



## **Keynote Speaker: "Circular Mindset"**

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Your excellencies Mr. Deputy Prime Minister, Ambassador to the Netherlands, Mr. Roongrote Rangsiyopash, President and CEO of SCG.

Ladies and Gentlemen, it's amazing to be back in Bangkok. We were just talking on the front row what it be possible to gather thousands of people to join a session on the circular economy. In America or in anywhere in Europe and the likely answer would...well, you would be hard struggling, you would certainly be hard-struck to get a leader from government to come out and gives such an insightful speech that the deputy prime minister just did. So, even though he said Thailand is slow to move on circular economy. Much of what he said is about innovation, it's about creating a movement of the people bring is true.

So, in my talk this morning, what I'll do is set up what is actually a circular economy. What does it mean for business? Where are the opportunities, the risks we need to deal with? And what's the world in we are operated in? And following myself, a good number of companies will join this stage. And I'll give real life examples of what is already happening today. And hopefully all of that will inspire you here in Thailand to accelerate forward.

I said let's talk about the world in which we operate and that's a pretty complex place today. Wherever you go around the world, it's true that politics has become a circular economy in itself. But the unfortunate bit of it is the outcomes of politics these days are more and more uncertain, unpredictable. And if business dislikes one thing, it's unpredictability and politics and the issues we need to deal with. And this threat to globalization is a threat to many of our business leaders. The risks of trade conflicts are now emerging or even worse, arm conflict around the world are real. And this is just a reality we need to deal with and business needs to find the way through.

It's also true that sustainability has become a center state topic you cannot read almost any newspaper anymore without reading about climate change. We now know that climate is changing. The science behind this is robust and indisputable. And here in Thailand, you know, I know that 31% of your population works in agriculture that will be one of the hardest-hit

sectors when it comes to climate change and its impact. The droughts that you have to deal with, the floods that are going through the country is now everywhere whether events will become more and more intense and unpredictable. Again, it makes the business environment just hard to manage.

And it's not just the environment that is under pressure, now you look into society in general, the trust barometer that Edelman puts out each year during the world economic forum in Davos, in Switzerland has telling stories. Each year, trust globally in leaders is declining. It started probably with the decline in trust in the financial system back in 2008-09 after the financial crisis. Political leaders have suffered a lack of trust but of reasons, we, business people, have to be honest also business is under scrutiny. Business leaders, CEOs in particular, are no longer trusted because it's in score simplicity. The economic system is not seen to serve many people anymore. Things like Brexit. Things like unpredictable outcomes of elections everywhere are the result of the people no longer seeing the system, the economic system, and the leaders leading that to serve their interests. It's not all doom and gloom. Let's not go there.

There's now massive progress being made in the world in the end of 2015. The Paris Agreement was put in place. In the same year, the sustainable development goals have been agreed. Let's talk a bit about it. The Paris Agreement probably got most famous when one country withdrew from it. But just think about what I've just said, that means that all other countries in the world are part of that agreement. All other countries, with only one exception, are part of that agreement. But who of you has ever really thought about what does this Paris Agreement mean. I accept that there are not too many people will have read all of the agreement but you know the headline, right?

We, the world, have agreed that we don't want more than 2 degrees of warming of our planet. And actually, we accept ourselves a stretch target of one and the half degrees of warming. What does that mean? Let me tell you, one and the half degrees of warming means that the world as a whole, all of us in this room, all people of Thailand, all people in all other countries in the world can continue to do what we do in terms of emissions. For another 12 years, and then we switch everything off. Zero emissions. 12 years from now. We want to stay below 2 degrees. We can continue to do all of us what we do today. Every factory, lamp, car what every emission we produce for 23 more years. That's how urgent the topic now is. You know how big the energy system is. It will be next to impossible to switch everything off 12 years from now. It will be incredibly hard to do it 23 years from now. So, the sustainable development goals were put in place at the United Nations and again agreed by all countries to create an agenda forward we call the future we want.

I admit the logo that is on the slide on the right part of the slide is a cycle, but circular economy was not explicitly mentioned in the SDGs. The closest is probably got at SDG no. 12

which talks about responsible production and responsible consumption. But actually, and that's one of the arguments that we made this morning. If we do not move to the circular economy, there is no hope of us delivering the SDGs. One could even argue that would be no hope to deliver the Paris Agreement.

Speed of change is something that I would like to give all of you to keep in mind. So, many of you will remember a movie called "The Inconvenient Truth." It was Vice President Al Gore who put it out in 2006 and basically for the first time in the popularized version told us that climate was changing and was immersed impact that would have in society. It took the world 9 years to move from the inconvenient truth to the Paris Agreement. It took Statoil, the leading oil and gas company from Norway another 3 years to change their name. So, their name was Statoil which basically means state oil and today it's Equinor, which I guess nobody really knows what that means but Equinor become their new name. So you ask the CEO, I got to ask the CEO so what a great name change. Why did you do that? And the reason he gave was very simple: We, Statoil, can no longer attract young talented people to work for a company because the word "oil" is in our name. We have to remove ourselves from oil.

Now let's talk plastics. It's about a year ago that the admiral put out the blue oceans documentary which was the first time just like an inconvenient truth to some extent. I'm sure that the issue of climate change shows the issue of plastic and oceans. It was only six weeks ago that the deputy prime minister mentioned that here on the shore of Thailand, the whale struggled to survive for four days and unfortunately it lost its life. Upon opening up the stomach of the whale, 8 kilos of plastic bags were found. The animal has swallowed and it eventually led it dying. A week after the whale, please don't think this is just a Thai issue, this whale and its suffering was on television around the world. The week after the whale died, the UN general assembly had a meeting to forbid or tax plastics. So, what I'm saying is plastics in particular but resource use in general will be a fast-moving to ring where companies, business leaders need to be prepared to respond on time.

And leadership is completely changing for business. Now it's only 10 years ago that if you have a philanthropy, a foundation that and you will support good causes in society, you would be a great company. It's about 10 years ago that CSR was invented. Corporate social responsibility. You would give back to society. Your employees will do voluntary work and that would make you and your company a hero. Today, leadership is all about integrating sustainability into your core strategies. CSR and philanthropy are important but unless the core strategies of your businesses sustainable, you will not be a leader. And this at this very normal, this's changing too. Just having a thing your strategy is not good enough, it needs to be integrated into your corporate governance. The fiduciary duty of a board of the company will

be to not only manage the financial of a company, but to integrate the environmental and the social aspects of it.

And there are good business cases for it. You know, it's now a year ago that the better business, better world report came out. 40 global CEOs working together to look at how do we implement the SDGs and what is the business case for doing so. And the business case is incredibly clear. If SDGs are being implemented, the world will create 12 trillion dollars of incremental value. 380 million new jobs will be created as we move towards delivering of those SDGs. So, the key is clear. And if you don't like high level statements, please go to the Better Business, Better World report's website and what you will find are 60 business cases, spreadsheets, financial models are all included that will demonstrate you the enormous opportunities that are out there. And I appreciated that if you are probably anywhere from row 5 in this room, the font will be too small for you to read. But if you look under the column Energy and Materials, almost all of those business opportunities are related to circular economy.

So, what I'm saying is business has a massive opportunity to lead the transformation that the world needs. In that work, transformation is our every challenge lies. Because we believe that the world will go through five massive transformations. And there are that and there are uncomfortable. Most business leaders in the room have become successful by incremental improvements of their business. Each year, a little bit of productivity, a little bit of pricing power, a bit smarter in the handling of the cost and your P&O cash flow and therefore share price will do better.

We are now entering a decade of massive system transformation. And here are the five systems. The City and Mobility will change. The way we build the materials were used. Energy and resource used are circular economy will change. Food will have to be produced in a different way. People, particularly the future jobs, will become a massive topic. At the heart of it all, the valuation or the economic incentives will transform as well. And that's not just because sustainability has coming to town. Technology will in most case be the driver of change. My argument is that sustainability will shift that change. It's not just about the environment. It's as much as to our people, the society, the society impact of what we do.

We all have to deal with massive challenges. Science is telling us pretty clearly go back to the climate change for example what we can or should do. The cashflow statement of your company today will give you a different read. But the biggest really cold today to all of you is we need to learn to collaborate. Businesses have built great success being competitive. And that's a good model and will always be part of that. But some of our challenges are now so big that unless we collaborate, we will not make it.

So, what can you and your business do. I think the deputy prime minister were completely right when he said that all of this is about innovation. And it's true. Innovation will be a major driver whether it's implementing new technologies, new business models. We need to collaborate with new answers and new ways of doing it. The second thing though to consider is what does it do to your valuation. We are going to move to a world where more sustainable businesses will have lower cost of capital. And for the contrary, in the room there are now plenty examples, Olam in Singapore has generated a 500 million dollars financing deal where the interest the company pays will be lowered if they meet certain environmental and social targets. Two billion dollars in the known 1.2 billion dollars in Phillips with similar construct. But the search and I repeat again most important notion is we need to move to a collaborative space.

So, let me talk about the circular economy. This is by no means a new topic. I think the Ellen Macarthur foundation have popularized the word circular economy and it existed in 2012. And even that wasn't the beginning of the journey. The club of room in many ways the starting point for the whole sustainability movement came out was the report I think it was 1972 which are the limit to growth which basically said we given population and economic development growth, are using more resources than our planet can support. This was 1972. If you look at the circular economy, you will quickly look that it's not just about SDG 12 responsible consumption and production. Eight of the key materials that we all use are here still at a minimum plastic, glass, wood, primary crops and livestock cattle. Our collectively responsible for 20% of the world greenhouse gases. 95% of all the water we use and 88% of the land we consume. So, if we can make the use of these materials more responsible, i.e., more circular, we will fix many more things that just SDG 12.

For those of you who've never thought about circular economy, the name maybe requiring some explanations. And actually, of all the component SDGs mean the logo that is turning behind me on the screen is the amazingly well, Make, Use, Return. I mean that is pretty simple to understand.

So, the circular economy is opposite to a thing that is called the linear economy which is basically the economy that most of us operate in day in day out. We take meaning we extract. We mine, we make and then we dispose or waste. For take, make, waste. Or then make, use, return, that's the circular economy because the return means it comes back. You throw it into something new which people can use again. Again, Ellen Macarthur, another people have made billions drawing what the circular economy is really all about. And it's really at its core, at its most simple, the purposes to retain the value of the resources were used to decouple your company or your country's growth from the use of natural resources. And it's even simpler. We business people often believe that we need more virgin material to make more profits. That's

the notion we need to leave behind. It is not possible to all of us to constantly use new virgin raw materials to grow our businesses. And the answers are too full. You can see them here on rather complex slide, I know but there are two parts of materials were used. The biological materials or the technical materials. Waste from biological materials should become composted, should grow new crops. Waste from technical materials should be deleted by proper maintenance by using repair by refurbishing or eventually be recycled. And that's where the make, and then return and eventually recycled in what every shape come down.

So, any business person and anyone who ever been to an MBA will know that business is all about risks and opportunities. So, there are many new principles in the circular economy. It's about durability and upgrade, refurbish, reuse, repair. There are a lot of re. Reduce materials used in there. That's the principles. What are the risks? One is higher commodity prices which is horrible if you have a supply chain depending on commodities. Because as we over consume the commodities, the prices will go up.

Waste will become an issue. Plastics, disappointing case. The environmental impact, the earth overshoot and just the fact of predictability of resources and that's the result of it of regulation to managing.

So, these are on the risk side. The opportunity side though is equally amazing. Why is climate change and climate action now are taking off because the cost of renewable energy has dropped below that of the cost of huge base energy. The same will happen here. The more circular you make your model, the more you'll be able to reduce your operating costs. And therefore, improve your competitiveness and then change the way your relationship with the consumers. The film right at the start in this morning already predicted that by 2050, the world will use 140 billion tons of extracted materials. Just to put that thing to context that is 400% or 4 times as much as planet earth can produce. Some of you who are in this sustainability movement will have heard of Earth Overshoot Day. So, this year, Earth Overshoot Day is round about now, a few more weeks I think. End of July this year. So, at the end of July, we all the people of the world will have used more resources that our planet can regenerate in one year. If we grow a population, increase our demand, go to 4 times what the planet can produce. It's not a miracle to understand that this cannot continue and this is unsustainable.

And hence, the attention and the resources that are being put into circular economy like I said, in no ways a new concept but there is a fast-growing library of materials available to all of you. If you go to WBCSD.org, the circular economy and tap, you'll find all these reports and all of them will help you. The WBCSD has the world business council has is to bring together, leading companies. And we are very proud that SDGs are one of those that helping us lead this effort. Because it is about collaboration. It is about developing joint sense of business leadership and it is really about collecting the entire value chain. Here in Thailand and many

other countries in the world, SCG is an immensely powerful company but SCG alone cannot make the Thai economy circular and leaders of any of your companies. I know that quite a few business people in the audience today.

And business people always want to have tangible examples. Yes. Great stories. Beautiful PowerPoints. What do you want me to do? Well, there are five business models that you should explore. Let's take it one by one. Think about your product and what you can do to extend the life of it. Can you resell it? Can you repair it? Can you remanufacture it? Think of your services and see the way you really need to sell products into ownership or can we create sharing platforms. Car sharing has become quite popular in parts of the world. What can we do? The third example about resource recovery the whole area of waste collection. Recovering of materials resource and the energy use to produce. Can we sell product as a surface as a forth category? There is a very famous example of light company that stops selling lightbulbs and it is now leasing light in the office because the users never really want to buy lightbulbs. They just want to buy light on their desks. And then of course, the fifth and large category is what can you do in the circular to your own supply. Renewable energy, recyclable it input. Can you replace the toxics? Can you avoid single-use type of products?

So, the WBCSD brings all these companies together in what we call Factor 10. It is to inform. Companies are informed or made aware. We bring companies together to collaborate and we work on a number of big issues. And they are all important. What can we do to create circular matrix? Most of you are in business will buy now, produce sustainability report which talk about the amount of emissions that the company produce in its operations. How advance are you actually a measure how circular your operations are? And if you are, what matrix are you using in our data same as your neighbors. There's a lot of work we need to do there. We need to do work on understanding what circularity means for certain sectors. In our case, we started with the automotive sector and the building environment sector. We need to do work on policies and engagement.

And last but not least, we need to do work on plastics. Plastics is becoming a massive topic as already demonstrated with the stories of the whale. 90% of the plastics that go into the economy are being lost to the economy. On the 30% or more than 30% escape the waste collection. Much of that ends up somehow in the oceans. That was up onto the shore as you got photo slide like the one behind me. And there are many potential answers that can now hear as the crisis evolved. We should ban plastics. We should burn it. We should clean up the oceans. We should move to a circular mindset. And we believe that eventually that's the best answer because plastics is indispensable in our society. It brings great advantages which no other materials can replicate. But if we are on it to ourselves, we must have much better answers on the after-use, after-life processing of the plastics.

So, at this very moment, the global plastic initiative is being initiated. It will be announced in a few months, but again, the initiative that will bring many leading companies together to take real action on the ground. And at the end of the day, that's what the business is all about. What WBCSD will help businesses in to become the epicenter of business action towards circular economy to resolve the crisis in plastic.

We'll look at some amazing examples later this morning of companies who have started the journey of circular economy and have all implemented very different solutions. Here's a few more. Another rano. There are a lot of work in the design phase already the product to make them recyclable. Philips and their medical services selling their machines as a service, no longer as an asset that goes to the balance sheet of hospital. DSM, a Dutch company has looked at carpets. 4 billion pounds of carpet go to landfill each year. It's one of the hardest products to recycle. They have come up with solutions for it. And Storance has also very different type of business already uses its 26% of the input into producing paper out recycled paper and they have 3 mills for that number that all done already gone to a hundred percent. But also, here in Asia, some great examples are emerging. Shared car system in Singapore, a joint-food waste clearing in the fresh vegetable treedom. GGS in Malaysia turned itself from an oil palm trader to an oil palm buyer solution for oil. And BYO, bring your own. That speaks to my wife actually. We should not use plastic packaging, single-use plastic packaging that is when we go to the supermarket, bring your own is trying to bring answers to that.

So, there's a lot of inspiring examples out there. One thing I would like you to remember is circular economy is much , much more than just recycling. It starts at the design of the product. It really starts with the question what is the use of my product? How can I design it to use the resources better and longer? What can I do to the product and how can I keep it fit for purpose during its life. And once it gets to be disposed, how can I get it back and use as much of the resources as we can again.

So, for you in this room, and some of you are expect maybe listening to the stories about circular economy for the first time. What are the types of thing you can do. Where can you play where I set it up, you have to learn to collaborate. There's not one company that can fix this problem alone. You have to choose your circular model. I gave you five business models hold that against your current business model and see.

You have to want to track progress. Transparency is going to be all around this, you know. The technology and big data are now surge. There are almost any raw materials can be traced back to its origins. You have to set a clear circular vision. And it starts with the CEO and again, thanks so much for hosting us here this year. You have to like the prime minister said, the deputy prime minister said that starts all and only think scale.



And you have to believe that sustainability will be crucial for the future success of your business. I'm going to be very clear with you. Your company cannot attract Thailand if it's not sustainable or circular. Your consumers will know and want to know what your product is made of. It will create massive opportunities and if not, will attract massive regulation. So, this is all the question about leadership. My Thai colleagues yesterday in evening over dinner and the deputy prime minister this morning were every humble, saying that Thailand is only at the start of the journey when it comes to circular economy. And yet, I believe that you are all leaders and this is a conversation about leadership. However, I am not a native English speaker as you can tell by what I do to that beautiful language. However, when you are not native, obviously you go back. And you say, what does this word actually mean? Leadership. So, I look it up. Leadership in the English language means Pathfinder. And that's what all of you are. Nobody knows what or how the precisely where the answers to the circular economy lie. But you, you are going to find a path, I wish you will. Thank you.