

Background on the organization

Nestlé is the world's largest food and beverage company, headquartered in Switzerland. The company was founded in 1866 and has since grown to include over 2,000 different brands present in 186 countries worldwide. In 2020, this private for-profit company had USD 84.3 billion in sales, resulting in a net profit of approximately USD 13.3 billion. The company has 308 affiliate offices in 115 countries around the world and employs about 273,000 people [1].

Through its many brands, Nestlé offers products in the following industries: baby foods, bottled water, cereals, chocolate & confectionary, coffee, frozen food, dairy, drinks, food service, healthcare nutrition, ice cream, and pet care. This includes brands like Gerber, Nespresso, Stouffer's, Nesquik, and Purina, to name a few. The company's mission is to "unlock the power of food to enhance quality of life for everyone, today and for generations to come" [1]. Nestlé views Creating Shared Value as a foundational aspect of how they operate—for employees, communities, shareholders, society, and the environment. This value creation is done in accordance with their six corporate business principles: Consumers, Our People, Value Chain, Business Integrity, Transparent Interaction and Communication, and Compliance. These pillars guide how Nestlé conducts business, ensuring they do so with integrity and ethics.

Nestlé's Creating Shared Value approach is driven by their expertise in Nutrition, Health, and Wellness. They seek to help people and their pets live healthy lives while protecting the environment. Through its many brands, Nestlé develops new and innovative products that meet the specific nutritional needs of a range of consumers (e.g. expecting mothers, infants, and children). This company strives to "constantly explore and aim to push the boundaries of what is possible with food, beverage, and nutritional health solutions to contribute to a healthier future" [3].

Nestlé's decentralized business model allows the company to respond on a smaller scale to changing demands from customers and consumers. Being such a large organization, Nestlé has the financial capital to expand their business through acquisitions in growing markets, such as in direct-to-consumer meal delivery. This capital also gives them the opportunity to enhance their own production capabilities to continue to grow to meet global demand.

One of the most important aspects in Nestlé's business strategy is to invest in innovation through research and development efforts. Innovative products give the company a competitive advantage and keep them at the forefront of market changes. For example, Nestlé has invested heavily in the rapidly growing industry of plant-based alternative foods.

To keep up with the changes in the market landscape, Nestlé has also bolstered its digital capabilities in marketing, direct-to-consumer sales, and operations. Doing this serves to both take advantage of market opportunities in this space and to optimize their operations.

As a private company, Nestlé's overarching goal is to grow and create value for its shareholders, but doing so with purpose is how they are able to weave sustainability into the business.

Definition of sustainability in this organization

For Nestlé, sustainability includes factors beyond environmental stewardship, centering around how the company affects people. In their Creating Shared Value and Sustainability Report, the company structures its people-focused initiatives around the pillars of “individuals and families” and “communities” [4]. These non-environmental factors include, but are not limited to Social, DE&I, and Safety programs.

Nestlé’s environmental pillar in its sustainability report generally follows a standard definition, as it touches on the well-known aspects that companies typically address. This includes water stewardship, emissions reductions, engagement in climate policy, preserving biodiversity, and packaging. One aspect unique to the industry in which Nestlé operates in is sustainable agriculture. As a food and beverage company, Nestlé is heavily reliant on agricultural production, so they must ensure that their practices are regenerative to maintain healthy soil on their farms. Additionally, being in this industry requires Nestlé understand and address the impacts associated with food waste throughout its value chain. Food waste not only creates emissions that the company needs to mitigate but is also a reflection of inefficiencies in their processes. This not only wastes the final product, but all the time, money, and energy that went into its production as well.

For individuals and families, Nestlé defines how it can be more sustainable as helping improve children’s health [4]. This is also a unique aspect of the company’s sustainability strategy as it pertains to the specific products offered by the company.

For communities, Nestlé drives sustainability by improving the livelihoods of the stakeholders that are affected by their business operations [4]. This mainly includes the farmers that they source from and other employees both in and outside of the organization that are a part of their supply chain. Promoting human rights, diversity, and employee health and safety are at the core of this pillar.

It is clear that Nestlé is well aware of the impact that it has on stakeholders throughout its value chain, and this factors into the specific initiatives that they lay out in their sustainability report. On the supply end, Nestlé engages with their farmers through their Farmer Connect program. The objective of this educational initiative is to train farmers around the world to follow best practices for maintaining a resilient and thriving farm [4]. This collaboration for sustainable solutions to agriculture is critical in developing a regenerative system. This extends also to the overall well-being of the farmers, with a focus on improving their health and economic sustainability. Furthermore, Nestlé strives to achieve increased traceability of its raw materials through their own auditing methodology. The focus of these audits mainly consists of child labor protection, deforestation, and animal welfare. The company also has more specific initiatives for two of its most important goods: cocoa and coffee. For example, the Nestlé Cocoa Plan incorporates both social and environmental aspects for trying to create a responsible cocoa supply chain [4].

In this supply chain management, Nestlé also acknowledges the UN's Sustainable Development Goals (SDGs). In each of the pillars of their overall sustainability strategy, the company comments on which of the SDGs their specific ambitions contribute to.

Nestlé also addresses sustainability on the demand side of their business. First, one of the defining aspects of their sustainability plan is based on how the company can use its platform to help people lead healthier lives. Offering healthier products and educating consumers about health, nutrition, and sustainability are different downstream-facing actions that Nestlé takes to work towards this goal. In addition, Nestlé's website clearly expresses the company's commitment to sustainability, putting it at the forefront of how they are seen by the public. In fact, 88% of the website's pages include fact-based environmental information [4]. The publicly released Creating Shared Value and Sustainability Report is another way that they broadcast their environmental and social initiatives and the progress they've made towards their goals.

This attention to the downstream end of the value chain also extends to how Nestlé approaches their packaging. As a consumer goods company, packaging is naturally a preeminent issue that Nestlé is confronting. To mitigate the effects that packaging can have on the environment and society, the company first looks to reduce the total amount used for its products. Of the packaging that is used, they have set a goal for 100% of it to be recyclable or reusable by 2025 [4]. Through the Nestlé Institute of Packaging Sciences that was created in 2019, the company seeks to find innovative packaging solutions that can limit the negative impact of this sector of the business.

Organization structure and capacity

Within Nestlé, sustainability strategy is the responsibility of The Nomination and Sustainability Committee of the Board of Directors, with final approval and oversight from the full Board of Directors. Executive management also shares responsibility for climate-related matters, specifically the Executive Vice President CFO, who analyzes and manages financial risks, and the Executive Vice President Head of Operations, who oversees emissions reduction targets [5]. These two individuals report to both the CEO and the Executive Board in regards to sustainability. There are also several committees dedicated to carrying out Nestlé's sustainability agenda.

One such committee is the Global Sustainability Committee, chaired by the Head of Operations and CEO of Zone Americas, which governs the global climate action strategy and sustainable sourcing initiatives. The Caring for Water Committee provides oversight of water-related strategy, and is chaired by the Head of Operations, Head of Waters Strategic Business Unit, and Head of Corporate Communications. Lastly, the Issues Round Table manages environment-related issues, and is chaired by the Head of Operations and General Counsel, Corporate Governance and Compliance [5].

In companies of this size, sustainability needs to be the job of more than just one person or team. While the knowledge of dedicated sustainability professionals is necessary in corporations to drive change, all departments and employees need to buy in to make sustainability a top priority

in their existing work. This idea is how Nestlé is trying to incorporate sustainability throughout the company, rather than having it be an isolated component of the business.

Because of this, the sustainability function is spread across several departments of the company, including marketing, communications, public relations, engineering, finance, and operations. Each of these areas has a part to play in advancing sustainability, leveraging their skillsets to reach the overall company goals. Therefore, cross-discipline teams are vital to ensuring that mutually beneficial objectives are being met.

For Nestlé Health Science, a subsidiary of Nestlé that adheres to all of the sustainability goals laid out by the parent company, the Sustainability Lead spearheads the strategy design that will get them to achieve these goals. This role sits within the marketing department and reports to the President of Professional Health and Medical Nutrition at Nestlé Health Science. A Sustainability Steering Committee, which incorporates VPs of each division of Nestlé Health Science (marketing, operations, procurement, regulatory, and R&D) establishes cross-functional task forces that drive sustainability. The purpose of these task forces is to champion certain causes that are important to the company such as employee engagement, external partnerships, and innovation, among others. In ensuring that brands under the Nestlé Health Science umbrella are also compliant with these objectives, external brand leads (who are typically marketing personnel) also join these task forces.

With so many players involved in Nestlé's business, it's critical to establish a clear mission for everyone to follow. Having invested champions across the business and clear key performance indicators can go a long way in achieving successful sustainability programs.

Strategy & Metrics

In its Creating Shared Value and Sustainability Report, Nestlé outlines several sustainability goals that will make them a more environmentally friendly and socially responsible company. The progress towards these goals is measured and tracked against key performance indicators that express both quantitative and qualitative targets.

In the "individuals and families" section of their comprehensive sustainability plan, Nestlé's 2030 ambition is "to help 50 million children lead healthier lives" [4]. They hope to achieve this by offering healthier options for consumers, inspiring people to lead healthier lives, and sharing nutrition knowledge. Within each of these actions, the company also lays out specific commitments and objectives for how they will follow through with it. For example, in offering healthier choices, Nestlé's commitment is to "further decrease sugars, sodium, and saturated fat" in their products [4]. To get there, they set objectives to reduce the sugars added to their foods and beverages by 5%, sodium by 10%, and saturated fat by 10% in products that do not currently meet global recommendations [4]. These ongoing efforts are just one aspect of how the company strives to achieve their mission in creating value for individuals and families.

For communities, the company's 2030 ambition is "to improve 30 million livelihoods in communities directly connected to our business activities" [4]. They intend on reaching this goal by enhancing rural development, promoting human rights, and advancing diversity, health, and safety among employees. Enhancing rural development includes implementing responsible

sourcing, where the company is trying to have over 80% of the total spend and volume sourced from audited and compliant suppliers, and 70% to be “responsibly sourced” [4]. The definition of “responsible sourcing” is defined by the company itself, but typically includes third-party verification, such as Rainforest Alliance certification for cocoa farms. In promoting diversity throughout its workforce, Nestlé created a Gender Balance Acceleration Plan in 2019, which aims to increase the portion of women in leadership positions to 30% by 2022 [4]. These quantitative metrics allow for easier assessment of how successful the company is in achieving its goals.

Lastly, in the environmental pillar of its sustainability strategy, Nestlé’s 2030 ambition is “to strive for zero environmental impact in our operations” by caring for water, acting on climate change, and safeguarding the environment [4]. To protect the vital resource of water, Nestlé’s primary objective is to improve water efficiency throughout its operations by reducing withdrawals 35% from a 2010 baseline [4]. They also hope to advocate water stewardship in water-stressed areas to provide access to water, sanitation, and hygiene for the local communities. Partnerships with NGOs and other third-party organizations are key in tackling this issue on a global scale.

To address climate change, Nestlé strives to be a leader in the industry by setting ambitious targets and engaging in climate policy outside of its own operations. Nestlé has committed to achieving net zero emissions by 2050 and has established a roadmap in line with the Science Based Targets Initiative to help them get there.

Safeguarding the environment means that Nestlé will need to preserve natural capital and limit the negative impact that packaging can have. This means not only protecting forests, oceans, and soil, but restoring and regenerating where possible. To reach 100% recyclable or reusable packaging by 2025, they’ve developed a five-prong approach: reduce virgin plastic use, scale refillable systems, switch to alternative materials, work to improve the recycling system, and drive new consumer behavior [4].

With all of these goals set forth by the company, it’s clear that sustainability is an important component to the overall organizational strategy. From potential disruptions in the supply chain to changing consumer demand for more sustainable products, there are climate related risks facing the company that, if not addressed, will hinder its continued success. In its CDP disclosure, Nestlé also acknowledges the reputational risk that can come with lack of action, and the risk that emerging regulations can have on their business, such as carbon pricing [5]. Without precaution, these risks can have a significant impact on the company’s bottom line.

While there is not a sustainability component in employee performance reviews, management compensation does depend on achieving sustainability targets via incentives. For example, the Executive Vice President Head of Operations had the objective to develop a roadmap for achieving net zero emissions by 2050 to receive a monetary reward. Similarly, the energy manager had financial incentive for reducing Greenhouse Gas emissions for the company’s direct and indirect emissions from energy (not including their supply chain) [5].

For the commitments listed under each priority pillar (i.e. individuals and families, communities, and planet) in the most recent Creating Shared Value and Sustainability Report, Nestlé discusses outputs that will guide their sustainability agenda in the future, and outcomes of the progress they've made towards their 2020 goals. For instance, the company highlights that they were able to surpass their 2020 goal of reducing Greenhouse Gas emissions per ton of product 35% from a 2010 base year [4]. This is followed by their newly established target to achieve net zero emissions by 2050, with a roadmap for how they'll get there. In addition, the company reached their goal of sourcing 50% renewable electricity by 2020, on track for their target of 100% by 2025 [4]. Each of the objectives mentioned in the report includes a similar status update which helps understand how well the company is staying on pace with its goals. Reporting transparently also gives an authentic picture of their sustainability performance.

There are several examples of strategic choices that Nestlé has taken due to climate-related risks and opportunities. First, the company is expanding its selection of products that have a lower environmental footprint, such as plant-based foods and beverages. In the same vein, Nestlé is increasing its investment in R&D to achieve this new portfolio. Partnering with external third parties gives the company the chance to develop innovative food technology and packaging solutions. In addition, Nestlé has modified its business operations in an effort to reduce emissions—by optimizing distribution networks and warehouse systems [5]. In its supply chain, Nestlé has worked to improve agriculture practices to restore land and be environment positive, specifically in the dairy sector. All of these initiatives are in accordance with the main goal of net zero emissions by 2050.

For Nestlé, a successful sustainability program is defined by the company meeting the objectives laid out in the overall sustainability strategy. Doing this satisfies their idea of limiting the negative impact of the business on society and the planet.

Internal Perceptions of sustainability

In order to gather information on the internal perceptions of sustainability within Nestlé, I conducted interviews with a Communications Specialist and the Sustainability Lead at Nestlé Health Science, the subsidiary of Nestlé mentioned previously. Based on these conversations, it appears that sustainability is seen as an important aspect for the company to incorporate in its operations. Both of these employees were well aware of the negative impacts that the business can have on the environment and society, and the importance of the company taking responsibility for those impacts. This can also be seen in Nestlé's Created Shared Value and Sustainability Report which addresses the issues at hand and how Nestlé is working towards solving them.

While it is apparent to the employees that the company has made strides towards advancing sustainability, it is acknowledged that there is significant room for improvement in the daunting battle against climate change. One employee told me that she feels as though the sustainability program is in its early stages but is in progress towards becoming more deeply engrained within all of the organization's activities. She continued that this is in part due to "sustainability" meaning different things to different people in the company. Therefore, despite the emphasis on

sustainability from senior leadership, it is difficult in large corporations to have each and every employee agree on how it should be a part of the company's mission.

Sustainability has been an established program in Nestlé since 2000 when it formed the Sustainable Agricultural Initiative Nestlé (SAIN). Since then, Nestlé has hired full-time sustainability professionals and has added several programs including the Nestlé Institute of Packaging Sciences in 2019.

According to one of my employee interviewees, compared to other programs, sustainability initiatives receive less interest and are less successful due to their novelty. For example, the Employee Engagement Task Force on Sustainability formed by the company has been an especially difficult program. This initiative, which seeks to make advocates of employees both in and outside of work, has had trouble gaining traction because of the difficulty in getting people to commit to lifestyle changes.

In general, however, the employees that I spoke with understand the importance of sustainability in the success and growth of the company. This message starts with the CEO, who is especially aware of the implications that sustainability (or a lack thereof) can have on the business. With the support from senior leadership in addressing these issues, this creates a trickle-down effect that gets other employees to buy into the importance of the subject. The employees that I spoke with also understand that sustainability plays a key role in having long-term success and a competitive advantage in the industry. With growing consumer demand for sustainable and healthy food products, companies that can innovate early will establish a broad and loyal customer base. Both the opportunities and the risks associated with climate change are crucial for Nestlé to address in maintaining its leadership in the industry.

One area of sustainability in which Nestlé has made valuable progress is its engagement with suppliers. In working directly with farmers, this not only educates them on best practices for reducing environmental footprint but also provides financial empowerment—improving the lives of them and their families. Nestlé has also made significant investment in plant-based products, reduced the emissions per ton of product by 37% since 2010, and has made 88% of their packaging (by weight) reusable or recyclable [2]. In general, the organization has met most of its targets set for 2020, and has created ambitious goals to further progress these initiatives. While this progress is a good step in the right direction, it is important to note that with its size and scale, Nestlé must engrain sustainability throughout all of its operations to truly make substantial progress in reducing its impact.

While sustainability is not included in the on-boarding process at Nestlé, it is often mentioned in job postings in the background of the company. More and more people entering the workforce are interested in working for sustainable companies, and publicly advertising this is important for companies in getting the best talent.

Applicability

The ways in which Nestlé manages the sustainability aspects of its business are most applicable to organizations of similar size and scale. Being such a large corporation, Nestlé has the unique ability to engage with and influence different stakeholder groups. Nestlé also has the financial

capital and resources to ambitiously tackle these pressing issues through innovation. Thus, companies without established market share and substantial funding potential are not able to follow a similar path towards achieving sustainable business operations.

However, while these financial attributes are distinctive of global, industry-leading companies, the cultural aspects of how Nestlé incorporates sustainability into its business can be applied to any organization. In speaking with the Sustainability Lead at Nestlé Health Science, she made it clear that having a purpose and setting a culture are major factors that determine the success of sustainability programs. When employees are all working together towards the same goal, collaboration becomes easier, and progress moves quicker. Constantly reminding employees not only what the objective is, but why it's important will keep it front of mind during their daily work. Because this concept is fairly new to most people not working directly in the sustainability field, establishing the business case is a necessary step in getting buy in from employees.

In recent years, Nestlé has been successful in beginning to embed sustainability in its culture. Externally, it's clear that the company takes its responsibility seriously. Internally, it seems that over the next few years, sustainability will naturally become an added part of the job description for all employees.

Hopefully, more and more companies in the future will adopt Nestlé's strategy of Creating Shared Value for individuals and families, communities, and the planet.

[1] “About Us,” *Société des Produits Nestlé S.A.*, 2020. [Online]. Available: [”https://www.nestle.com](https://www.nestle.com)

[2] “Corporate Business Principles,” *Société des Produits Nestlé S.A.*, 2020. [Online]. Available: https://www.nestle.com/sites/default/files/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf

[3] “Annual Review 2020,” *Société des Produits Nestlé S.A.*, 2020. [Online]. Available: <https://www.nestle.com/sites/default/files/2021-03/2020-annual-review-en.pdf3>

[4] “Creating Shared Value and Sustainability Report 2020,” *Société des Produits Nestlé S.A.*, 2020. [Online]. Available: <https://www.nestle.com/sites/default/files/2021-03/creating-shared-value-report-2020-en.pdf>

[5] “Nestlé - Climate Change 2020,” *CDP – Disclosure Insight Action*, 2020. [Online]. Available: https://www.cdp.net/en/formatted_responses/responses?campaign_id=70692136&discloser_id=855893&locale=en&organization_name=Nestl%C3%A9&organization_number=12942&program=Investor&project_year=2020&redirect=https%3A%2F%2Fcdp.credit360.com%2Fsurveys%2F2020%2F6sc15v4h%2F90076&survey_id=68887525

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