

AMERICAN SWISS FOUNDATION
Speech Paul Bulcke, CEO Nestlé S.A.
Sister Republics – Doing Business on the Basis of Shared Values

New York, 4 May 2016

Excellencies,
Ladies and gentlemen,
Good evening

I would first of all like to thank the *American Swiss Foundation* and especially its Chairwomen Emeritus The Honorable Faith Whittlesey and its Chairman Emeritus Steven Hoch for inviting me to speak at this prestigious dinner. It is a real pleasure and honour for me to be able to “share” some thoughts about *shared values* with you.

Some four years ago, I had the pleasure of hosting your foundation’s conference at the Château de Chillon. That is just a few miles from our head office on Lake Geneva in Switzerland. At the time, we were at the height of the famous conflict around Swiss banking secrecy. Fortunately, that has now mainly passed. Many Swiss banks have now settled their issues, although perhaps at a cost and may be with some bad feelings. But, that’s the past.

The relationship between Switzerland and the United States is like a friendship, and we all know that every friendship – also the best ones – has its ups and downs. But tonight, I don’t want to focus on our differences. I want to focus on what unites us... on the values and beliefs we share. Hence the title of my speech “Doing business on the basis of Shared Values”.

And this can be seen in two ways. Indeed, sharing *values*... but also sharing *value*.

First of all, sharing *values*, the fundamental values and beliefs that our two countries have in common, values which we both believe in and which can help us overcome occasional differences. I will come back to this later in my speech.

But then the second meaning, sharing *value*, creating value and sharing it.

It is my fundamental belief that an individual, and also especially a company, should be a positive force and create value for society at large. At Nestlé, we call this *Creating Shared Value*. It says that for a company to be successful over the long term and create value for shareholders, it must also create value for society, and that in everything it does.

Let me now talk a little bit more about this “Creating Shared Value”. First, by illustrating how we do business globally, and then by giving you some examples from our largest market, the United States.

Nestlé has grown from a company founded 150 years ago on the success of a product, an infant cereal which saved the life of a child, into a global leader in Nutrition, Health and Wellness. That’s what we do, that’s our purpose.

Our growth has enabled us to help improve the lives of millions of people, through the products and services we provide, through employment, our supplier networks and the contribution we make to economies and communities around the world.

Globally, over 4 million families earn a living with Nestlé, including many rural smallholders in developing countries. We directly employ 330,000 people and support directly the livelihoods of almost 800,000 farmers.

It is clear, being a global leader brings not only an obligation to operate responsibly and sustainably, but also an opportunity to create long-term value for society.

I think that each company has to see and choose where it can add the most value to society. They should do this by reviewing the nature of their activities and understanding how and where they interact with society.

For Nestlé this is, by the mere character of our activities:

- *nutrition* – we are a nutrition, health and wellness company
- *water* - because our long-term success depends on the water resources to grow our agricultural raw materials, to supply our operations and to support the livelihoods of suppliers and consumers, and
- *rural development* - because we are so intimately linked with farmers and rural communities through our factory footprint in the world

And our commitments to environmental and social sustainability aim to ensure that we will be part of the long-term solution.

It is by focusing on the fundamentals of this approach that we help to achieve a healthier diet and lifestyle, a more sustainable environment and a more inclusive society.

Now what does that mean for us in the United States?

Nestlé is perhaps mainly known as a chocolate company here in the US, but we are so much more.

97% of American households purchase Nestlé products, and that is not only chocolate. Just think about *Stouffer's*, *Toll House*, *Lean Cuisine*, *Hot Pockets*, *Di Giorno*, *Coffeemate*, *Carnation*, *Nesquik*, *Nescafé*, *Nespresso*, *Gerber*, *Edy's* and *Haägen Dazs* ice cream, *Purina*. And our water brands like *San Pellegrino*, *Perrier*, *Poland Springs* and many others.

Today, Nestlé in the USA is:

- over 50,000 people employed directly
- almost 90 factories
- nine research facilities
- one third of our sales, that is 26 billion USD

So, perhaps unexpectedly, Nestlé is the largest food and beverage company in the United States. Maybe we are a little bit quiet about this, but remember, we are a Swiss company.

Our presence in the U.S. is the result of our long-lasting commitment to the country. From the onset, the United States have played an important part in Nestlé's history.

Indeed, Nestlé is the result of a merger in 1905 between two companies in Switzerland: Nestlé S.A., which was founded by Henri Nestlé, and the Anglo Swiss Milk Company, founded by the Page brothers from the US.

And Nestlé in the U.S. has been an immense success story for more than a century. We have continued to grow, organically, and through acquisitions.

Acquisitions like

- *Stouffer Corporation* in Cleveland, Ohio in the early 1970s
- *Carnation Company* in Los Angeles in the mid-1980s
- *Purina* in Saint Louis, Missouri at the turn of the millennium
- *Gerber* in 2007
- *Whyeth Nutrition* in 2012

And, in line with our long-standing policy, all these acquired companies kept their names, their brands, their management and their staff.

We are, like we are elsewhere and everywhere, committed to the development of the US. We want to be part of the USA and society. We continue to play our part, especially in the nutrition agenda, acting in the public debate and gearing our portfolio towards healthier diets. We do all of this out of conviction, not out of convenience. That is what Creating Shared Value is all about.

Now, the second meaning: *Shared Values*. It is about the sharing of some fundamental beliefs.

Above all, it is our common belief in *freedom* and *democracy*.

There is probably no other country in the world where the power of the people to make their own decisions is as strong as in our two sister republics.

As we know from recent times, when there was an unusually high number of initiatives for popular voting in Switzerland, this is not always easy, neither for the government nor for Swiss companies. But who else should you ask to make the critical decisions, if not the people?

This reflects the fundamental belief that the government is here to serve its people and not the reverse. And this is, of course, a fundamentally American value.

Second belief, value, perhaps more important from a company perspective is that our two countries share the belief that our highest guidepost in business is to "*do the right thing, the right way*".

It is probably not a surprise that our compliance programme is heavily influenced by American best practices.

At Nestlé, compliance means that we will not sacrifice our principles and values for short-term success. It includes first, that we follow all applicable laws and regulations. But beyond the law, we make our own commitments across our ten Corporate Business Principles and we have to be true to ourselves.

Compliance includes our commitment to integrity, to do the "right" thing. In our Code of Business Conduct, we give specific guidance to our employees for several areas, and have included golden rules for situations which are not specifically regulated.

Nestlé prides itself to be a very principles based company. We are principles based, not rules based. You cannot put everything in rules. You cannot regulate honesty for instance. If you overregulate everything, you end up regulating nothing. But with this simple compass, we try to provide some meaningful guidance to our people what it means to do the "right thing, the right way".

And then a third value, the belief in the *importance of the Rule of Law*, another value we share.

Business can only thrive when governments provide stable legal framework and conditions that companies can use as points of orientation over the long term. Again, this is a very American term: *the Rule of Law*. It includes notions of legal security, predictability and trust by the parties concerned.

Governments should provide frameworks that are broad enough to let business flourish, while narrow enough to prevent and prohibit abuse. Governments should set the frame, the private sector with civil society should do the painting.

The Rule of Law requires first of all that laws are changed, and new regulations put in place, only when there is a proven need for it. And when new rules are implemented, they should fit the purpose.

The Rule of Law suffers when laws are retroactively reinterpreted or changed. It suffers, when companies are forced to settle legal disputes without a fair day in court. And it suffers, when illegally obtained evidence is used against the accused.

The Rule of Law is critical for us as a company. In a globalised world, where every country continually passes new laws, we must know for sure that we will be judged by authorities on the laws of today, and not on what may be deemed legal or moral in a few years' time. And we must have clear frameworks, but no over-regulation.

I am sure you will agree to make the Rule of Law a common reference point again between our two Sister Republics.

And then, the last example of the values we share.

Both Switzerland and the U.S. have traditionally been strong believers in openness and free trade. It has been proven over and over again that open, free trade is good for everybody, for companies, but also the consumers, countries and society at large.

By contrast, protectionism adds cost and unpredictable risk. And protectionism protects only a few and can come in many forms.

Unfortunately, this has occurred again in recent times, and unfortunately, nations around the world are quick to learn from each other and follow down the same path. It is a clear sign of short-term political thinking, a proof of lack of political leadership.

This is, for example, why a successful conclusion of the TTIP negotiation will be important. Not only for the tangible removal of trade barriers between Europe and the U.S., but as a shining example to the rest of the world.

And when it is concluded, Switzerland should be allowed to “dock on” and participate. Fortunately, the U.S. side has already indicated its willingness to allow third party participation, while the European side has not committed itself.

Again, the importance of our Shared Values shows in a very tangible way.

Ladies and gentlemen,

So we know what has worked well in the past. The fruitful combination of the American Page brothers and their entrepreneurship, with a German-Swiss pharmacist driven by the vision to save the lives of babies. This is what led to the creation of the largest nutrition, health and wellness company in the world.

What better example can there be for the creation of shared value for society?

Nestlé today remains faithful to this heritage of our founding fathers. It included, from the very beginning, the belief that a company can only be successful in the long term, if it also creates value for society. As a company, we remain committed to this.

But undoubtedly, our success history in the United States was greatly advanced by the strong set of Shared Values and beliefs between our two countries.

I gave you a few examples. These values provided the framework for our business relationship and helped make the United States our largest market.

I hope our respective governments too, remain committed to preserve and protect these Shared Values between our two Sister Republics.

I think also that your Society, the American-Swiss Foundation, is playing an important role in protecting and holding up these Shared Values. And that, when things are going well but even more so when there are differences to overcome. I am sure we will overcome them.
Thank you.