

UNCTAD AMBASSADORS ROUNDTABLE on Investing in the SDGs

Statement by Mark Schneider, Chief Executive Officer, Nestlé

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Excellencies, Ladies and Gentlemen,

Thank you, Mr. Zhan, for the invitation to be here today and for your kind introduction.

It is an honour and a pleasure to have this opportunity to address the Ambassadors' Roundtable. After my brief remarks, I very much look forward to hearing from all of you on this important topic of investment and the SDGs.

In my remarks today, I would like to give you a few insights into Nestlé and our approach to the sustainable development agenda. In particular, I will give examples of how Nestlé strives to create shared value in its activities and investments. While other international firms may share our approach, I will largely refer to Nestlé because this is the company I lead and know well.

I believe that domestic and foreign private sector investment is a necessary ingredient for long-term business success and for broad economic and societal prosperity. It follows that the private sector must play a role in achieving the sustainable development agenda.

The question is how to go about this. Nestlé believes that a creating shared value approach to business activity is the right way to go.

First, let me start with a little bit of history about Nestlé. The story behind Nestlé is highly relevant today, particularly as we think through the challenges facing society. It is a story about investing in science to find a solution to a particular need. It is a story about investing in order to scale an innovation, and it is a story about investing abroad.

Nestlé was founded more than 150 years ago by a German-born pharmacist based in Vevey, Switzerland. This pharmacist, Henri Nestlé, invented a product called *Farine Lactée* - a mix of condensed milk and ground-up cereal - in an attempt to save the life of a newborn baby that could not be breast fed by his mother. The baby survived and demand grew. Production followed and Nestlé quickly began to expand abroad, first to Germany, France and the US, and then rapidly to other countries in Europe. Just three years later, its products reached Australia, at the other end of the world.

In 1905, Nestlé merged with a Swiss-based dairy company founded by two brothers from the US. The merger brought 20 factories into its fold and an additional head office in London to drive dairy export sales. At this point, the company also started using overseas subsidiaries to establish a global sales network.

Today, Nestlé is a truly global food company but with very strong local roots and operations. In the end, the consumer is local. Nestlé is thus rather decentralized and investment decisions are made locally or regionally, to the extent possible.

The company brings together over 300'000 employees and has a presence in 190 countries. It operates 413 factories in 85 countries, many of which are located in communities outside major cities or in rural areas close to the sources of its agricultural raw materials.

Nestlé has been domestically embedded in most of its markets for a very long time - many for more than 100 years. Moreover, it stays the course in difficult circumstances. This is something that is strongly anchored in the Nestlé DNA. It requires endurance and staying power. But it also allows the company to understand local conditions and respond accordingly. And it makes us a true local citizen.

With sales of over USD 90 billion in 2018, Nestlé is the largest food company worldwide. Its global market share is only about 3.4%, because the food sector has always been and will remain highly fragmented. This characteristic implies that - when we talk about investing to move an agenda in a systemic sense - firms in our sector need partnerships and collaboration.

Nestlé has always believed that long-term shareholder value creation is only possible if business serves the common good at the same time. It is in the interest of business that resources remain available in the long-term and that communities thrive. When private sector investment is done right, it can make a real contribution to society. It can help find solutions to societal challenges that are not just ideas but practical actions that get traction on the ground. Business can and should be a force for good.

For Nestlé, this is captured by the principle of creating shared value – meaning value for both shareholders and for society. Nestlé applies this as a fundamental principle to all its activities across the world.

What really matters is creating shared value along the entire value-chain, through our everyday products and brands, and through our factories, logistics, and organization.

It also means sharing the value created with people in a wide range of economic and social environments. This includes our customers, our suppliers and our employees, their families and the communities in which we work. It includes the overall industry by, for example, creating competitive pressure. Last, but by no means least, it means sharing value with our shareholders.

In this spirit, Nestlé was actively involved in the development of the SDGs. This engagement was an important departure from the Millennium Development Goals, which were developed with little private sector input. In my mind, this inclusive approach was positive. With this new, inclusive mind-set, the SDGs have provided a framework within which companies identify how best to contribute to, or align with, societal issues.

For its part, Nestlé has explicitly linked the SDGs to its material challenges. Our sustainability strategy is carefully mapped against the 17 goals. Each commitment and impact area corresponds to one or more SDGs. This leads to a holistic approach to business and society and means setting corporate business goals that include environmental, social and governance practices across our operations.

Practically speaking, this leads to value creation for business but also for communities and the surrounding environment. Let me outline a few examples of this.

First, we want to contribute to healthier lives, with a particular focus on children's nutrition. Improving the nutritional profile of our products is at the very heart of our business strategy and actions, linking us closely to SDG # 3. This may be achieved through investment in reformulating existing products so they have less sugar, salt and fat on the one hand, and more vegetables and healthy sources of proteins on the other. Or it may be achieved by investing in new ways to fortify foods with micronutrients such as vitamin A or iron, that can benefit specific populations. It may also require investing in nutrition awareness and literacy.

Second, we are strongly committed to the communities in which we are present. This can manifest itself in many ways. One key element for us is investing in the next generation of farmers and entrepreneurs across Nestlé's value chain. Farmers grow the ingredients that we need to make our products. It is in our interests to ensure that these ingredients are sustainable and of a high quality. At the same time, the world will need more food as its population grows. It is only by making the agriculture sector economically sustainable – so that the children of farmers want to continue to farm - that we can guarantee food on the table for future generations.

Nestlé is investing in different ways to support young farmers – we call them agripreneurs – such as sharing management know-how or providing financial expertise.

It is also important to encourage the rural ecosystem more broadly. One of the best illustrations of this is the milk district model. We have found that adapting the Swiss milk district system to dairy farming in developing countries makes it possible to contribute directly to poverty reduction [SDG # 1] and improved nutrition on a wide scale. The milk district model combines the establishment of milk collection centres with transportation and infrastructure networks, free veterinary services, technical assistance, and microfinance loans. A key element as well is ensuring prompt payment to farmers for each delivery so they have regular incomes. In Pakistan, more than 135'000 farmers supply milk to two Nestlé factories through milk delivery points distributed across 2'000 villages.

Let me outline another clear example of creating shared value. In recent years, Nespresso has been at the forefront of reviving the coffee sector in countries facing challenging conditions and declining production [SDG # 1, 8]. South Sudan, whose coffee industry was largely destroyed after forty years of civil war, is one example of this. We partnered with Technoserve, an international not-for-profit organization that promotes business solutions to poverty, and also with the ministry of agriculture. In 2015, Nespresso was the first and only company to offer South Sudanese coffee to global consumers. More recently, we announced a long-term investment plan to help revive Zimbabwe's coffee industry and stimulate the rural economy there. This follows a sharp decline in local coffee production over the past 18 years.

Finally, let me say a few words about the environmental challenges we are facing today, such as climate change or biodiversity. One of the most urgent problems is packaging waste, in particular plastic waste [SDG # 12, 14]. In 2018, we pledged to make our packaging fully recyclable or reusable by 2025. This year, we announced a series of specific measures to achieve this pledge and created an Institute of Packaging Sciences, which will enable us to generate a strong pipeline of sustainable packaging solutions for Nestlé products across our business and markets. Nestlé experts are already co-developing and testing new materials and systems together with our suppliers, research institutions, start-ups and development centers.

In many ways, the plastic waste challenge is an illustration of the role that investment in new technologies and innovation can play.

Let me look at the bigger picture now and explore what we can take away from Nestlé's approach and experience.

First: the role of the private sector. We are witnessing a debate today on the merits of private sector activity. People are asking whether private enterprise and social development are by definition exclusive activities. Can companies and competition be a catalyst for broad and sustainable prosperity?

Personally, I do not think we can afford this debate. It is clear that business is an important actor to deliver the SDGs. The private sector is a remarkably powerful driver of sustainable development. At the same time, the system works best when actors think, act and invest for the long-term.

Second: private sector investment goes beyond just money. Of course, money matters. As per the excellent publication by UNCTAD on SDG investment trends, the food and agriculture sector alone faces an annual investment gap of USD 260 billion. So, yes, more capital is needed. But our experience has shown that financial investment, when combined with other types of investment such as skills development, can go much further.

Third: collaboration. We are a large global firm and we can leverage our size. But we also need partnerships to help scale our investments or deliver wider impact. In South Sudan, we worked with Technoserve and the government to do that. In our milk district in Pakistan, we partnered with the UNDP to help train female livestock workers. With collaboration, I do believe you can get a bigger bang for your buck.

The international community in Geneva addresses economic issues such as trade, investment, employment with a systemic lens. This group can be an important bridge for both collaboration and scale.

By way of closing, let me reiterate the importance of including the private sector in shaping the SDGs. This has given firms a framework for their activities as well as an opportunity and a responsibility to help deliver the goals. By investing in line with creating shared value principles, I believe firms can harness these opportunities strategically.