PRESS

International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations

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New downgrade for Nestlé CSR rating

Creating Shared Value (NCSV) 12 April **00.00CHF** ⬇ **0.00 (00.00)**

Last Trade:	00.00 CHF
Trade Time:	12 April
Change:	0.00 (0.00%)
Prev Close:	00.00
Volume:	N/A
EPS	N/A
Div & Yield:	???

Headlines

- Nestlé scrambles to rectify GRI 'rating' claims
- Company acknowledges 'risks' to the exercise of human rights at the workplace
- Creating Shared Value' again disappoints

'Continuous excellence' or more dubious claims in Nestlé's sustainability reporting?

Nestlé watchers on the company's mailing list may be puzzled by the fate of the message they received on April 12 entitled "Nestlé receives GRI A+ rating for Creating Shared Value report". The original article claimed that Nestlé had received an A+ rating from the Global Reporting Initiative for its 2011 'Creating Shared Value Report'. That claim is no longer made – apparently the communications folks at Nestlé were apprised that the GRI awards no ratings. Had the authors of the original blurb bothered to read the company's own report, which includes a scan of the GRI's "Application Level" certification, they might have known better. But Nestlé has never been shy about making dubious claims – and the Creating Shared Value report contains some significant ones, along with some equally significant omissions.

For some days following the announcement, the company's disarray was manifest in failed hyperlinks to the original article. The articles have largely been replaced, but vestiges remain – you can still, as of this writing, (read it while you can!) find Nestlé's Global Head of Public Affairs, Janet Voûte, announcing on the Nestlé UK website that "This month we've achieved a significant step towards greater transparency, receiving an A+ rating from the Global Reporting Initiative (GRI) for our annual report on Creating Shared Value." Over at nestlé.com, damage control kicked in quickly and she more modestly informs that Nestlé has taken the proverbial significant step towards greater transparency by "meeting" the requirements of the GRI.

Nestlé's false claim to have been given an A+ 'rating' by the GRI is based on their having received an "Application Level check" from the GRI. But as the GRI itself explains, this in no way confers a 'rating': *it merely indicates that the form has been filled out and organized correctly*! "The GRI Check makes your reporting more comprehensible for report users by confirming the completeness and correctness of a report's Content Index, and its effectiveness as a navigation mechanism for report users. The Check is not an external assurance engagement. It is complementary to assurance, as it indicates the extent to which the Reporting Guidelines have been applied." The GRI "Application Level Check Statement" reproduced in Nestlé's own presentation of their report clearly states: "Application levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report." In other words, it says nothing about the content or the quality of the report, nothing about Nestlé and 'sustainability', and in no way confers a rating.

Companies can falsely claim, as Nestlé did, to have received a given 'rating', or they may more modestly assign themselves a rating and solicit both independent verification (which again says nothing about the quality or content of the reporting) and the Application Level Check. In either case, the inherent ambiguity of the operation – A+ indeed sounds potent – works to the advantage of the company and to the GRI.

Dedicated Nestlé watchers may recall the IUF's critical dissection of Nestlé's 2009 Creating Shared Value Report, the first report by Nestlé which claimed to be based on the GRI requirements, and for which they claimed a B+ (IUF downgrades Nestlé CSR rating from B+ to junk), Nestlé's 2009 report failed to meet the requirements for even a 'C' grade, because they hadn't met the minimal reporting requirements. This time Nestlé has done better, but remember that the GRI is about reporting on reporting. Even an A+ says nothing about the company's actual performance.

As a guide for investors concerned with various aspects of risk, the GRI reports remain most valuable for what the companies choose *not* to report on then for what they claim to disclose. A company aiming for an 'A' can still pick and choose what to report on.

Thus it happens that Nestlé, as in 2009, again chose not to respond to such "Key Performance Indicators" as "All company taxes (corporate, income, property, etc.) and related penalties paid at the international, national, and local levels", *including taxes paid by country*. Or "Employee salaries, including amounts paid to government institutions (employee taxes, levies, and unemployment funds) on behalf of employees", and "Total benefits include regular contributions (e.g., to pensions, insurance, company vehicles, and private health), as well as other employee support such as housing, interest-free loans, public transport assistance, educational grants, and redundancy payments." These issues are excluded from the "materiality matrix" which purportedly "shows issues that are most material to Creating Shared Value (CSV) at Nestlé" in the "Materiality" section of the report." Contributing to public finances is apparently of little or no material interest when it comes to "creating shared value".

The materiality matrix is accompanied by musings on product quality and the risks associated with product recalls, but, as in previous years, Nestlé has not responded to the request for information concerning "Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operations" in the section on "Our People", i.e. that part of the GRI reporting which is supposed to give an indication of what it means to work for Nestlé. Of course the GRI form doesn't think to ask the number of those who produce, package, transport, distribute etc. Nestlé products who *don't* formally work for Nestlé, because the company employs them through a variety of third parties. Are these people – without whom there would be no Nestlé products on store shelves – "Our People"? Do they "create shared value"? If not, are they a potential source of quality risk, as well as potential human rights risks, because they cannot in most places exercise their human right to join a union of Nestlé workers and bargain their terms and conditions of employment with Nestlé?

For the first time – and here Nestlé deserves credit – the report acknowledges that the company is at human rights risk in the areas of freedom of association and collective bargaining. Yet Nestlé, as in past years, cannot provide information on something as basic as the number of employees covered by collective bargaining agreements, or union involvement in health and safety programs. And the report falsely contends that the mass firings of union members at the Panjang factory in Indonesia – currently an area of conflict with the IUF – was in response to a strike which was "illegal". There is a total disconnect between the abstract acknowledgement of human rights risks arising from workplace relations and the company's persistent refusal to furnish concrete information which might elucidate at least part of the reality of those workplaces.

The "significant leap" in "sustainability reporting" by Nestlé consists entirely in the profusion of words, photos, and text. Key issues of substance – issues of vital concern to Nestlé workers, their communities, and all those concerned with the manifold impact of corporate activities on society - continue to elude the Nestlé "materiality matrix". Once again: buyer beware.

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The International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) is an international trade union federation composed of 398 trade unions in 120 countries with an affiliated membership of over 2.6 million members. It is based in Geneva, Switzerland.