**Nestlé: The World's Largest Food Company Confronts Climate Change**

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**Introduction:** Recently Nestle has faced increased pressure from critics regarding the actions they’re taking to combat climate change. The two main issues concerning Nestle’s management was its efforts to address the impact of climate change on its operations, as well as the trade-off between focusing on too many ESG projects and short-term value creation for shareholders. In this memo, ill cover the issues regarding Nestle’s regenerative agriculture practices, the impacts that come with Nestle’s inability to transparently provide insight upon the status of their ESG targets, and the balance between the pace, scale, and the need for results.

**Background:** “To Unlock the Power of Food to Enhance Quality of Life for Everyone, Today, and for Generations to Come.” (Goldberd & Tasker, 2021) This supports Nestle’s current mission perfectly as, it is a company that has been increasing more adoptive with new ESG strategies. Nestle is facing increasing difficulty with exploring various sustainability practices like GHG reduction, regenerative agriculture, decarbonization and many more. With the growing urgency of climate change as a global issue, the need for business like Nestle to take action and reduce their GHG emissions and transition towards more sustainable business models is becoming increasingly more important. Nestle taking this into account signed the UN 1.5°C pledge and published their roadmap for achieving net zero GHG emissions by 2050. Furthermore, to promote sustainable sourcing of its raw materials, Nestle has set into place various initiatives such as a Nescafe plan and Cocoa plan. The question still persists which is whether or not Nestle should continue focusing on furthering its ESG agenda or take a step back?

**Evaluation:** **What’s working?** Regarding climate change, Nestle’s first advantage is the Sustainable Agriculture Initiative Platform (SAI), which actively investigates and find solutions to problematics sustainability challenges. The SAI platform provides the framework and tools for key food and beverage industries to implement sustainable agriculture practices, which can lead to reduced environmental impact and improved social outcomes. Nestle’s commitment to sustainable agriculture can be seen with the various programs they use to promote this idea including the Nescafe plan and Cocoa plan. Nestle is a proactive leader in the ESG field as evidenced by the fact that it was one of the first major businesses to sign the United Nations 1.5°C pledge, helping it attain the position of Global Compact LEAD company in 2021. Another advantage of Nestle was their published roadmap for reducing emissions by 20% by 2025 and eliminating GHG emissions completely by 2050. This progress towards having net zero GHG emissions by 2050 demonstrates a strong commitment to environmental sustainability and, presents Nestle as a company with a mission that is driven towards advocating positive change in terms of ESG concerns.

**What’s not working?** Nestle’s failure to effectively use their commitment to investing CHF 1.2 billion to spark regenerative agriculture is the result of having no prior experience with incorporating regenerative agriculture with its own operations. There being no established, universal definition of regenerative agriculture is evidence that there are risks to adopting this new method with its own farmers. Furthermore, agriculture was the primary source of methane, which was identified by the IPCC’s report on global temperatures rising to 2.1 and 3.5°C by 2050. (Goldberd & Tasker, 2021) This shows how Nestle, to effectively achieve its goals towards reaching no GHG emissions by 2050 are reliant upon the success of farmers adopting regenerative agriculture practices. Nestle’s transparency with respect to providing up-to-date progress reports on current standing with respect to their platform for regenerative agriculture with long-term ESG goals could develop into a weakness that needs to be addressed by Nestle. Although Nestle has shown increasing efforts to increase transparency by publishing sustainability reports, engaging with shareholders, and disclosing information about its supply chain. They do not provide a critical evaluation of the company’s progress towards achieving those goals. Lastly, the most important problem identified in the case was the trade-off between risked short-term consequences of moving too fast and the missed opportunity of incorporating ESG. In many instances, Nestle has decided on furthering their ESG agenda over prioritizing profits. Such was the case when Nestle faced criticism with respect to upgrading their bottled water business and the product sourcing governance in palm oil, coffee, cocoa, and seafood supply chains.

**Solutions:** One benefit whereby Nestle can offset the risks of having no prior experience with regenerative agriculture, is by working with other companies who have successfully incorporated this in the past. Many companies have a successful platform for regenerative agriculture that has yielded results in accordance with Nestles long-term goal of achieving net-zero GHG emissions by 2050. As seen in Exhibit A, Spearhead is an example of a company which using many tactics was able to increase the soil organic matter percentage from 1.72 to 1.88 as well as soil carbon percentage improvements from 0.97 to 1.10. This represents the effectiveness of companies first establishing a platform that specifies how regenerative agriculture operations should be handled which would allow for positive results. Furthermore, Nestle can benefit from increasing reporting on its current standing with respect to long-term ESG goals. With agriculture being the biggest factor in achieving the long-term goals by 2050 and increased skepticism on whether or not they will be successful, Nestle can benefit from increasing transparency in its reporting on this climate, sustainability initiatives and, bottom-line performance. Lastly, Nestle can benefit from focusing mainly on the projects that will help it deliver the net zero climate change commitment including, accelerating work in the supply chain, regenerative agriculture, manufacturing, and packaging to achieve a 20% reduction in emissions by 2025. As seen from Exhibit B, Nestles sales of $84,343 in 2020 were the lowest out of all the other years. This provides insight upon the financial performance of the company, showing that it is essential for Nestle to focus more towards increasing profitability over prioritizing so many ESG projects despite already being a leader in the ESG space. Furthermore, it is important to note with the impacts of Covid 19 it has become increasingly more important to provide short-term value for shareholders.

**Recommendation:** The first recommendation for Nestle would be to create a criterion, by which they can decide on which ESG projects to focus on that will ultimately lead to achieving the 2050 net zero GHG emission commitment and the UN 1.5°C requirement. Considering how Nestle has been an early adopter for many new ESG projects which has led to it moving in immature spaces, Nestle can benefit greatly by specifically creating a criterion by which they can evaluate the effectiveness of every new project before allocating finances. By using this criterion and specifically evaluation each project upon both short-term value and long-term goals, Nestle can limit the risks from being an early adopter of new ESG projects whilst balancing pace, scale, and need for results. Another recommendation for Nestle would be focus on achieving their 2050 ESG goals, and specifically working with companies like Spearhead to develop an effective regenerative agriculture platform. If we take a look at Exhibit C, we can see that although Nestle has come good practices to promote Regenerative Agriculture, it not sufficient enough to fully develop good practices that will last long-term. Nestle can benefit greatly by specifically coming up with a new platform regenerative agriculture, with transparent reporting about the improvements. Specifically focusing on creating an effective long-lasting regenerative agriculture platform will be the most essential factor in whether they are able to achieve their net zero GHG goals by 2050.

**Conclusion:** In conclusion, Nestle has been inadequately tackling concerns regarding being an early adopter of new ESG practices. One solution that could resolve this issue is through the creation of specific criterion by which they can evaluate the financial gains and ESG improvements. However, the recommended action plan for Nestle would be to only focus on achieving their commitment by 2050 and honoring the UN 1.5°C pledge, specifically through the creating of an effective platform for regenerative agriculture.

**References**

Goldberg, A. R. & Tasker, C., (December 2021) *"Nestlé: The World's Largest Food Company Confronts Climate Change " Harvard Business School Case 922-302,* Retrieved March 10, 2023, from <https://www.hbs.edu/faculty/Pages/item.aspx?num=61578>

**Exhibits**

*Exhibit A*

*Timeline

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*Exhibit B*

**Table

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*Exhibit C*

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