



The role of business in development

WELCOME AND INTRODUCTION

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

Good morning, everyone, Minister, ladies and gentlemen, and may I add, Namaste. I hope I'm pronouncing that vaguely correctly. My name is Maria Livanos Cattai, and I will be your moderator for this, which is the Fourth Creating Shared Value Global Forum.

We have a very impressive lineup of panelists today and I for one am looking forward to a fascinating discussion on the role of business in society. But today's event would not be possible without our host, the Federation of Indian Chambers of Commerce and Industry, known as FICCI and Nestle. And we will be hearing very shortly from Rajya Kanoria, who's the President of FICCI, and from Peter Brabeck, the Chairman of Nestle.

Before I hand over, I would like simply to orient you very briefly on certain essential safety and housekeeping matters. First of all, in the event of a fire, please use the main doors through which you came or the fire doors on this side. There will be hotel staff on hand immediately to help escort us all to a safe area.

Second, may I ask you please to keep your name tags on at all times during the day. Third, the restrooms are outside, on your left-hand side between the Shah Jahan and Mumtaz halls. And finally, I'm sure I don't have to remind you, if you would be so kind just to switch your mobile phones and other similar devices into the silent mode, even if you are tweeting. Shortly in awhile I'm going to call up the Twitter handle and the other social media ways that you can interact with the panelists.

And now to begin our forum. I would request the following people to come to the stage to light the lamp to mark the start of our CSV Forum. Minister Molly, Minister Veerappa Moily, Mr. Peter Brabeck, Mr. Rajya Kanoria, Mr. Paul Bulcke, Mr. Nandu Nandkishore.

And now, I would like very much to call on FICCI's President Rajya Kanoria for his welcome to us. Rajya?

Rajya Vardhan Kanoria - *President, Federation of Indian Chambers of Commerce and Industry*

Thank you very much, Maria. Shri Veerappa Moily, Minister for Petroleum and Natural Gas government of India; Mr. Peter Brabeck, Chairman, Nestle; Ms. Maria Livanos Cattai, the moderator for the day; and distinguished guests, I would like to welcome you both on behalf of Mr. Peter Brabeck and myself in welcoming this august gathering this morning to the Creating Shared Value Forum on the Role of Business in Development.

FICCI is proud to be a co-host in this event with Nestle. Since inception, the journey of FICCI is closely interwoven with India's growth story and we have been constantly working with our partners to explore ways in which businesses can work closely with society to address our nation's development needs.

There are new challenges we face in the world today that need multi-stakeholder responses. There is a need and an opportunity now more than ever for synergies between civil society and government, business and government, and business and civil society. There are issues of nutrition security, especially in the context of India that need urgent attention.

India has the highest number of malnourished children in the world. Despite the high growth rates and the rise of India as a global player that we have witnessed in the past decade, a lot needs to be done to address the hunger and nutrition situation in the country. The paradox of poverty and plenty needs to be resolved. There are issues not unassociated with that of availability of water and

energy, and with that, of food security. Food security implies that people not only have access to ample food, but to ample nutritious food.

India faces neglect in aspects of energy supply, water, health care, and education. In this context and in the context of rising global food prices and rising population in India, it is now more than ever that we need to find ways of improving lives and livelihoods of people. India has a rich tradition of giving. Indian businesses traditionally have believed in giving back to society.

FICCI has done extensive work in promoting corporate social responsibility, resource conservation, and management. We have in recent times explored an emerging ideology of conscious capitalism, which calls for businesses to be more conscious of the ecosystem in which they exist for a more long-term view of their impact on environment and society.

Creating shared value exemplifies this ideology in action. I can think of many examples of companies who have incorporated this philosophy in their business model. Tata Steel still has impacted its surrounding splendidly in the town of Jamshedpur, impacting lives and livelihoods of the area surrounding it, turning it into a model industrial town. Nestle, who have organized this program, the Nestle Moga story has much to be proud about for over 50 years of creating shared value.

Creating Shared Value opens up a new area for businesses to be conscious of their role in development. And as Michael Porter says, it's the most sophisticated form of capitalism. It has the ability to address societal issues as integral to profit maximization instead of treating it outside the profit model. This is a view that is consistent with the realities of our world today.

What responsible business must do does not end with compliance alone. The need to go further and do more does not make for charity, but leads to a better business outcome. We must not view value creation in a narrow sense, optimizing short-term financial performance while ignoring broader influences that ensure long-term durable success.

Corporates need to be conscious of the economic distress of communities in which they produce and sell, and on the impact on the natural habitat and natural resources sometimes vital to their own businesses. Over time, differentiation between a good company and a not-so-good company will depend a lot on the company's engagement with its stakeholders in a holistic sense. We have seen this in our own lifetime and can discern the characteristics that make great companies. I hope that in the course of the discussion today we will find out more about how we can further this concept.

There is also a need as I see it to translate the concept of creating shared value to a language that businesses understand very well, measurable results. I expect that we will engage in thought-provoking discussions on this and other important challenges, and by the end of this day have a better idea of a way forward.

I am excited about the potential this conference holds. We are delighted to be the co-host of today's event. I look forward to learning a lot from the ensuing discussions. I'm equally excited to interact with all of you present in the audience today, as well as our esteemed panel who are thought leaders in the areas they will be speaking on.

With that, may I once again welcome all of you, and may I hand this over now to Maria. Thank you.

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

Thank you very much, sir. And I'd like to call on Peter Brabeck, Chairman of Nestle.

Peter Brabeck – *Chairman, Nestle S.A.*

Ladies and gentlemen, a very warm welcome to this fourth global Creating Shared Value forum. A special thanks first of all to our friends, Rajya Kanoria and the Federation of Indian Chambers of Commerce and Industry for the warm hospitality, which we all have felt during those initial hours, and for the leadership they are providing to business in India, including by hosting this forum here today in partnership with our company.

I would also like to thank to our eminent panelists, our Minister Moily, who is with us, and we are looking forward to hear from you, your thoughts on this important subject. Also UN Assistant Secretary Ajay Chhibber, and to all our audience here today. But also not only the audience, which we have here in the room, but also the audience, which is with us online all over the world.

Today's subject, why creating shared value? For those perhaps who are unfamiliar with this concept, this is a way of looking at the role of business and society, which says very simple, that a company can only be successful in the long term when it creates value both for its shareholder, who are the one who gives the capital, and also creates value for society, who is the one who allows it to act.

Let me put the frame around this meeting of today. What are the key factors that we have to confront in this world? The world population is projected to grow by 2.6 billion between now and 2050. This marks a 30% increase of today's population worldwide. The number of people suffering from chronic hunger is currently estimated at 925 million, 62 of which are living in Asia and the Pacific. But at the same time, another 1.5 billion of people are overweight. And yet, many of both, both those are hungry and those who are overweight are deficient in micronutrients.

It is estimated that 1.62 billion of people, which means almost 25% of the global population are anemic. The highest prevalence is in the preschool children, 47.4% of all preschool children, and 293 million [full] pregnant women. In 2010, 43 million children worldwide under 5 years of age were at the same time estimated to be obese. 2.6 billion, so 40% of the world population live on less than \$2 per day, and 1.4 billion live less on \$1.25 per day, and about, as I mentioned, 925 million people lack sufficient purchasing power in order to cover the caloric intake that they need just to sustain a medium level of physical activity.

Interesting 75% of the world's poor live not in the cities. They live in the rural areas. It has been estimated that about 525 million farms exist worldwide, providing a livelihood for about 40% of the world population. Nearly 90% of those are small farmers, which are defined as having less than 2 hectares of small land. Small farms occupy about 60% of the arable land that we have.

And one aspect which is so many times forgotten by politicians, for the poorest people, GDP growth originating in agriculture is about 4 times more effective in reducing poverty than GDP growth originating outside the sector. Currently, 70% of fresh water withdrawn is for agricultural use, 20% for industry, and 10% for households.

In developing countries, agriculture uses 85% of fresh water withdrawals. 884 million people still use unimproved sources for drinking water, which includes unprotected wells and vendor provided water, and 2.6 billion of people have no access to improve sanitation. Those are the realities of today, and faced with these realities, business cannot operate in a vacuum. This is the environment that we are operating in.

So the question is, why is creating shared value as a concept so attractive? Well, it really started in a World Economic Forum meeting - a Davos when the main subject was corporate social responsibility and we have to give back to society. At the end of this meeting, I allowed to stay up and say I'm very sorry, I don't have to give back to society because I have not been stealing from society. We have been creating value for society by doing what we have been doing successfully for almost 150 years. And based on this, I had asked Professors Porter and Kramer to make an examination of our business in Latin America and to see whether we were really creating value for society and for our shareholders.

I think what we learned was if we integrate the idea about creating shared value into the main strategies of our business, if we consciously by making strategic decisions think about the value that we are creating for the society and for our shareholders, we can combined the two things in a very attractive manner and will allow us to optimize this creating shared value.

Obviously, every company is different and every society is different, and we have to learn where this optimization of creating shared value can best happen. In our case at Nestle, we identified three areas. One was nutrition, the other was water, and the third one was rural development. As the world's leading nutritionists and wellness company, we believe that our future lies in helping people to eat a healthier diet and therefore a healthier life. Using our science-based approach, we're helping improve nutrition, addressing deficiency in vitamins and mineral at one end of the spectrum and obesity at the other one.

Water scarcity is becoming a serious reality in many parts of the world. By addressing water management both within our operations, within the communities we are based in and sourced from, but also working with others to improve public policy, we are helping to promote good water stewardship globally.

The overall well-being of farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long-term success of our business. Yet, as I mentioned before, an estimated 70% of global poverty is concentrated in these rural areas. Therefore, we are working to support rural communities surrounding our operations and building a better future. These ideas and this focus are relevant also for India and South Asia for many reasons. At the same time, as malnutrition affects 1 in every 3 children in India, it also has some of the fastest-growing incidents of diabetes in the world.

Water challenges are also acute here in India. Many of us heard the stories of (inaudible) water table sinking by a meter per year, and many other examples of why good water management is critical in the Indian context.

Rural development is also critical in India. Allow me to quote the Indian government. "Agriculture provides a principal means of livelihood for over 58.4% of India's population. It contributes approximately one-fifth of total gross domestic product. Agriculture accounts for about 10% of the total export earnings and provides raw material to the large number of industries.

Low and volatile growth rates and the recent escalation of agrarian crisis in several parts of the Indian countryside, however, are a threat not only to the national food security, but also to the economic well-being of the nation as a whole."

So, ladies and gentlemen, we hope that we will hear from our experts today on how to address these and many other challenges. For our part, we believe in the power of creating shared value and believe its greatest strengths is in the fact that this not a close system. This is an open source. Anyone can apply it and practice and Nestle is especially keen to share its knowledge and experience which has developed over the last couple of years.

It will be most effective when it stimulates creating thinking in all sectors, private sector, civil society and government to address the common development challenges facing us all. In this sense, I think, once more, FICCI and its president, I hope for enlightening discussion and above all I hope for practical outcome. Thank you very much.

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

Thank you very much, Rajya, and Peter. I'd like to add my own welcome not only to those of you who are physically present with us, but also to those who are watching online. And I hope you'll be just as engaged in the discussions as those here in the room.

Our forum today, following the welcome words that you have heard, will focus on how to leverage the power of business to reduce poverty and malnutrition, also to protect environment and create a sustainable future. These are issues at the crux of many of our major questions that we face.

The discussions will be completely spontaneous, they are unrehearsed, there will be no prepared statements or speeches, and we will open up for questions from all of you at each session. So, I do urge you to be ready. There will be ladies coming forward with microphones.

Now, I'd like to show you on a slide right there how those of you watching online or anyone in this room at any time, you can post a question or comment either via the Ask a Question button on the webcast page, or via the social media sites that are displayed on the screens. We will try to answer as many as we can.

And to those of you who don't get your questions answered live will receive an answer after the event. And those of you who are not connected to Twitter or Facebook are encouraged to record your thoughts and reactions during the breaks at the YouTube booth, which is just outside the hall, and your remarks will also of course find their way onto the Internet.

Now this morning we will start with the discussion on Creating Shared Value, Building on Philanthropy and Corporate Social Responsibility. That is our first session. We will then have a short break, And I ask everyone to be back here promptly at 11.30 for our second session on the Double Burden of Nutrition. And then we will have after that some lunch and be back here, and I will guide you through the afternoon.

Many of you I know, and I want to just say this at the end of the day, we'll be looking forward to the announcement of the 2012 Nestle Creating Shared Value prize winner. And they're going to be some very lucky people, indeed.