement of energy efficiency, the reduction of carbon emissions using renewable energy in its processes and operations, the efficient use of water and the reduction of wastes, among other important actions.
- In managing the manufacturing industry and business in general, in the next decades, the need to incorporate issues of sustainability and social responsibility into companies' businesses should be considered a premise, not only in the inside the company, but also in the entire community where it operates and participates, involving the greatest number of stakeholders in the process of increasing awareness for the sake of sustainable development and social responsibility.



Thank you



Future of Food Seminar

São Paulo, June 27-29, 2013

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Marcelo Drügg Barreto Vianna

- He is currently *Member of the Board of Alcoa Institute*, since 1993 (former president), *Member of the Board of The Cancer Institute of the State of São Paulo*, *Member of the Advisor Board of FTI*, *Honorary Member of the Board of CIAM*, as well as, consultant and adviser for the IDB- Inter American Development Bank and other financial institutions.
- He has a bachelor's degree in Civil Engineering, specialization in Economic Engineering, Master's degree and Ph.D. from the University of Birmingham in England. He also earned a Master's and Doctorate in Engineering from the University of São Paulo.
- He retired in 2011 from *Deloitte* as Leader Partner for *ERS and Sustainability & Corporate Social Responsibility Services* in Brazil. At *Deloitte* operations worldwide he has also served as *Member of the Deloitte's Global Council for Sustainability and Climate*.
- He has served since 1998 until December, 2012 as Vice President of the *International Chamber of Commerce (ICC)* in Brazil, *Chairman of the ICC Energy and Sustainable Development Committee* and also as *Member of the Board of ICC/Brazil*.
- At Alcoa he was the President of *Alcoa Institute*, and also responsible for the corporate areas of industrial engineering, sustainability and environmental management, land usage, planning, safety and health; and community relations for the company's operations in Brazil and Latin America. He worked at Alcoa Corporate Offices in São Paulo and Pittsburgh/USA and he has served on the *Alcoa Sustainability and Innovation Council* (worldwide).
- Previously, he has served as adviser for the United Nations Economic Commission for Latin America and the Caribbean, and Chairman of the Environment Committee of the *Brazilian Association of Aluminum (ABAL)*.
- As leader partner of *Deloitte*, he has participated in several due diligence and M&As of median and large companies (manufacturing, food, gas and energy, sanitation, agriculture business, textile, consumer products and mining operations), in the last years in Brazil and Latin America for companies, financial institutions and multilateral banks.