

# WORLD TELEVISION

## Nestlé Creating Shared Value Forum 2010

### Session One

#### Welcome and Purpose of the Forum

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00.00.01

Sophia Tickell:

My name is Sophia Tickell; I'm going to be one of your moderators today. The other moderator, who will be doing - my partner in crime will be Maria Cattai.

00.00.11

I'd like to give you a welcome on my own part to this first Shared Value Forum - the second Shared Value forum of Nestlé. I've known Nestlé since - I've been in a conversation with Nestlé on the issue of business and development since I worked at Oxfam and we were doing a campaign on coffee. And at that time we were dealing with many of the issues that we're actually going to be discussing today, mainly what is the most appropriate role for the business sector in helping to confront some of the huge sustainability challenges that we face today?

00.00.44

And basically the questions as far as I'm concerned amount to two core things. The first is what is it appropriate to expect companies to do in the defence of public interest; we're going to be facing some extraordinarily difficult sustainability challenges. If you look at the demographic challenge that we have, combined with some of the environmental challenges, around water, around land use, around land resource and there are going to be some difficult times ahead. And it's obviously vital that the private sector plays a critical role in that, but how the defence of the public interest plays in that space is one of the core topics of today.

00.01.23

And the second very aligned topic is how best to get an alignment of shareholder interests and public interests. So those are the core issues that I feel we'll be addressing today.

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What I'm going to do now is hand over the formal introduction to Mr. Graham Baxter who is the acting Chief Executive of the IBLF, the International Business Leaders Forum and to Peter

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Brabeck-Letmathe, who is the Chairman of Nestlé and those two are the sponsoring organisations of the event. And we're then going to have some opening and introductory remarks from Amir Dossal who is representing the UN support for the event.

00.02.02

So I would now like to pass over to Graham, thank you Graham.

Applause

00.02.12

Graham Baxter:

Thank you Sophia and good morning ladies and gentlemen. It's a huge honour and a pleasure to welcome you here to this interesting event today and to see so many friends and new faces for me in the audience.

IBLF is very proud to co sponsor this event today, not least because we have been putting business at the heart of sustainable development for 20 years now, formed in 1990. It's a welcome opportunity for us to engage in what is a leadership forum which is very much central to what we do.

00.02.53

I can remember the last time I was here in the Mermaid theatre, but only just. It was my 10th birthday party. I was sitting up at the back and it was Emil and the Detectives. That's actually all I can remember about it, but it was a great time; so it's great to be here.

00.03.10

As Sophia has already indicated there are some immense challenges that we face in the world today in the field of sustainability. Of course maybe top of the list comes the climate change challenges which we'll be hearing a lot more about later and the opportunity for business not only to mitigate its impact on climate change, but also to adapt new business models.

- 00.03.35                      There are the issues not un-associated with that of food security, and water supply and of course associated with that the ever present issue of malnutrition; both if you like the conventional issues associated with developing world countries, but also now the new emerging malnutrition issues associated with the developed world where obesity is becoming a major chronic concern.
- 00.03.59                      And then of course and somewhat paradoxically as many of us get richer and as the emerging middle classes in China and India start to enjoy new prosperity, there is a yawning gap between the rich and the poor, which matters from a matter of social conscience, but also matters critically for business; because it leads to social tension.
- 00.04.24                      We have to look no further than the recent occupation of the Business Centre in Bangkok, to see evidence of mass terrorism in India to see the way in which this social conscience matter of social divide has a very direct line of sight to business impact and doing good business.
- 00.04.44                      So what is responsible business to do about these challenges? Is it to stick its head in the sand and say, the business of business is business? Well I've never found that to be a particularly attractive posture personally and certainly not one which commands action.
- 00.05.00                      So of course the first thing that business must do is to operate responsibly. That sounds simple, to obey the laws, to obey the regulations, to comply with your own codes of practice and principles, and of course your health and safety regulations included within that; and critically and perhaps more difficultly to control your supply chains. Where actually control does not extend, it comes a matter of influence.

00.05.32

My paper this morning in my hotel, The Independent has a wake up call if we needed one, A Gadget To Die For, which talks about the suicide rates in Chinese factories which are supplying the wonderful new iPad technology. Is that Apple's direct control? Of course not, but does it get reflected on the front pages of the newspapers? Yes, of course it does. And if we didn't have enough reminder, my own company for 30 years, BP is going through all kinds of agonies in the Gulf of Mexico at the moment where simply sticking to the basic principles of health and safety operation have - clearly failed.

00.06.16

But compliance and looking after your core business operations, while it must be the first and most important thing, it's simply not enough. There is always an appetite to go further and to do more; not only because it is the right thing to do, but also because it can lead to a better business outcome. Hence our certainty that putting business at the heart of sustainable development is an important thing for business to be doing. And also we welcome the opportunity to work with Nestlé on this concept of creating shared value, which we'll be hearing much more about as we go through today.

00.06.59

It's not easy and of course there's always more to do, but how far can businesses go? If a boundary is creating a better business which can be measured, then there must also be a measurement around creating better social value and better social development which is much more difficult to measure.

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There have been lots of attempts and it's always much more difficult, it's easy, relatively easy to measure hard numbers; but social development is dependent on so many different things it's sometimes quite difficult to get to clear answers.

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There are some very interesting numbers in Nestlé's CSV, Shared Value Report, which I commend to your attention and there's clearly more to do.

00.07.47

But central to IBLF's message and central to the message of Nestlé through their report is that business alone cannot do all of the things itself. It has to work together with the other legitimate players in trying to achieve a sustainable world. Those other parties are of course business, civil society and government. They are the three fundamental pillars of our society, working together, which is not easy for any one of those parties to do.

00.08.20

Business very focused, very performance related, very impatient, government of course interested in consensus, interested in the politics finds it hard to interact with the pace of business sometimes and civil society, while maintain the trust mandate of people sometimes find itself compromised when actually engaging directly with business wondering whether it can preserve its independence and its trust.

00.08.48

IBLF believes there are three critical ingredients to make partnerships of this nature work. The first is openness; unless there is transparency in the relationships there's always going to be a suspicion the something is being held back, that suspicion will ultimately destroy the partnership.

00.09.04

There must be equity for all parties, this is difficult when dealing with large multinational enterprises who seem to be all powerful, how can they relate to local communities and local civil society which is ostensibly weak but which nonetheless must see equity in the arrangement, otherwise the partnership will fail. And finally and perhaps most relevantly for today's discussion the concept of mutual advantage or if you like, creating shared

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value; that there is a balance, the quid pro quo if you, a win-win-win around the table.

00.09.38

Now through this interaction it is possible to get, we believe, a much better operating environment for business to start with. So business has if you like a safer and more benign environment within which to get on with its business, a social licence to operate. But there's also a much more positive outcome from this interaction, this partnership activity, this approach and that is innovation, new ideas arising from the interaction, potentially competitive advantage for the business, getting ahead of its competitors and that leading to access for new growth, new opportunity and new markets.

00.10.19

These things, innovation, competitive advantage, growth, are the lifeblood of business, they're what makes business people get on in the morning and get on with the job. And through a shared value approach, we believe that that is a way to access that energy and that drive.

00.10.39

We would refer to inclusive business models as being an excellent example of creating shared value and IBLF is actively engaged with Nestlé and other companies in trying to extend inclusive business models, where business is using its core business skills and competence to interact with the sustainable development challenges in order to create better business and also better social outcomes.

00.11.04

The examples in the reports from Nestlé, of all of their work they've been doing for many, many years now in Pakistan on the milk supply industry. Coca Cola's work with manual distribution centres in East Africa. And perhaps less well known, but very fresh in my mind returning from Hong Kong as I did yesterday, a company called Express Taxis operating in Jakarta

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who are employing, deliberately poor people in the taxi driving business, but actually encouraging them to take ownership of their taxis and thereby run it as a business venture, rather than simply as employees.

00.11.44

So these examples are hugely inspiring and by interacting with companies and sharing experience, bringing the other players to the table to have discussion and to understand how we can do it better IBLF is pleased and proud to work in this area.

00.12.01

We're delighted to be the co-sponsors of today's event; I'm very much looking forward to learning a lot from the discussions that are going to be going on throughout the day and finally it gives me great pleasure to introduce probably somebody who needs no introduction to you all and hand over to Peter Brabeck, the Chairman of Nestlé. Thank you.

Applause

00.12.27

Peter Brabeck-Letmathe:

Good morning ladies and gentlemen, I want to join Graham Baxter in extending this warm welcome to all of you. And straightaway I would like on your behalf to thank our two moderators, Sophia and Maria for their work during all this day. I'm sure you're going to lead us through a very exciting day, thank you very much both of you.

00.12.48

We have been members of the International Business Leader Forum for over a decade and I am pleased to say that I spent three years as the vice chairman of this fine institution and this gave me an opportunity to learn a little bit more about the quite unique NGO environment here in the UK.



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- 00.13.07 I am convinced that the International Business Leadership Forum continues to be one of the most important organisations globally in putting together persons and organisations from many sectors. And creating what in today's world we call a multi stakeholder platform for issues where the combined efforts of the public, the civil society and private sector can be leveraged.
- 00.13.34 Our first Creating Shared Value Forum was held last year at the United Nations in New York, where we engaged with representatives from around the world on key topics on how to leverage the power of business for the good of society. That's what we basically called Shared Value Creation. And we're very pleased that United Nations Office for Partnership continues its active participation and await the remarks of our friend Amir Dossal, its Executive Director, just after me.
- 00.14.12 Now I have been asked many times why does Nestlé do this forum? Does it have such a bad conscience, it is a defensive move in order to overcome your negative image that you have in some parts of the world, especially I would say in the UK? Well that's not the case, it came out from another conviction which I might talk later on in one of the workshops, it comes from the conviction that I am against corporate philanthropy. I think corporate philanthropy is absolutely wrong, it is using CEOs and the money of its shareholders and it is not sustainable over the longer term. And therefore we had to find another way how we could assume our responsibilities, social responsibility.
- 00.15.00 And we were convinced that to have business success in the long run we must run our business also for the benefit of society. We should never forget as businessmen that it is society which allows us to run the business. And therefore we have a responsibility with society.

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- 00.15.20 I have been living in countries where it was not obvious that you had the right to run a business and you forget about this. It is always society that gives us the right to run a business and there are many societies where you're not allowed to run a business, so. Therefore, and this is very important, we believe that the social responsibility should not be an add on activity, it has to be part of your business strategy.
- 00.15.49 Second, as a concerned company we recognise that social problems are very complex and that it is as a single stakeholder, you cannot solve many of those complex social problems. That's why I insisted before that the International Business Leaders Forum for example has such an important role to play by creating multi stakeholder organisations. And at each forum we want to have an open dialogue between the best minds available and they are here today.
- 00.16.22 This is why we have assembled - a set of such world renowned panellists and you will not see apart from our three presentations just now any pre prepared speeches, we are going to have open discussions where of course we want you and all the people around the world who are following us on the webcast being actively involved in a provocative, open, frank discussion.
- 00.16.47 And this is also why we have founded a Creating Shared Value Advisory Board whose members are listed in the back of your agenda; I will refrain from going into the details. And third, we want to make a difference and believe that also employees who feel that they are making a positive contribution to the world are more satisfied, more productive and more loyal.
- 00.17.10 We have just released a newly revised version of the Nestlé Corporate Business Principle. And you received, or you have it

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in your hand - or can you them, it's an open document for everybody and invites everybody, a single person or NGOs to monitor the behaviour of our 285,000 people all over the world, that they are behaving according to those principles. And when they are not, we have an ombudsman, or you can write to me or our CEO Paul Bulcke who is here and please tell us when we are not behaving according to those principles. That's very important.

00.17.46

Finally and I'm very sad, but I have also to recognise one person who did make a very large difference and who is no longer with us today and this is our good old friend Professor C.K. Prahalad. C.K. Prahalad a prominent Indian scholar who spent the greater part of his career at the University of Michigan. I think was the one man who influenced perhaps most business leaders around the world to use the power of business to help millions of people to climb out of poverty.

00.18.21

Most of you know him perhaps through his book which was *Fortune at the Bottom of the Pyramid*, and he showed business how to leverage the entrepreneurship and creative thinking to both eliminate poverty and to build strong businesses. So I've always had in my mind C.K. together with Michael Porter as the fathers of this idea about creating shared value. C.K. was a founding member of the Creating Shared Value Advisory Board and he was to be with us today until he succumbed on April 16th to a fatal illness.

00.18.58

I think the picture you see of him above me is from the last year's Creating Shared Value Forum. It's reflected in this picture he was a frank but also very provocative and a forceful human being who challenged business to re-examine this assumption and to build businesses which serve both the poor and the shareholders.

00.19.22

And we want to honour him today by continuing the spirit and the ideas for which he was a globally leader champion and let him know that he is missed. Thank you ladies and gentleman and I now turn the platform to our friend Amir Dossal.

Applause

00.19.47

Amir Dossal:

Good morning ladies and gentlemen. Peter thank you and Graham thank you very much for your remarks. I think most of you know IBLF but it's worth mentioning that IBLF is a very strong partner of the United Nations. It has been involved in a number of public private partnerships. In fact it's at the vanguard of partnerships and we look to them for a number of creative, public private partnerships, multi stakeholder partnerships. And I remember fondly remember Robert Davies who was the first CEO who came to the United Nations well over a decade ago saying when is the UN going to move to engage with the private sector.

00.20.29

And since that time, and I take you back to 1997 when Kofi Annan took office, his mantra was we cannot do it alone. As Graham said business cannot do it alone. Governments cannot do it alone. And it's quite clear that we in the international organisations sometimes feel that we have the answers. Actually we have very limited answers.

00.20.57

Private sector actually has led the way in a number of areas, developed new systems, new technologies. Governments can provide an enabling environment, governments can help create a business friendly environment, but they cannot actually deliver most of the goods which are needed to make the place different, alleviate poverty.

- 00.21.21 They can provide the right social services, and what we've found and certainly if you look at what's going on there is a battle now in terms of the role of government and the role of the private sector, especially since the financial crisis. We are in a situation where well over 1 billion people live below the poverty line; I mean abject poverty, which now the new definition is \$1.25 a day.
- 00.21.54 Just purely as a result of the financial crisis about 65 million more people have come into that trap. So if you look at the statistics, look at the facts, one out of every six persons doesn't have proper food every day. None of us are in that category and they are somewhere else.
- 00.22.19 What we are trying to do is to see how we can focus the attention on those issues, what we have encapsulated under the Millennium Development Goals. And these goals are goals which are very common and personal to all of us actually. While sometimes even at the UN we say these are general goals adopted by the international community, adopted by governments, but if you think of it they're actually personal goals.
- 00.22.47 How can we help make a difference to educate people, children? There is a lack of parity of boys and girls in the education sector for example. Certainly the biggest challenge for us is to ensure that women have equal rights. Women's empowerment is a challenge. 51% almost of the population is women and we tend to sort of kind of give it a casual afterthought of saying what can we do about it.
- 00.23.19 When the Millennium Goals were set in 2000 we looked at them in terms of the economic and social areas. But if you look at the

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goals in its overarching manner they lack reference to human rights, they lack reference to democracy, certainly there's a limited reference or virtually no reference to the issue of post conflict situations and how do we address those challenges.

00.23.48

So today's conference, the issue of Creating Shared Value, is actually at the heart of the UN's agenda. The UN still is struggling to engage with the private sector. I remember in 1997 when Ted Turner came to the United Nations and committed a billion dollars to help really address health education and environment issues. People looked at us and said what does Ted really want, what's his agenda? His agenda was very simple, and I remember the conversation, he came to the Secretary General and said Kofi in January '97 I was worth three billion, I'm now worth 4 billion - and I want to give the one billion away to you.

00.24.41

And he said no you can't give that to us. We are government. Finally we turned around and accepted that relationship and as a result of that another 600 million has flown through. What we are now trying to do is to create an investment model because aid continues to create dependency while investment can actually make people independent.

00.25.07

So the Shared Value concept from our perspective is that it will lead to greater investment, not only by Nestlé. And I think Peter said it very clearly, it's not about philanthropy, it is about investment. Aid amounts to about \$120 billion by the way and investment, foreign direct investment, \$2 trillion. So we have the numbers. So I wish you a very successful meeting. Thank you very much. Thank you.

Applause

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00.25.40

Sophia Tickell:

Well thank you very much to all three panellists for that wonderful introduction and I'm going to give a little bit of very brief piece of housekeeping and then it's your turn. So just to let you know you've got in your packs in front of you a sense of what the agenda looks like. Just to highlight the fact that there are four core sessions today.

00.25.59

The first we're just about to go into is a panel discussion about leveraging business for development. The second session is rural development and food security, and then we're going to go into lunch. We'll come back promptly at one o'clock and we're going to have to ask you to be extremely responsive when we ask you to return to the hall. Then we're going to go into two sessions in the afternoon, nutrition and development and water and sustainability.

00.26.22

There'll be a closing session where Graham and Peter [sic] Bulcke who is the current Chief Executive of Nestlé will give some concluding remarks and thoughts about how the day has gone. And then we're going to close shortly after having the Shared Value prize ceremony. So there's been a prize award, 500 submissions, and we will know who the lucky winner is this afternoon.

00.26.48

This whole event is webcast live. We're hoping that it's very interactive and we're looking forward to taking questions from people outside this room as well as inside the room.

00.27.00

In the event of a fire we will be informed over a tannoy system I believe and the fire exits are just at the top of the stairs here and then there's one there to my right.

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- 00.27.12                      There is no planned break between now and the lunch break at 12.15 so if you need to use the facilities there are some where you had coffee and there are some down in the reception hall. But just to reiterate we're not going to be having a break in this morning session.
- 00.27.30                      Basically now it's your turn. You will have all been given a little voting pad when you came in. The reason for using these voting pads are threefold. We really are hoping this to be a very interactive day and we wanted it to be very participatory and this is a way of actually understanding how you are responding to the events in addition to the questions that you'll be asked to feedback.
- 00.27.54                      The second reason is because we want to be able to summarise some of your responses and considerations in the event for subsequent - for the media and for people who haven't actually been able to be here. And perhaps the most important part is that there is a Shared Value panel, Nestlé's Shared Value panel which meets tomorrow on Friday, and they will be able to receive the findings of these votes so that they get a sense of how you have seen the issues and the topics in hand.
- 00.28.24                      So we're going to get a question on the screen. And these are the voting instructions. Basically when you are - you will be asked a question, the question will give you a number of options, you will be asked to fill in and the options will all be numerical. You will be asked to respond by pressing the number on your keypad that corresponds to the answer that you like the best. You don't have to press enter or anything, simply pressing the button means that you've registered your view. If you want to change your mind you press C and then you re-enter your submission. And what you have voted for will come up on the little screen pad so you can check your question.



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00.29.09

So what I'd like to do is to actually start with a test question. And make sure that we actually all know how to use this. We're hoping that these questions are sufficiently easy for people to be able to answer them. So the first question is which of the answers below best describes your profession. Number one is academia or a think tank, number two is NGO civil society, number three is business, number four media, government policy maker number five and six, other. So fingers on the buzzers, would you please vote now?

Voting

00.29.52

Very good. So we gave you an unusually long time to just check that you understood how to do it that time round. So there we are. We've got a majority of business people in the room but we have a very good cross section from academia, NGOs and government representation is 8% so we're hoping for a lot of particularly vociferous contribution from you guys.

We're going to have another question now please. On which continent are you based? And then I'm not going to read them out because I'm assuming that you can all read. So please fingers on the buzzers, would you start voting now?

Voting

00.30.43

Okay unsurprisingly, given the location of the event, we have a majority of participants from Europe. But we do have a cross section and we're very much hoping that the people who are participating from within the webcast are representative of a much broader spread.

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00.30.59                      So thank you very much, you've clearly got the hang of that. So this is going to be actually a key tool in the course of today. We'll start each of the panel sessions with a question which is - they're slightly more difficult than this one but we hope that they're sort of easy enough to understand.

00.31.15                      And so I'd just like to make a final note really, a point on timing. We have an incredibly packed agenda today. We started a little bit late already so I'm going to try and catch up and hand over to Maria at the time that I've said I would. We do want this to be a very participatory event so I would like to ask you in advance whether you would be as concise as you possibly can be. A statement is fine, a question is fine, the length of that we would like you to keep as short as you possibly can. So I apologise in advance for the fact that if you are speaking for a little bit too long I'm going to ask you to close and come to the point as quickly as you can.

00.31.57                      We've got a number of amazing panellists but we also have an amazing group of very eminent people in the audience, and that's why we want to make this more of a conversation than we do a sort of formal conference. So basically I'd like to leave this introductory session by asking you would you please cut to the chase as quickly as you can in any questions or statements that you might have.

00.32.21                      So I'd like you to thank our sponsors of the event and invite the first panel to come and join us on the stage. Thank you very much.

END