



The role of business in development

SESSION 1 - CREATING SHARED VALUE: BEYOND PHILANTHROPY AND CORPORATE SOCIAL RESPONSIBILITY

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

So now, I would like to open the first session, which is, Creating the Shared Value, Building on Philanthropy and Corporate Social Responsibility. I would like to ask to come to the stage the Honorable Veerappa Moily, Minister of Petroleum and Natural Gas. However, he was previously the Minister of Corporate Affairs and Power, and ask you, sir, if you would kindly join me on the stage here.

I would also like to ask Peter Brabeck, Chairman of Nestle to come back, as well as Mark Kramer, Senior Fellow at the Harvard Kennedy School of Government, and John Elkington, Executive Chairman of Volans and Founder of Sustainability.

Good morning, Minister.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

Good morning.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Minister, I think maybe we start, if it's all right with you, with some of the concepts that you have talked a great deal about. These include inclusive growth and creative capitalism as you call it. What I was wondering is how should corporation strategies take this into account? What do you mean by creative capitalism for them?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

Thank you, Maria, (inaudible) question [like] the inclusive growth and creative capitalism. In fact, there is no purpose of having any high economy growth unless it is inclusive and sustainable. This is how we look at it at the national level and, in fact, it is also said -- it is said somewhere -- in fact it is said by Edward Abbey, an American writer, that growth for the sake of growth is the ideology of the cancer cell. This [sole approach] he has put it in an extreme language, but at the same time I think we have come to a stage where we need to look back and revisit our growth period.

This however -- in fact, the 12th five-year plan also of India, we are [calling] the work the faster-growth, more inclusive growth, and sustainable growth. That's how our entire national plan has been worked out and that's why all our legislations, particularly, my previous -

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Exactly in your previous --

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

-- as a Corporate Affairs Minister.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Right.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

I came out with a very enlightened legislation, the company bill of 2007. I think that (inaudible) because apart from other enlightened regulatory [passes] that has also come out with many of this inclusive growth, like the corporate social responsibility.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

And you had I think in that bill for companies to report back what they're doing in this respect. Is this happening, sir?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

It is definitely happening. Of course, in initial state, there must have been some resistance somewhere. But we are -- [series] of brainstorming, meeting on the corporate social responsibility and inclusive growth. And now I think by and large an update to this kind of new culture.

Of course, I don't say it as a new culture. Many of the corporate bodies as put by Mr. Kanoria have been practicing in India and all over. Well the question is we cannot afford to wait. That too when we are in a high- growth trajectory, we need to fully support with the sustainable and inclusive growth.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

What would you suggest, sir, to corporations, how to include that in their strategies, not just report and tick some boxes off, but actually include it in their strategies? What do you recommend in India that they should be doing?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

Well, that should be part of their business. In fact, we have also said they should be independent directors -- they constitute a committee within the [Board] and they will have to review every time and work out the programs [for] the corporate social responsibility.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

And I understand that, but are there some recommendations, particularly, that you think that they should be doing now? And I understand there's also 2% part of this.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

Yes.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Could you perhaps explain that a little further?

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

(Inaudible) work out that the 2% of 3 years, the consequent profit (inaudible) will have to be [ministered] in the corporate social responsibility and that has to be planned well. And suppose any company is -- what we call, we said, they should ensure that 2% is spend. And suppose they are not in a position to spend this 2% as contemplated in the bill, they need to explain it.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

I see.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

How they could not spend this kind of 2%.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Are there any constraints on how they would spend it? Is it very creative and open, or do you have some guidelines, sir?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

No, no. Of course, we will be working out guidelines on that. It is not part of the bill, but we are working out and there will be a monitoring cell. We are creating a foundation. And they will come out with various guidelines from time to time in consultation with the corporate entities.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

I see. And this is only for companies that are listed, or is this also for all privately-held companies as well?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

No, this is not only of the listed companies. All the companies which are (inaudible) the turnover is more than 500 [close] per annum.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

So you're very much -- like Mr. Brabeck mention, your concept here is inclusive growth, or as you have said in some of your speeches, creative capitalism, is to make sure that this enters deeply into company practices.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

Yes. Correct. Well, ultimately, should get into the DNA of every corporate entity.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Minister, if you will permit, what I might do is turn to some of the other panelists and come back to you to see your comments also on their views on this issue. Will that be all right?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

No problem.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

And perhaps, at the end, your new ministry -- there's a big energy challenge here as well and we might want to get your views as well on that.

In the meantime, Mark, perhaps I can turn to you, because you have been very active in India, and I think this will interest very much also to the minister because you've been very active with businesses that are operating here. And you've been working with them on exactly this issue of inclusive growth, their problems concerned with it and how they look at it, maybe also how that matters with creating shared value, how it actually works on the ground here.

It would be interesting to hear an example from you, if you have some that you'd like to share with us.

Mark Kramer - Harvard Kennedy School of Government

Sure. And I have many. I mean, we've actually done a study of creating shared value in India and been just extraordinarily impressed at both how many multinational companies are doing projects in India that create shared value, and also how many Indian companies. Both large companies are doing these projects as well as innovative startups and social entrepreneurs who have found terrific business models.

So let me just give you, if I may, Maria, a couple of examples.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Please.

Mark Kramer - Harvard Kennedy School of Government

One of the startups that I think is so inspiring is a company called Vaatsalya. And they realized that there's a tremendous need in India, of course, for rural health care, when people don't have access to hospitals and clinics nearby. And, of course, it's very expensive to try and set up a hospital and buy all the equipment and build the building and so on. But they said 70% of the health care needs can be met quite simply.

And so, if instead of building a full hospital and all the equipment, we simply rent a building. We might need an x-ray machine, an ultrasound machine, a ventilator, but that's all, we don't need more than that. And it turns out we can actually address 70% of the health care needs. So they've begun to open these clinics around.

They find they can treat 50,000 people a year -- that the clinics can breakeven in 6 to 12 months. They think there is now a \$5 billion opportunity to provide rural health care through these clinics and have just raised a \$10 million [round] of venture capital to expand this operation. It's a great example of how business innovation can help address social problems like health care infrastructure that we've previously dealt with mostly through government and through nonprofits.

Another example of a large multinational is ICICI, the financial services and insurance company. And they realized a number of years ago there's an urgent issue around crop insurance for small hold farmers, but there are tremendous barriers to the administrative cost of actually going out, surveying a small farm, assessing whether the crops have been damaged or not. But then they also realized that the ultimate concern about the success of crops in these regions and for small hold farmers simply depends on the weather. If there's too much rain or too little rain, the crops are destroyed.

Mark Kramer - Harvard Kennedy School of Government

And so, they've realized through satellite imagery, they can determine weather conditions on the ground and they can sell crop insurance very inexpensively yet profitably to small hold farmers and pay it simply based on unexpected weather conditions and weather events. And they're now providing crop insurance to 2.5 million farmers in India. Again, a tremendously powerful social benefit that's also an excellent business model.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Is this the sort of inclusive growth? Will this fall into that concept that you have, sir, of new ways of both, of course, making good money, but also at the same time making sure that your operations within the society go towards the kind of development that you are interested in?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

Yes. We have 300 backward districts that I must say that (inaudible) districts where no investment really go.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

It won't go there?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

And (inaudible) I don't want to reel out the statistic that has been done by him. But at the same time, this is a serious battle, because ultimately the growth means, it is not only one [vertical] growth, it should be more horizontal, territorial, and also with covering the entire mankind. That is how we are addressing this question. Particularly, we have problems, as I'll rightly put, the malnutrition program.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Exactly.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

There are problems of the water -- not that we cannot tackle it, but that focus is necessary. Focus and it cannot be tackled only by government, because ultimately the government, we can give a program, but on the ground it has to work. This is why I agree with our (inaudible) that he said that we need to -- what we need today is more of social entrepreneurs.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Tell me one other thing, Mark. Rajya Kanoria brought up how do you translate creating shared value examples into something that is measurable?

Mark Kramer - Harvard Kennedy School of Government

Sure.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

How do you work with these companies so that they know that what they're doing has any kind of impact not only on the ground, but also for their own enterprise?

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

Sure, sure, sure. Well, I think the whole issue of making shared value real, making sure this is not just an empty phrase, another way of referring to sustainability or corporate responsibility depends on measurement. Because if we're really going to do this in a rigorous way, we have to be able to measure rigorously the shared value we're creating.

And Michael Porter and my colleagues at FSG have actually just released a report that I think is in your packets --

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Yes, it is.

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

-- which is our preliminary thinking around how to measure shared value. And the key thing, companies, of course, are measuring their financial and business success in many ways all the time and they're measuring their social impacts in many ways all the time. What has been missing is the link between the two, how are we measuring the business benefit of the social impact that we are achieving, and how are we measuring the social consequences of the business initiatives that we're launching?

And so, we believe that there is a separate form of measurement, a separate set of policies really at the business unit level that companies have to begin to develop and discover and embrace for themselves to really understand the targeted social impact they're having and what that means for the success of their business. And that's the area of research we are trying to pursue right now.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Yes, because to make creating shared value not only in a broader but a longer term proposition, it has to somehow rather be measurable by companies particularly in areas that are as you say not so conducive to investment and have real trouble.

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

Yes.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

You have to show that it has return also to the business, yes?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

Like he said, not only a question of are they not conducive business. I must say that they're conducive businesses.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Yes.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

But the question is that we hesitate to reach out to those areas even though they are fully potential to absorb that kind of a development which is made. That's why there are two aspects. One is the rightly -- picking up the thread from my dear friend. We need to say that number one, while we do the business, how does it adversely affect the area and also demand around?

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Right.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

Another question is, when we speak about sustainable development and inclusive development, how we are including that segment of the society, which is left out from the benefits and also the impact of the development.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Right. Actually, I'm going to pick up just that one question that you have just brought up. How do you make business and economic model sustainable? This is on mind I know very much of our other panelists here -- John Elkington. There are many aspects in India which is entering this big phase of growth -- new phase of growth.

But there are many aspects of our current economic models that are really sustainable and problematic, not only here in India, but particularly in other -- many developing economies of the world. I just wonder in what ways you find that they are unsustainable.

John Elkington - Executive Chairman - Volans

Thank you, Maria, and good morning, everyone. And, congratulations, for FICCI and Nestle for making this extraordinary event possible. I've been to a lot of conferences over a very long time. I came into the space in the early 1970s, at a time when if you start to talk to business about the sorts of issues that we're talking about today, you would've been very lucky firstly to be allowed through the front door.

And if you got through the front door, you'd mainly talk to a public relations specialist or somebody who's basically there, a lawyer or whatever designed to keep you out of the business. And I think one of the striking things has been in the last decade or two how business in different parts of the world has opened up.

Having said which, I think of them is striking shift has been the way in which the language has changed, and several of our speakers already this morning have used the word security in their presentations. That's no accident.

We started off decades ago talking about responsibility, accountability, these sorts of things, citizenship, and increasingly these issues like water, like energy, like food, like climate are coming at us as really deeply strategic issues.

Now, companies are beginning to work -- to your question, Maria, on the question of, how do you build this into the business model? But I would say for most companies that we see, it's still more they're talking about it than actually practically doing it. And that's where I think the value of shared value as a proposition comes in so strongly.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

And one thing I wanted to ask -- please excuse me, Minister, if I ask this question. It's not just for India, it's worldwide. For business really to be able to take that responsibility to make those changes, to integrate that, we know very well that not everything can be done by government, but governments and regulatory framework can sometimes make it difficult also or the opposite, they can make it easier for a business to integrate these kinds of concepts into their own models.

Could you tell us a little bit the kind of things that would, let's say, remove obstacles on the part for governments?

John Elkington - Executive Chairman - Volans

Well, I think very often business is really quite resistant to the idea that government has very much of a role at all to play in this space, and tends to look at some of the dysfunctional aspects of regulation and incentive structures and so on. I think increasingly we're going to have to see business standing up and calling for better governance, better government, better incentive structures and so on.

And one of the reasons I say that is because much as I love the shared value proposition there are many things that fall into the sustainability space which cannot be address by the business case even in a stretched version. That's why we have governments.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

And, yes, but I'm looking at it also the other way, and it's just a general question -- and please, I ask you all to tell me if you want to jump in on this. People say very often that the business role is vastly growing in economic development and that the government role is diminishing.

I'd like to put the proposal the other way around, that there is a new kind of government role that is coming up in the sustainability field which has to work together with the business and remove some obstacles to embedding that sustainability model inside of business.

Otherwise, it simply becomes long-term also financially unsustainable. And that's the kind of issue that I wondered if you have encountered around the world.

John Elkington - Executive Chairman - Volans

Well, a very quick response. I mean, in the same way that business is nervous about government, government is very often nervous about the private sector and about business, and I think one of the things that we have seen in the last couple of decades is a massive concentration of power in the private sector around the world. So Bob Eccles at Harvard Business School recently launched a study talking about the global 1,000 companies. So, it's actually 1,100 companies now control 49% of world capital.

So the question is how do governments better incentivize those board rooms, those C suites to start to move in the right direction?

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Have you found, Mark, or Minister Moily, is there anything you would like to add to that? Mark, and then Minister?

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

Sure. I mean, I think that it's not so much whether it's government or business, but the notion that there is -- that to really solve problems at scale we need business's involvement and the skills and resources they bring, we need government and its perspective and responsibility to the people, and we also need the NGO sector, the nonprofit community, which is often much closer to the ground in understand the needs of the people or the issues that we're trying to address.

And so I think what we're beginning to see are these cross-sector collaborative, and it's a real shift from the idea that's saying business is anti-government and government is anti-business and NGO is anti-everybody. To say, in fact, these problems require solutions that are tripartite, that involve all the sectors working together and is in our common interest to do that.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

We say that, but it isn't so easy to actually do that.

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

Indeed not.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Is there an example? Because I often find that we say we have these great tripartite, and then one or another of the partners is actually sort of somehow rather not participating equally.

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

Sure.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Very often -- and I don't mean to say anything, let's say, absurd, but they very often look to the business for the deep pockets and to the government to help them out and alleviate their stress and the NGO to do it, and it doesn't always work very nicely. Do you have [some] example to suggest?

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

It often doesn't -- I mean, one example that comes to mind and Nestle is in fact involved in a project in Cote d'Ivoire with cocoa growers, and about 40% of the world's cocoa comes from this tiny country Cote d'Ivoire where it's grown by almost 1 million small hold farmers, very poor conditions, very low yields, really generating yields about one-fifth of what in theory they ought to be able to generate.

And we've been working with Nestle and with the consortium of cocoa companies to try and address this issue, because they realized it's not just charity, it's a core issue to the success and future growth of their business.

To solve this problem, we have had to work with government and negotiate a memorandum of understanding with the government of Cote d'Ivoire because it required changing tax policies. We've had to work with NGOs like TechnoServe, which have an expertise at working and training small hold farmers that companies others don't have and aren't willing to invest in.

We've had to work with the cocoa companies to create the quality conditions and to help provide as Nestle has new plant stock to farmers to enable them to achieve greater yields. We've had to work with the World Bank because there are issues about roads and access to markets.

To really create a solution that enables these cocoa farmers to emerge from poverty to generate 4 or 5 times the yield they're currently producing can't be solved by any one company or any one sector alone, and it's now been about a 4-year effort and we're beginning to see results, but it will be a decade altogether.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Minister, as you can see from these kind of examples, this is not simply reporting on what you're doing. This is really hard work to get it to be embedded inside. One interesting thing that Peter Brabeck said in his opening, and I want to quote you on this, CSV is an open source, a little bit like the code that wrote the Internet.

It's able for anyone to pick it up, but when you listen to what Mark is saying, it's not easy. That requires a long and sustained effort. And I know that at Nestle long before it became that phrase, creating shared value, there was a big history, a background almost invented the concept without calling it that.

Perhaps you could tell us a little bit about the origins on how that started.

Peter Brabeck-Letmathe - Chairman - Nestle S.A.

Yes, thank you very much, Maria. Well, I think if you look backwards, it's not only Nestle. Most of the companies had a completely different approach to social responsibility. If you go back to industrialization, you will see that there were cities being built like the

minister just mentioning before here in India nowadays, where the company that created the factory felt responsible for the life of the workers. They created housing, they created schooling, there were shops and things like these.

Now, as the overall income improved, this was called afterwards too [opportunistic] and it was being fought against that the company would assume this responsibility and to build the cities and the same. And we eliminated that and there was a feeling which came from a certain part of the political environment who said you have to pay our worker the right salary and then forget about all the other things.

So we evolved toward something which culminated in the '90s, in which was a pure shareholder value approach. Finally, it was said the CEO of a company -- the only responsibility he has is only to create profit for its shareholder full stop. Well, I think this was a long evolution over this thing.

We at Nestle, we had never believe that this is the right way. We always believe that as a company we have this established responsibility. We have responsibility towards our shareholder, who gives us the money, but we have also a responsibility vis-à-vis the society which allows us to make our business.

Today, it seems to be like a given. Well, it's not long ago that half of the world did not allow private enterprise to execute its business. Okay? So this is only 20, 30 years ago. We have still some countries, very few of them where we're not allowed to do business. So just the fact that society allows you to do business is also a responsibility that we have to take care.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Go ahead, please. No, I was going to ask you only if you could elaborate just a little bit on how this moves beyond what we are just saying before. You go into a room 20 years ago and the concept of corporate social responsibility was new. Now, we're moving into a new phase. I see some of the questions coming to us from the Internet. How does that differ, what is the spectrum?

Peter Brabeck-Letmathe - Chairman - Nestle S.A.

Well, what happened is, when we have this in the '90s, this pure shareholder value concept, of course, it were very strong reactions by people like John but many others, absolutely rightly so, by the way, that this cannot be and out came this corporate social responsibility. And corporate social responsibility, the way it was presented was just the other side of the pendulum. It was saying you have an obligation to give back to society.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Right.

Peter Brabeck-Letmathe - Chairman - Nestle S.A.

That's where we are starting with creating shared value. And we said, well, we wait a moment, I mean, we are creating value for society if we consider in our basic strategy this additional responsibility we have. What I hated was this idea about that this philanthropy the CEO can by himself, to be very blunt, a good consciousness. Okay? If I give and if I gave more, it's even better.

I remember Sharon Stone in the World Economic Forum. Okay? I will give 10,000, who gives more? In about 5 minutes, there was 1 million of money for mosquito nets, which by the way nobody has ever seen the money afterwards, but that's very easy to say 1 million here. And this was what I thought was the wrong side to how we assume this corporate responsibility. And I will come to John because he has a very valid point.

This part of sustainability, this is outside of creating shared value. I fully agree with John in this respect. You see, it took us a long time to think through this whole construct. At Nestle, at least, we have now a pyramid and we can still discuss should the pyramid from the top-down and upper, whether it should be a pyramid from the bottom line up to the top, it doesn't matter.

The important thing is that we say our role of Nestle in the society will be defined first of all by compliance. We have to comply with the laws, we have to comply with the business principle that we have ourselves laid out. And the second one is, before we get to creating

shared value, we have to assure the sustainability in the long term, and there are aspects which go beyond the creating shared value. Only if we can really think and act sustainable in the long term can we then put on top of it what we call the creating shared value.

So we have, I think, elaborated over the last couple of years and based on the input that we have received in these many forums, we have refined this concept a little bit and recognizing that creating shared value is part of the responsibility that we have in society. But it's not all of it and in our case, it is concentrated on three areas where we have found out with the help of Mike where we can really best optimize our creating shared value, which is nutrition, water, and rural development.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Did you want to add something, John?

John Elkington - Executive Chairman - Volans

Just very quickly. I mean, I was in the room behind Sharon Stone when she stood up and made that invitation to people, and I think there were two things that work. One is a perfectly human desire to change the world for the better, and secondly, probably a slight desire, appetite for profile and so on. But when I look back at that period --

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

It was rather a glamorous moment, is that what you're saying, yes?

John Elkington - Executive Chairman - Volans

I'm trying to be balanced on all of this. But Mark a moment ago talked about tripartite solutions, and I just wanted to give one example, which I think gives a rather different storyline to that, which is that NGOs I think have been really important in building this agenda, and as Peter has just said, some of that stuff was really spot on and some of it was wrong-headed. But one of the things that you've seen in recent years is a much more strategic approach from some of the leading NGOs.

So, for example, Greenpeace launched a very sharply targeted campaign last year against the sportswear brands, people like Adidas, Puma and Nike and so on, and it was called Detox. And what it tried to get those brands to do was to report on their toxic emissions in one country, China. And to start with, that's exactly what those brands did. They started to compete -- they're very good at that, in disclosing and reporting emissions.

What very quickly happened, they suddenly realized, good god, if we continued on this track, we're going to be in real problems with the government of China. We're relatively small players in all of this. They've now come together as an industry group. They had some real issues with lawyers around sort of antitrust legislation. They got through that.

But now, what you have is an NGO, a whole multitude of brands, and now what they're trying to do is bring the Chinese government in a positive way. And I think that is an example at least for me of how this is beginning to shift in some interesting ways.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Well, that's a very interesting example. I'm going to just ask one or two questions and then open it to the floor. So if you have some questions, please start thinking about them. Minister, it seems from what we have heard here that there is sort of a continuum, if you wish, starting compliance or pyramid, or however, perhaps it even goes on further. After creating shareholder value, there will be further steps along here.

But we start with the compliance, the reporting -- first the compliance and then the reporting that you're doing. But what I'm hearing a little bit here is that beyond reporting on what you're doing, there's also embedding this into your business model. And if it is at all possible in your current position -- please excuse me if I ask you taking your hat off a minute as Minister of Petroleum.

Do you think that in India there will be further steps along from reporting to further innovative ways in which this will become part of the norms of how people do business?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

Yes. The compliance as we rightly said in the beginning [itself] because it's not taking off and taking on. Ultimately, the compliance in terms of the impact it has created, there's a bit [of the 11] question and what did the value we create on society.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Yes.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

Ultimately, this is the overarching objective for which the programs are aimed and targeted. But whatever you do, there's one side of the quantum jump in creating these values. Another point is there is always -- rightly put by my dear friend -- that there is always cost deficit --

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Yes, there is.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

--between the government, the corporate bodies -- entities, and also the civil societies. This is how we get stuck up. In fact, this kind of synergy (inaudible). It is not just enough. If you go to the history of the various countries and all that, the nations [fail]. It's not because of the geography, not because they don't have natural resources, but what they lack creating this kind of a corporate citizenship. And value of corporate citizenship will play a big role at creating a society where this is mutual agreement.

I think this is what we need to target, not that a lot of money is going everywhere, through the governments. Corporate bodies are also now poised to come out with more innovative schemes with all this on the ground, unless proper synergies [will] between these three agencies that impact which should have been created will not be -- that much could be seen.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Indeed, but this is very difficult. I mean, sometimes it takes long years to implement such a strategy. For Nestle, for instance, what are the ingredients to be successful in implementing a CSV strategy? What does it take?

Peter Brabeck-Letmathe - Chairman - Nestle S.A.

Well, I think the one -- if I had to think loud, one, it is the long-term thinking. And I think this is where we still have some hang-ups. We still have the financial world, the financial markets, which are driving companies to short-term thinking that comes from quarterly profit reporting and things like this. And I think that's the biggest [hiccup]. You have to get over the short-term thinking into the long-term value creation.

In our case, what we have to do, to be very honest, we have to change the bylaws of the company. We put into our bylaws that the responsibility of the management is to create value in the long term for shareholders and to society, and we have this given to our shareholders in the shareholders session, and we got the 99% approval for this change of the bylaw. This allows us to act differently. But I think that I would say this is the most important aspect that we have.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

This is possible for you at Nestle. Do you think that some -- and I ask you each to take your hats off of what you're actually doing -- but do you think that this causes in the long term some difficulties in markets or in books, exchanges such as in the US where you do have a problem being able to invest a long-term thinking plan? Is there any way in which these obstacles can be diminished?

Peter Brabeck-Letmathe - Chairman - Nestle S.A.

Well, one of the reasons why we didn't go to New York on the stock exchange because they were insisting on quarterly profit reporting and we are not willing to give in. So we don't go to the New York Stock Exchange, and that has had a certain impact on our share price very clearly. So there are consequences to these things.

But I think in the long term, if I look at the market capitalization of our company, which has quadrupled over the last couple of years, I think there are more and more shareholders which are also responsible or they feel responsible into this concept of creating shared value, and therefore, you change your shareholder composition somewhat and perhaps you have less hedge funds and short-term thinker, and you have more long-term thinkers as shareholders, which I think is exactly what we would like to have.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Small revolution here, yes.

Peter Brabeck-Letmathe - Chairman - Nestle S.A.

Yes. I mean, just a small aspect to John, I mean, he was saying 1,100 companies have 40% of the capital. Just for the sake of good understanding, it's not the company which has the capital. It's the shareholders of the company which have the capital, and therefore it's not the companies. It's the shareholders of the 1,100 who have this 40% of the capital, which by the way in a majority are women over 60 years. If you want to know where the money is, that's where the money is.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

We're [formenting] all sorts of revolutionary ideas here. But please, Minister?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

I have one point to add there -- it's a very relevant point he has raised. I think many of us many times we don't address this question, special function of the shareholders.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Of the shareholders.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

For example, in India, our domestic savings is highest. But how much is going into really -- to the capital market, not even [4%].

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Yes.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

That means to say the shareholder base is not that responsible.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Right.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

This is how I would rather say, that -- one step further and say that even in the expansion of shareholders, there should be inclusive growth. So many times, if you don't build that kind of a societal value to the capital market, perhaps, whatever the society which we create are the companies is not going to help us.

That's why I always give an example --

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Yes.

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

-- that when Arnold Toynbee identified 21 civilizations and 19 civilizations perished because of the crisis in character. Now I would rather say that going further in the industrial civilization, countries and countries can perish, humanity can perish unless there is real -- the ethics and societal value created along with the [business model].

QUESTION AND ANSWER

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Companies certainly do. It is very interesting underneath here, if you see, if you listen that we're calling for responsible shareholders as well. I'd like to throw this open, please, to any questions you might have. So could I have just a little bit of light in the hall in order to see people? And I see some hands already. I ask the ladies with the microphones to come forward. And let me start here.

I have Nancy Birdsall, Founding President of the Center for Global Development. Could I have a microphone up here please? Thank you very much.

Nancy Birdsall - Founding President - Center for Global Development

Well, thank you very much, Maria, and thank you for a wonderful panel. I have to admit I didn't know I was going to be called on. So I don't have a good question. But I liked very much hearing both the history over time the distinction between the way companies have -- like Nestle's had been approaching this issue and the tripartite issue, the NGOs, business and government.

Let me ask a question for anyone on the panel, perhaps Peter or John -- anyone, really. When I hear the good things that Nestle does, including developing a concept of creating shared value, I ask myself how important is it that Nestle's is a very large corporation that has a substantial part of many markets. How do you see -- any of you -- encouraging much smaller businesses that don't have the same breadth and scope and that may feel less able to afford the long-term approach that is a kind of benefit to having a history and being big in the global market?

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

I'll come back to the panel with the questions afterwards. So take a few notes, and I'd like to take some people here. So I have one here right in front and then I'll go over to the other side. You wouldn't mind introducing your name please.

Ravi Chadri

My name is [Ravi Chadri]. I'm here in (inaudible) as an author on CSR. I think what I would like to raise the issue is that, in every country, we have the world's best and the world's worst examples of CSR. Now barring multiple exceptions, CSR generally tends to be an exercise in corporate cosmetics. The challenge therefore what I see is to move up from CSR to ISR, individual social responsibility of the CEO, to move away from a case study oriented, audit based CSR system to a philosophy which is guided by CEO's conscious.

Now, the point I want to make in this favor is that, hereafter, a company that makes only money will be a poor company.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

But it would need to make the money in order to be able also to invest in the social.

Ravi Chadri

To make money hereafter, the choice is only two, either change willingly or change grudgingly. The point I'm making is that the knowledge based civil society and enlightened shareholders are well on track to ensure that the companies that do not genuinely accept sharing responsibility for the society will not succeed.

And my last point, I believe, sir, that sustainability is also about sharing the values of nature with the society. So I wouldn't put sustainability separate from sharing value with society. Thank you.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Thank you very much. Let's go to the other side, over here. Let me step down. Yes? Who would like -- on this side, there was a hand raised. Could you -- a microphone over there, and then we'll come to the center over here. I'm sorry. There's a microphone back there, please.

Unidentified Participant

Hi, I'm Namratha. I'm from Futurescape. I had a question for the panel, which is that, in a way, are we really reinventing -- in the guise of creating share value are we reinventing what Gandhi once said? And he talked about business being a trustee of society, and he said, I do not believe in charity. I do not believe that business needs to do charity, but business and society must co-exist as trustees. That's my question.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Thank you very much. Let's come to the center right here, two people on this row.

Unidentified Participant

(Inaudible). My question is, Minister talked about CSR and inclusive growth, while the other panelists, Mark talked about CSR and business model. And then the third thing which came up was CSR and charity. So I think I'm a little confused on all these things.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

So you'd like to see --

Unidentified Participant

Yes, a little more (inaudible).

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Right. I think maybe, Mark, we can ask you and Peter what the three things -- philanthropy, corporate responsibility, creating shared value, is there a spectrum, how do they link.? Right.

And on the same table, yes? First, yes -- I'm sorry, who has the microphone right now? Yes, this lady here. And then this gentleman, and then afterwards, please, this gentleman here.

Nisha Agrawal - CEO - Oxfam India

Nisha Agrawal, CEO of Oxfam India. I'd like to start by congratulating Nestle for holding this forum. I attended the one last year which was really about the role of Nestle in development -- and to broaden it and bring in FICCI so that we're really discussing the role of business in development today. This time for the 12th five-year plan, which the Minister mentioned, the title is faster, inclusive, and sustainable development, which is something that everybody in India wants.

Unprecedented consultations were held with civil society for the first time. Later, when we looked at the plan, we felt this is really not going to develop -- give India inclusive and sustainable development. And when we said this to the government, they said to us we have to really balance what civil society wants and what the corporate sector wants in India. And that left us really puzzled because we thought we all wanted the same thing. So, how do we get a shared vision for India? What sustainable development and inclusive development really mean for our country?

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

You're asking a massive question.

Nisha Agrawal - CEO - Oxfam India

I mean, going beyond the Cote d'Ivoire example at the national level.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Thank you very much. Over here, please.

Abhinandan Chatterjee - Blogger

My name is [Abernandon Sarjee]. I'm a blogger, but I'm also a consultant to 100 of the 1,100 companies that John was talking about.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

You have to send us some blog during the day. Yes, go ahead.

Abhinandan Chatterjee - Blogger

Yes. So my question is, having worked with a lot of these organizations which invest heavily into CSR and CSV, one of the things that I see is the gap between commitment and compliance. And what the government is doing right now definitely drives compliance. But what about the commitment? For me to convince an SME, I need an impact on the bottom line which will tell them to commit to the cause instead of just follow the guidelines, and we all know how that works.

So my question just is, how do I create commitment?

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

How do you do it. Okay. Look, we have a lot of people in the hall who want to -- can I ask you -- we have the whole day and many of the questions come back and forth. If you will permit, while we have the minister here, I'd like to go back and get some views and then hold your questions and I'll come back to you first in the next round.

So, Minister, there are many, many questions here. Do you want the others to reply first and then yourself, or would you like --?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

No, [we] could take it.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Very good. So let me start with some of the questions and ask you. Smaller businesses, you took some of the things, problems for smaller businesses where it might be more difficult to sustain such as effort. Is that true? Are we reinventing what Gandhi has said? Is there a part of trust here that needs to be built up?

And I think there's a gap between government compliance and so on. How does that work out? Perhaps, one of you want to pick up the issue on what is the difference between all of these levels.

You do not have to answer all of them, one that you would like. And as we're coming to the end of our session in about 10 minutes, what I would suggest is that you take the ones that you would like perhaps to go in depth a little bit and give your closing thoughts on it.

Who would like to start? John, they referred several times to you.

John Elkington - Executive Chairman - Volans

Well, let me just start. Wonderful questions. Yes, we are reinventing Gandhi and we must respect that history as we do so. The question in the middle here about the alignment or lack of it between business people and ordinary citizens and civil society that used to be a major problem. It's less of a problem than it once was, but the alignment issue remains, because businesses interests to some degree are still quite often opposed to what local communities or others want.

And I just wanted finally to pick up Nancy's question around size. And size really does matter. If you are a very large company like Nestle, you have considerable authority and political weight. But size also gets in the way, and in fact, incumbent organizations and companies really struggle very often to bring through disruptive changes that impact their current business models. I think size is important in a second sense, in the sense that companies like Nestle have very large supply chains and they can cascade new requirements through those supply chains.

But increasingly, the final point, I think many of us started to look to smaller enterprises, social enterprises, family businesses and so on, because often that's where the longer-term thinking and the disruptive innovative approaches are coming from.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Very, very interesting. Sorry. I'd like you to pick up on that because you have many examples also in India --

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

Yes.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

-- of smaller businesses. Does it give them more freedom to be able to look long term or is there a part in real CSV that's quite difficult, time consuming, management in depth, or is this not true at all?

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

Well, CSV is fundamentally about new business opportunity and the question of how it overlaps with philanthropy and how it overlaps with sustainability is a complicated one, and they do in fact overlap. And I absolutely concur with John that there are crucial elements of sustainability that are not addressed by shared value. But they all involve this interplay between business and society and it happens for any size business.

There are indeed lots of social entrepreneurs -- actually, in India, I believe more than almost anywhere else in the world that are finding new models of inclusive business, that are finding ways to provide education, health care, goods and services, hygiene, food security to very low income populations in part because the scale in India is so extraordinary and the opportunities are so extraordinary.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Mark -- you just give us philanthropy. Is there a definition or clarity, or are they all moving from one to the other, from philanthropy to social responsibility?

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

Well, the idea of philanthropy is that the actual work is to be done by a nonprofit or an NGO, because philanthropy is saying I write a check to someone else to do the work, and there are things that only NGOs can do. But on the other hand, there are tremendous resources in knowledge and networks and expertise and leverage and supply chains that companies have that enable them to achieve a social impact that NGOs cannot.

And so, when we step back and say the business just runs the business, ignores the social issues and just gives to charity, you miss the fact that the business can contribute immensely to the solution of social issues. And in one of the areas where it can contribute the most is around scale. Nonprofits around the world struggle with the question of how do we achieve scale in our solutions. And when a large company like one of those companies, 1,100 companies says we're going to tackle a social problem, they do it on a scale that affects millions of people.

I mean, a trivial example is the McDonald's in the US, decided under pressure from NGOs that they should put apples in their children's Happy Meals instead of French fries. Overnight, they doubled America's consumption of apples. This is the scale on which large companies can have an impact, and when they choose to do it for good, it's immensely powerful.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

So in other words, the movement between philanthropy, corporate social responsibility and creating shared value is not just totally different. There is a line that connects them in ways --

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

There is a line and it's really about a different role. So philanthropy is depending on the nonprofit to do the work. Corporate social responsibility is very much about what the company does in its own value chain, in its own set of activities; are we creating harms or

goods with our employees, with our supply chain. Shared value takes on another dimension as well, which is to say companies can go help solve problems that they didn't cause.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Right.

Mark Kramer - Senior Fellow - Harvard Kennedy School of Government

They can find business models to impact others.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Right, that's interesting. I hope that answers all of your question. I'll ask Peter and then close the session with yourself, Minister. Yes?

Peter Brabeck-Letmathe - Chairman - Nestle S.A.

Well, I thought inside the questions that were coming up were a lot of the answers. For example, we heard is corporate social responsibility charity? Is corporate social responsibility corporate cosmetics? It came from you. And I think just those two questions show me why I had the problem with this global aspect of corporate social responsibility, because it was seen, it was felt that it is something like cosmetics or it could be charity and things like that.

And when you're talking about from corporate social responsibility to individual social responsibility of the CEO, which I thought was interesting, I can agree with that, but I would see immediately a limitation. I do not believe that the CEO has the right to exercise his individual social responsibility through philanthropy of the money of the corporation.

You see, that's what happened many, many times, and I think this is exactly one of the root problems with philanthropy. Philanthropy can be done by those who are the owner of the money. Philanthropy should not be done by corporations and the CEO of the corporation. It's very easy to make philanthropy with the money of my shareholders. If it's my money, it's a different story.

So Bill Gates has absolutely the right to do philanthropy and help the NGOs to achieve, but I don't think that the CEO of Microsoft has a right to make philanthropy with the money of the shareholders of Microsoft. And this is why we have developed this new concept, which goes in a different direction. It puts the creating shared value in the center of strategic thinking and acting of a corporation. That's a big difference toward this overall cosmetic or charity concept of creating shared value, because I think one of the main questions that comes through is very clearly, this one.

And therefore, the next question which came in or which was mentioned, invest heavily in creating corporate social responsibility. If you believe in creating shared value, you will never invest heavily into something you invest heavily into your business, but as the business creates value for shareholder and society, it's good. So you don't have to have this antagonism between profit making on one side, and on the other side, assuming a social aspect.

And I think that was a very first article that Mark Kramer and Michael Porter wrote. It wasn't even called creating shared value. It was at that time, and that was the article that attracted my attention to those two gentlemen was that they pointed out there was no antagonism if this was done between investing into the social responsibility and investing into the shareholder responsibility.

And just to finish off, I think one of the beauty of creating shared value is that it can be applied by everybody even if it is a small enterprise. Of course, you don't have the scale. But if I take all the small and medium sized enterprises, if all of them would embrace this, their scale would be as big or even bigger than the one, because I believe that the small enterprise, if it embraces this, can have a proportionately even bigger impact than the big one.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

That is very interesting. Minister, the last word is to you. What thought would you like to leave with us with and that you yourself would like companies to do or you would like us to remember?

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

In fact, the questions which have been raised, they really reflect the (inaudible) looking attitude of our corporate entities. In fact, I don't find much difference between the trusteeship concept which has and was said by Mahatma Gandhi and the business today, because the trusteeship -- that kind of flavor of trusteeship percolated between the corporate entities, the shareholders and in turn to the society. I don't think the trusteeship is the world of the exact business model.

Other question with regard to the CSR is not a concept which is just imposed. That's a concept which has to be built into the business model. Unless it is built into the business model, the CSR will have become -- will no significant (inaudible). Ultimately, I would rather see that CSR should develop as the soul of the business entity. Ultimately, that should be the concept how we need to develop.

For example -- CSR is not a standalone term. Ultimately, the sustainability and the inclusive development also refers to the creation of job opportunities. For example, in our country, 50% of our population today is about 30 years old. That means to say that we need to -- creation of job also I don't think it can be different from creating that kind of a societal value. All these things, I think -- of course, I do agree that today, end of the day, valuable discussion, deliberation, you may come out with excellent input to buildup a reason so that we can take it forward.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

Excellent. Minister, we must all thank you very much for you presence --

Veerappa Moily - Minister of Petroleum and Natural Gas, Government of India

Thank you.

Maria Livanos Cattai - Former Secretary General, ICC and Former Managing Director, WEF

-- among us, and also Peter and Mark and John as well. It has been exciting tone. There are many questions. We'll get to them. Please remind yourselves to bring them up in our next sessions. I'd like to also thank the people online. I've been reading some of the very interesting questions on human rights, how it relates, and perhaps we can pick that up later to CSV.

Now, we are going to take a short break on the lawn outside, and I'd like to ask you promptly to be back at 11.30 for our next session, which is on the Double Burden of Nutrition. And those of you who would like to record a comment on YouTube, as you pass out, there will be a booth.

May I ask for a hand and a big thanks for the Minister and the panelists? Thank you very much, Minister. Thank you.