

Introduction



Nestlé is the world's leading nutrition, health and wellness company. It employs around 330,000 people and has 461 factories in 83 countries around the world; almost half of these are in developing countries.

In the UK, Nestlé employs more than 7,000 people across 19 sites. The company is one of the UK and Ireland's major exporters, exporting over £300 million worth of products every year to over 50 countries around the world.

Nestlé is a household name within the UK, producing some of Britain's most popular brands such as KIT KAT®, NESCAFÉ®, SMARTIES®, GO CAT® and SHREDDIES®. Over one billion KIT KATs are produced in the UK every year.

Nestlé's culture

Nestlé has a series of corporate business principles designed to guide the way in which the organisation and its employees operate. These principles are at the basis of Nestlé's culture and aim to protect the trust of its consumers and other stakeholders. The principles and their associated policies are concerned with activities related to:

1. consumers
2. human rights and labour practices
3. employees
4. suppliers and customers
5. the environment.

Nestlé works within the secondary sector of industry, creating and supplying products to customers. It converts raw materials into finished goods for consumers to enjoy. Raw materials used in many of Nestlé's products are sourced from the primary sector. For example, Nestlé brands such as KIT KAT, AERO® and SMARTIES contain cocoa sourced from cocoa farmers around the world.

Nestlé works with cocoa farmers in order to help them run profitable farms and eliminate child labour, whilst developing a sustainable supply of cocoa for Nestlé products.

This case study looks at the importance of applying the principles of corporate social responsibility to a business' activities. It will demonstrate how Nestlé creates shared value within its cocoa supply chain to enhance the lives of cocoa farmers whilst also improving the quality of its products for consumers.



Corporate Social Responsibility



In Business Studies curriculum terms, Corporate Social Responsibility (CSR) involves the business taking a broad view of its activities, looking beyond profits for shareholders and focusing on other stakeholders. A stakeholder is anyone that has an interest in or may affect the decisions and actions of a business.

Stakeholders can be internal or external to the business. Internal stakeholders include employees and shareholders. External stakeholders include suppliers, customers, the communities in which the business operates and the environment.

For companies like Nestlé, which work with suppliers from a range of countries, many in poorer regions of the world, it is becoming increasingly important to take a wider view of responsibilities. Nestlé believes for a company to be successful in the long term and create value for its shareholders, it must also create value for society. It calls this Creating Shared Value.

Creating Shared Value

Creating Shared Value has become an integral part of the way in which Nestlé does business. It is based on compliance with international laws and codes of conduct and the company's business principles, and a focus on environmental sustainability. However, Creating Shared Value goes beyond compliance and sustainability. It aims to create new and greater value for society and shareholders in the areas where the company can have the biggest impact – nutrition, water and rural development. These are core to its business activities and vital for its value chain:



- Water: because the ongoing quality and availability of it is critical to life, to the production of food and to Nestlé's operations.
- Rural development: because the overall well-being of farmers, rural communities, workers and small businesses and suppliers is intrinsic to the long-term success of Nestlé's business.
- Nutrition: because food and nutrition are the basis of health and of Nestlé's business as the leading Nutrition, Health and Wellness company.

Partnerships

Nestlé actively seeks engagement and partnerships with external stakeholders to optimise positive impact. It aims to use the power of its core activities and partnerships for the joint benefit of the people in

the countries where it operates and of its shareholders.

Global principles and goals set by organisations such as the United Nations also help to shape a company's approach to corporate social responsibility. For example, Nestlé's Corporate Business Principles incorporate the 10 United Nations Global Compact Principles on Human Rights, Labour, the Environment and Corruption. Nestlé is an active member of several of the Compact's Working Groups and Initiatives.

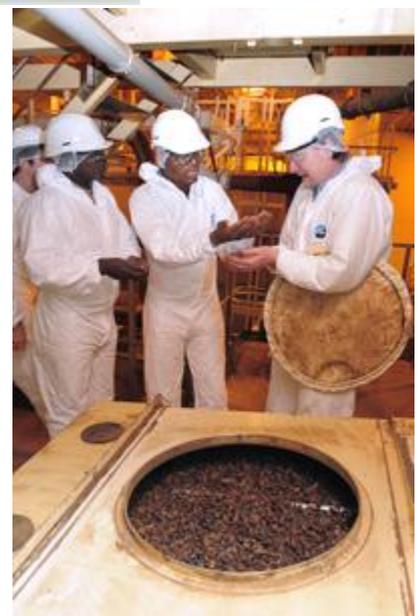
Creating Shared Value along the supply chain



Supply chain activities transform natural resources and raw materials into finished products which are delivered to the end consumer. Each stage of the process adds value to the overall end product.

Nestlé operates within complex supply chains. Its cocoa supply chain goes from cocoa bean to chocolate bar. This path starts with cocoa from farmers, who grow the crops; to cooperatives, which manage the sale of the crops; to processors and manufacturers, such as Nestlé which create chocolate products; to retailers such as supermarkets, and finally to consumers who purchase the products.

Nestlé sources materials from thousands of farms, many of them small farmers in poorer rural regions of the world. In many rural communities, a lack of investment in infrastructure has a serious impact on the quality and quantity of raw materials that Nestlé and other companies rely on. Nestlé provides training in order to encourage sustainable production, protect the supply and quality of its raw materials and have a positive, long-term impact on the local economy and farmers' standards of living.



Around two-thirds of Nestlé's worldwide expenditure is on raw materials. Nearly 40% of this goes on three main ingredients: milk, coffee and cocoa. Cocoa is the main ingredient in chocolate and as such is vital to Nestlé. It comes from cocoa beans that grow in a pod on a cocoa tree.

The Nestlé Cocoa Plan



The Nestlé Cocoa Plan was launched in October 2009 in the Côte d'Ivoire, Africa. It is a prime example of Nestlé's Creating Shared Value approach to business and involves investment of £67 million between 2010 and 2020, building on £37 million in the 15 years before the plan. The initiative aims to help cocoa farmers to run profitable farms, respect the environment, have a good quality of life and give their children a better education.

However, it also aims to ensure a sustainable and high quality supply of cocoa for Nestlé in the long-term. Some of the areas it focuses on to achieve this are: improved farmer training, buying from cooperatives and paying a

premium, and working with certification programmes such as Fairtrade. This creates value through the supply chain, particularly for farmers and their families along the way.

The Cocoa Plan has become a key way in which Nestlé is tackling issues facing cocoa farmers as well as their families and communities. Nestlé sources most of its cocoa production from Côte d'Ivoire. Both the quality and quantity of cocoa supplies are in decline. The average cocoa farmer is over 55 years old and so the industry needs to consider where the next generation of cocoa farmers will come from. Many younger people in the region are leaving the countryside to work in cities. As a result there is a shortage of labour and skills. Ultimately, the aim is to raise the standard of living of cocoa farmers to ensure a new generation of cocoa farmers will take over and benefit.

Benefits of responsible behaviour

The Cocoa Plan is a clear example of Nestlé Creating Shared Value both for the company and for cocoa farmers, their families and their local communities. Through it, Nestlé benefits from ensuring the supply of high-quality and sustainably sourced cocoa for its products. It also ensures it supports the cocoa farming community development and meets certified ethical and environmental standards.

Nestlé's focus on improving supply has delivered benefits in many areas:

- Investing in plant research - By developing higher quality seedlings which produce typically 50%–200% more cocoa, this enables cocoa farmers to grow more and sustain a higher income. Nestlé has set up a Research and Development Centre in Abidjan in the Côte d'Ivoire to support the development of higher-yielding, disease-tolerant cocoa plantlets.
- Investing in training farmers – Training farmers to understand better crop management techniques and pest management, as well as improving their awareness of child labour issues, helps to improve outputs and boosts farmers' incomes.
- Improving social conditions – Nestlé has set up a partnership with the World Cocoa Foundation to build and repair schools within the cocoa farming regions and support cocoa farmers and their families. This will mean that attending school will become a more attractive and viable option for parents and children and that the risk of child labour will be reduced.



- The Fairtrade and UTZ labels – Crops are certificated under the Fairtrade label. Nestlé pays a premium for its cocoa beans, which improves the growers' levels of income and helps to secure the future growth of communities. Nestlé is also the first food company to join the Fair Labor Association (FLA) and has its work in Côte d'Ivoire assessed openly and independently. The Cocoa Plan is an evolving and growing programme. Each year more cooperatives of farmers are being added to the plan. The plan has also been extended to other countries such as Indonesia, Ghana, Venezuela and Ecuador.



Communicating with stakeholders



Effective communication with stakeholders is also an important element of responsible business behaviour. For Nestlé, engaging with stakeholders underpins Creating Shared Value. It enables it to identify emerging issues, shape its responses and continue to drive improvements in its performance. Topics raised by stakeholders are discussed with them in a variety of local and international forums. These include: nutrition, health and wellness; education and access; Nestlé's role in public policy issues; auditing and disclosure of infant formula marketing practices; and food safety.

Nestlé engages with stakeholders through a variety of ways. For example:

- Through Nestlé's annual reports and Creating Shared Value reports, stakeholders can see where funds are invested, how the company is addressing issues such as environmental performance and the positive impact of Creating Shared Value activities.
- Stakeholder convenings, held in various countries where Nestlé has operations, communicate its approach and invite feedback on its Creating Shared Value efforts.
- The Nestlé Supplier Code establishes the minimum standards that its suppliers, their employees, agents and subcontractors need to meet. This demonstrates how Nestlé is committed to developing responsible practices right through its supply chain.
- The Nestlé corporate website contains information on all company policies, principles and activities.
- There are dedicated websites to key projects such as the Cocoa Plan. These sites bring together all the detail of the initiative in an easy-to-read and understandable way.
- This case study aims to help to reveal to young people the complexities of global supply chains and how companies such as Nestlé respond to these issues.

The Cocoa Plan has led to numerous partnerships with other organisations such as the Fair Labor Association and the Red Cross/Red Crescent societies. These relationships help Nestlé to fight illegal labour practices. Nestlé also has partnerships with supply chain organisations and governments which support good agricultural practices. These practices have created benefits for stakeholders across the industry, including consumers, shareholders, farmers and other partners. For example, one partnering initiative with the Co-operative Group is paying for educational packs for schools in the Côte d'Ivoire region.

Conclusion

Creating Shared Value has enabled Nestlé to adopt a wider focus to its responsibilities. In doing so, it has been able to bring about a whole series of benefits to stakeholders, whether they are farmers and their communities, shareholders or consumers.

The Cocoa Plan is Nestlé's way of dealing with issues facing cocoa farmers and their communities. This is a long-term process that has created better outcomes for all involved in the cocoa industry. It has enabled Nestlé to support local communities as well as improving both the quality and output of cocoa.

