

Corporate Social Responsibility: Approaches and Criticism

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<p>Abstract</p> <p>Organizations and consumers are becoming increasingly aware of the importance of Corporate Social Responsibility (CSR). Yet, there is no one way to describe it to fit everyone's perception. To some it means a liability to operate in accordance with the terms of law and regulations and to some it is a vital part of the organizational culture; to others it is something in between. Thus it is no surprise that CSR has been broadly criticized both as a term and how it is applied in companies' actions.</p> <p>The purpose of this thesis was to study these different approaches to CSR and to discover what kind of criticism CSR has received. Furthermore, the world's first standardized approach to sustainability reporting is introduced as an example on how companies can improve their transparency. The statement this thesis offers is that criticism towards CSR will continue to exist as long as there are numerous of different unregulated approaches to CSR.</p> <p>As the aim was to study the issue as a global phenomenon, this thesis is based solely on secondary data consisting mainly of academic articles, companies' publications and webpages. The research findings are followed by an introduction to Nestlé's CSR actions through their Creating Shared Value (CSV) approach. The criticism Nestlé has received is discussed among Nestlé's following actions to the criticized issues. A question of to which point companies are responsible for their partner's actions is raised.</p>			
Keywords social corporate responsibility, creating shared value, CSR, CSR reporting, criticism			

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ABBREVIATIONS

CFP	Corporate Financial Performance
CR	Corporate Responsibility
CSP	Corporate Social Performance
CSR	Corporation Social Responsibility
CSI	Corporate Social Irresponsibility
CSV	Creating Shared Value
EU	European Union
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
MNC	Multinational Company
TBL	Triple Bottom Line
UNICEF	United Nations Children's Fund
WHO	World Health Organization

1 INTRODUCTION

The idea for this thesis rose from personal interest towards environmental and ethical issues that in a today's world are greatly affected by corporations of all level of business. By just observing the advertisement of multinational companies (MNC's) through different media, it is rather easy to say that their policies and promises toward corporate responsibility (CSR) issues are highly visible. The main purpose of this thesis is to study CSR as a global phenomenon, how it can be perceived and how and why it is criticized.

Choosing an adequate topic for the thesis was a constantly changing process, partly because of the large amount of information available and the magnitude of the term CSR. The first initial was to first gain deeper knowledge on the term CSR and then decide a more specific topic for the thesis; that being something about the positive impact of the growing popularity of it. However, the direction of the topic changed when more and more criticism towards CSR started to come up and that sparked a new interest to learn if there are any downsides of implementing it. After that a lot of interesting material was found and the initial topic changed once again more towards the nature of the criticism and means to improve the transparency of CSR reporting.

Nestlé was chosen to be the case company because of personal observations about its controversial reputation. Nestlé has been boycotted for example due to claims that it has contributed to unnecessary death and suffering of infants by its way of promoting baby milk in developing countries (Baby Milk Action, 2015). Although there is not much completely objective data found whether the claims behind the boycott are true or false, the presumption here is that the boycott still exists and Nestlé has received a lot of criticism due to it. The boycott and reasons behind it will be discussed in the final chapter of this thesis, but no claims will be made about the truthfulness of the reasons behind the criticism. The focus point is more on how Nestlé has addressed the claims in their website, web publications and statements in media.

Nestlé releases annually a CSR report: Nestlé in Society – Creating Shared Value. Nestlé uses the term 'creating shared value' to describe its actions concerning CSR. CSV will essentially bring benefits for shareholders and the company itself, as it is about creating competitive advantage through actions that improve a social or environmental issue. Nestlé focuses on creating shared value in nutrition, water and rural development. (Nestlé, 2015, B.) This thesis briefly introduces Nestlé's CSV

report from 2013, which was published in 2014. It will be used to evaluate how Nestlé has approached the most criticized actions of their own and how it acknowledges the most criticized issues towards CSR in general. Furthermore, the data analysis chapter will offer a greater look on what information CSR reports can offer and how transparent the information seems. The difference between the terms CSR and CSV will be studied later on this thesis, but the assumption here is that CSV is like the more advantaged version of CSR.

There are a lot of different terms to describe corporate social responsibility, or parts of it: corporate responsibility, corporate sustainability, responsible business, corporate citizenship to mention a few. The definition of CSR seems to vary between different sources, and a more comprehensive term would be just corporate responsibility as it also includes environmental aspect of the issue. However, the term corporate social responsibility or its abbreviation CSR will be used throughout this thesis, as it is the most commonly used term in the source materials and the main point this thesis focuses on. Still, some sources will contain different terms.

The purpose of this thesis is to develop own knowledge on the issue and offer a compact introduction to the term CSR, the different approaches to it and the criticism towards it. The aim is to offer a wider perspective about the many aspects of CSR introduced in this thesis and provoke a thought in the reader to evaluate what is his/her opinion on the debate of the sole purpose of CSR; to help the society or act as a tool for companies to gain more profit? Furthermore, it offers a deeper insight on CSR reporting and how it is implemented by the case company. One of the most popular reporting guidelines by Global Reporting Initiative (GRI) will also be introduced.

The most problematic issue with this topic and the research method was that there is great amount of information available – both relevant and irrelevant. The challenge was to find reliable and academic sources and narrow the information found down to avoid information overload. Also when the topic is this broad, it is inevitable that a lot of important information is left out and the research findings can seem slightly one-sided. However, it would be rather difficult to introduce the topic thoroughly from every aspect without exceeding the limits of this thesis. So it is important to keep in mind that the findings are merely one side of the issue and the thesis includes personal observations of the issue.

1.1 Research outline



FIGURE 1 Research Outline

Introduction

This chapter introduces the idea behind topic and the journey how it initially changed. The aim and purpose of this study is discussed as well. The main sources are introduced briefly in order to give the reader an idea on what the theory is based on.

Research Methodology

This chapter includes discussion about the chosen research method. The validity and reliability of this thesis are evaluated. This thesis is based solely on secondary data, thus the advantages and disadvantages of that are discussed as well as different types of it.

Research Review

Research review starts with a wider insight of the term CSR and different approaches to it. GRI's reporting framework is studied more detailed as it is the framework the case company uses in its CSR reporting. Furthermore, it gives a good example how companies can fight the transparency of their CSR actions through sufficient reporting. Additionally, an introduction of KPMG's CSR reporting survey from 2013 is included as it offers a greater insight on how CSR reports can be analyzed, and also information about the case company's results in the survey.

Data presentation and analysis

After the research review the case company Nestlé is introduced. The aim is to offer a greater understanding on how a multinational company like Nestlé can approach to

CSR and how they report it. After the introduction of Nestlé's actions the criticism Nestlé has received will be discussed and evaluated. It is kept in mind that a lot of that criticism is not objective and cannot be taken as a truth. Nestlé was chosen to be the case company as it has faced some controversial criticism towards its actions in e.g. water management. Furthermore, personal impression of Nestlé was rather negative and it was interesting to study how Nestlé has acknowledged the received criticism.

Conclusions and discussion

As a conclusion, the criticism towards CSR is further discussed and some observations are drawn from Nestlé's CSR actions and reporting. The different approaches and views on what is the sole purpose of CSR are analyzed and seen how those are linked to the criticisms towards CSR. Finally, the personal journey of writing this thesis will be discussed.

2 RESEARCH METHOD

There are two distinctive research areas that each has their own strengths: qualitative and quantitative research. Quantitative research provides statistical and numerical information based on logical data. By using quantitative research it is possible to collect a great amount of data that can be re-arranged and transformed into reports for analyzing purposes. (The British Library 2015.) Quantitative data collection methods can include different forms of surveys, online polls, interviews and observational studies.

The essence of qualitative research is to work more as an exploratory research in order to understand possible underlying motivations, reasons and opinions. Qualitative research can help to provide an insight into a problem or it can be used with quantitative research by developing ideas or hypothesis on the issue. Qualitative data collection involves different kinds of techniques, such as focus groups, interviews and participation or observations. (Wyse, 2011.) It is increasingly usual for business research to use a mixed-method approach to collect data, i.e. using both quantitative and qualitative research methods (Greener 2008, 38).

Research quality depends on the reliability and validity of the research (Pellissier 2007, 12). In order to produce a legit business research it is important that the design is transparent and clear. The reliability of a research helps the reader to either undertake the same method themselves or produce the same results, or at least it instills confidence in the reader that the results were not manipulated in any way. (Greener 2008, 38.) Validity can be explained as an implication of reliability, thus a valid measure must be reliable, but a reliable measure needs not to be valid. Validity is the extent to which a measure accurately reflects the certain concept. Internal validity refers to how the research findings match the reality, while external validity refers to the extent to which the research findings can be replicated to other environments. (Pellissier 2007, 12.)

The initial purpose of this thesis was to study CSR more as a global phenomenon rather than as an issue on a local scale. As the motivation for this thesis rose from a personal interest towards the topic, the main purpose of the thesis was to act as a self-learning diary but serving external readers as well. The process started with studying the growing importance of CSR in today's world and as more and more interesting material was found; the focus shifted more towards the criticism of CSR. The aim then was to identify the types of criticism CSR is facing and introduce CSR

reporting as a tool with which companies can enhance their transparency and address the criticized issues. To offer a more practical insight on the issue, Nestlé was chosen to be the case company for this thesis and their approach to CSR, the criticism they have received and how they have responded to it will be discussed after the research review.

This thesis is based solely on secondary data, consisting of academic articles, e-books, websites and organizations' publications. The reason behind using only secondary data is that there is a great amount of information available that serve the purpose of this study. CSR is still quite a new concept, or at least has just recently become a more discussed topic both in academic world and among consumers, and the most relevant information about it can be found via internet. Although there are a lot of books written about it, there were not many available during this thesis process in local libraries. This is the reason for the source material consisting mainly of articles and e-books. Also as criticism is based on someone's opinion, there are more articles and web publications than books about the criticism towards CSR. The limitations and disadvantages of using only secondary data for a thesis were taken into consideration and later discussed in this thesis.

Since the purpose of this study is to gain a better understanding on the issue as a whole, at first there seemed to be no need to conduct a primary data research. To be able to execute such research on this topic, it would have required a lot more resources than what was available. There was an option of conducting a research concerning CSR on a more local scale in some organization, but that did not seem relevant enough for this topic. The main focus point of this thesis changed many times during the process and when it was decided to be the criticism CSR faces, there was not enough time left to include a type of primary data research that would have been beneficial for the outcome. For example a qualitative research about how consumers perceive the case company Nestlé if knowing about the criticism it has received could have offered a deeper insight on how the criticism affect Nestlé. But on the other hand, then the focus should have been more on the company reputation.

As this thesis is based solely on secondary data, the reliability and validity of the information is impossible to prove. However, the sources were selected carefully and many of them were based on either earlier studies of CSR or included a research of their own. Many of the publications used for this thesis included the same background sources and that added the reliability of the publications. As the aim was to study the types of criticism CSR receives, the relevant point for this thesis was to

show that the criticism exists and not claim that it is necessarily valid. Thus, evaluation about reliability and validity of the possible researches behind the criticism is irrelevant for the purpose of this thesis.

The different types of secondary data and the advantages and disadvantages will be introduced next.

2.1 Secondary data

Secondary data include both quantitative and qualitative data and they can be either raw data with a small amount of processing or compiled data that has gone through a selection of some sort or summarizing. There are three main sub-groups for secondary data, which are: survey-based and documentary data, data that has been collected from variety of sources. (Figure 2). (Saunders, Lewis & Thornhill, 2009, 258.)

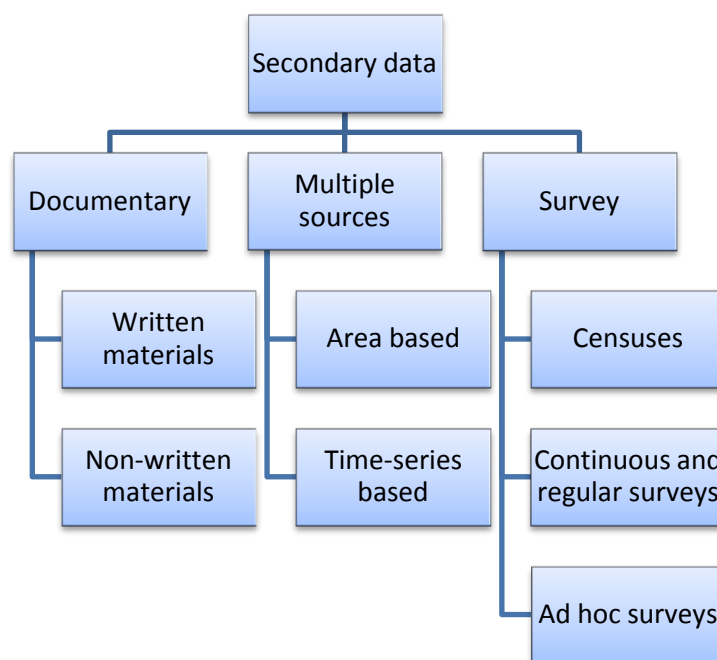


FIGURE 2. Types of secondary data (Saunders, Lewis & Thornhill, 2009).

Documentary secondary data includes written materials such as notices, written communication (such as e-mails), reports, diaries, and different types of records and longitude of meetings. Documentary secondary data are often used together with primary data. It can also include books, papers and articles and non-written material such as voice and video recordings and visual material such as programs and DVDs.

According to Saunders, Lewis and Thornhill (2009, 259) these kind of data is usually used when the research is done within the company or as a case study of particular organization.

Multiple-source secondary data can be a combination of documentary and survey secondary data, or it can be based on either one separately. The key factor is that different data sets have been combined to form another data set prior to your accessing the data.

Survey-based secondary data is data that is based on beforehand analyzed data, such as questionnaires that usually contain data about people, households or organizations. Censuses are usually carried out by governments and they provide a rather good coverage of the population surveyed. Continuous and regular surveys are surveys that are repeated over time, either by collecting the data throughout the year or those repeated regularly. These kinds of surveys provide data that can be used e.g. as a comparison to the researcher's own research findings. (Saunders, Lewis & Thornhill 2006, 259-260).

2.1.1 Advantages of Secondary data

According to Ghauri & Gronhaug (2005, 95) secondary data saves time and money for the researcher as it is relatively easy to access, although this can be debatable as Kumar (2014) states "more data means more work and resources". The increasing use of electronic sources has enhanced availability of these sources and helps the researcher to better formulate and understand the research problem. It also broadens the base from which scientific conclusions can be drawn, hence the verification process is more rapid and the reliability of the information and conclusions is greatly enhanced. Secondary sources also facilitate cross-cultural/international research. (Ghauri & Gronhaug 2005, 95, 97.)

Another advantage of consulting secondary data is that they can suggest suitable methods or data to handle a particular research problem. They provide a comparison instrument with which we can interpret and understand our primary data. In some cases secondary data can provide enough information to answer the research questions and in such cases there is no need to collect primary data. (Ghauri & Gronhaug 2005, 95.)

2.1.2 Disadvantages of Secondary data

Secondary data reflects the purpose and pre-conceptions of the original researchers, and cannot be expected to be the truth. (Greener 2008, 83).

One of the main problems working with secondary data is that these data are collected for another study with different objectives and they may not completely “fit” the researcher’s problem. Thus it is rather significant to identify the issue, what is already known about the topic and what further information is needed. (Ghauri & Gronhaug 2005, 97.)

Ghauri & Gronhaug (2005, 100) state that one problem with the accuracy of secondary data is to understand the purpose of data collection for the source used. For example companies can utilize wishful thinking in their annual reports rather than actual facts when they describe their market position. They may mention that they are market leaders or have a certain percentage of market shares. This is why the accuracy of these claims needs to be checked from objective sources. This critical evaluation will later be used in the case study of Nestlé when studying their CSR report.

3 CORPORATE SOCIAL RESPONSIBILITY

The term corporate social responsibility can have several different meanings. To some it means legal responsibility or liability; to others it conveys the idea of socially responsible behaviour in an ethical sense (Masaka 2008, 14); to some it is a way to gain control within the global economy (Dauvergne & Lister 2013, 1.) However, nowadays CSR is seen more as a tool to enhance reputation and credibility among stakeholders rather than represent an unproductive cost or resource burden. CSR is not only seen as making good business sense but it is increasingly viewed as a tool that affects the long-term prosperity of companies and in the end contributing its survival. (Holme & Watts 2000, 3-7.)

CSR is about building a long term value in a changing world that is shaped by social and environmental mega forces. As the demand for natural resources is increasing, for example water and food supplies are becoming more and more difficult to access and more expensive to produce. Global warming and the declination of ecosystems create a need for business leaders to address the issues and be aware of the risks and opportunities they involve. By addressing the issues now through right strategies, companies can achieve long-term success and refine business models for tomorrow. (KPMG 2013, 47.)

3.1 Approaches to Corporate Social Responsibility

There are as many approaches to CSR as there are companies approaching it. There is no one regularized method how CSR is practised, but companies who engage themselves in CSR actions can roughly be divided into two teams: those who are approach it from cost-benefit perspective and those who see it as a long-term investment. Three approaches to CSR will be introduced next to offer a view on how CSR can be perceived.

3.1.1 The Business case approach

According to the business case approach, CSR is best approached through a cost-benefit perspective. It is characterized by the assumption that any CSR effort is justified by instrumental arguments towards increasing corporate profits. Although solving environmental and societal problems will most likely involve costs for a business, CSR is said to provide second-hand benefits to businesses that will pay out in the future. Through CSR companies can gain various incorporeal assets, such as

brand loyalty, enhanced supply chain integration and risk deduction. The idea behind this argument is that when a company does good things, it will do well in a business sense as well. (Nijhof & Jeurissen 2012, 620-621.)

When an organization has set enhancing ethical issues as their objective and self-interest, there is no need to choose between making profit and being ethical. The choice disappears when a company finds a way to operate including both of these in their business practices. This introduces us the term “shared value”: a principle that brings benefit to both business and society. There have been mixed results whether there is a positive or a negative relationship – or a completely non-significant relationship between CSR and profits. There have been studies showing a positive relationship when corporate social performance (CSP) and corporate financial performance (CFP) have been measured, but also studies showing the opposite. (Nijhof & Jeurissen 2012, 621.)

First Wave		Second Wave			Third Wave
Opposition	Ignorance	Risk	Cost	Competitive advantage	Transformation
<i>Rejection</i>	<i>Non-responsiveness</i>	<i>Compliance</i>	<i>Efficiency</i>	<i>Strategic proactivity</i>	<i>Sustaining corporation</i>
CSR claims seen as illegitimate for corporations	CSR claims seen as non-relevant for business	Focus on reducing risk of failing to meet minimum standards	Focus on avoiding costs and increasing productivity	Seeks innovation to improve stakeholder loyalty	Focus on the role of the corporation in society

FIGURE 3 Stages of a company’s maturity in CSR based on journal by Nijhof & Jeurissen, 2012

The figure 3 illustrates the business case approach with its stages of a company’s maturity in CSR. A few observations can be made based on this figure. It seems that it is not necessary for the company to adopt ways to promote CSR, not until at the final stage, “transformation”. Nijhof and Jeurissen (2012, 622) argue that economic calculations of benefits, opportunities and costs will not alone lead a company towards to the last stage when it reaches the realm of ethical reflection. In order to reach the final stage as an ethical actor, a company needs to have started a primer in ethics much earlier in its CSR career.

3.1.2 Creating shared value

Creating shared value (CSV) can be seen as a modern version of CSR, or just as a completely different approach. Traditional CSR rationales can be difficult to justify and maintain in long term as they do not examine critically the ways competitive context can be integrated with long term social incentives that focus on making profit. CSV is argued to regenerate the missing link between business and society, which CSR does not do. (Scagnelli & Cisi 2014, 1-2.)

The concept of shared value is based on the idea that both conventional economical and societal needs define markets. It recognizes that internal costs for companies can arise if there are social harms or weaknesses in companies' activities, such as a waste of energy or raw materials and costly accidents. Addressing these issues does not necessarily mean a raise in costs, as companies can increase their productivity and expand their markets through innovative new technologies, operating methods and management approaches. Thus, shared value is not about personal values, but about increasing the amount of social and economic value. This perspective concentrates on increasing the efficiency of farmers, yields, product quality and sustainability by improving techniques and supporting suppliers and other institutions. (Porter & Kramer, 2011.)

Shared value is created by a strategy-lead method that works towards gaining investments in long-term business competitiveness that addresses both social and environmental objectives. Some ways to achieve this strategic perspective are; to reconceive products and markets; to redefine productivity in the value chain; to enhance local cluster development. Long term sustainability will not happen by focusing on management bonuses, stock market returns and other short term objectives. Instead, companies should comply with the law, regulations and ethical standards and reduce any harms the business causes in order to gain positive financial results. (Scagnelli & Cisi 2014, 1.)

3.1.3 The Stakeholder approach

Stakeholder theory is said to be perhaps the most popular and influential theory to emerge in the CSR area. It was first developed and presented in 1980s by Edward Freeman. The theory begins by looking at various groups to which the corporation has a responsibility, i.e. whoever who is facing the effect or affecting to the company's goals. A stakeholder-oriented approach emphasizes that organizations

exist within larger networks of stakeholders, all of which stake claims on organizations. Stakeholder theory can be perceived as a main aspect to assess the standard of CSR. (Cheng & Ahmad 2010, 595.) Stakeholders can be classified as internal and external stakeholders. Internal stakeholders include managers, shareholders, company employees and labor unions; external stakeholders include the general public, media and the government. (Taghian, D'Souza & Polonsky 2015, 5.)

The aims of stakeholder theory are to be useful, to provide tools that managers can use to better create value for the range of their constituents, tools that constituencies can use to improve their dealings with managers, and tools that theorists can use to better understand how value creation and trade take place. Using the language of stakeholders makes it easier for business executives and theorists to see business and ethics as integrated instead of always in conflict. (Freeman 2012, 1.) In fulfilling CSR obligations, organizations are expected to engage with their stakeholders through various initiatives and activities. Stakeholder theory typically focuses on the types of actors in the relationship of the firm and the stakeholders. (Cheng & Ahmad 2010, 595.)

The challenge with stakeholder approach is to assess stakeholder's interests correctly. The effectiveness of managerial actions is therefore dependent on how well managers understand stakeholders' interests and influence and how appropriately they respond to them. Thus, a variety of activities concerning marketing research and environmental scanning are needed to be able to understand the views of a company's stakeholders. (Taghian, D'Souza & Polonsky 2015, 2.)

3.2 CSR reporting methods

The purpose of CSR reporting is for companies to demonstrate that they are aware of both social and environmental forces and act according to them. It shows that companies understand the risks and opportunities those actions create and that they have a strategy to minimize risk and utilize opportunities. (KPMG 2013, 47.) CSR reporting has several different names in different sources, but CSR reporting and sustainability reporting are used for this thesis.

A sustainability report contains information about what economic, social and environmental impacts a company causes with its everyday activities. The report introduces the company's values and governance model and is used to demonstrate

the link between the company's strategy and to which extend it is committed to sustainable global economy. With sustainability reporting companies can measure the impact they cause or experience, determine objectives and manage possible changes. The purpose of sustainability report is for companies to communicate both positive and negative sustainability performance and impacts. (Global Reporting Initiative.) Major providers of sustainability reporting guidance include:

- The Global Reporting Initiative (The GRI Sustainability Reporting Framework and Guidelines)
- The International Organization for Standardization (ISO 26000, International Standard for social responsibility)
- The Organization for Economic Co-operation and Development (OECD Guidelines for Multinational Enterprises)
- The United Nations Global Compact (the Communication on Progress). (Global Reporting Initiative, A.)

This chapter will introduce two of the most popular CSR reporting methods: the triple bottom line method and GRI's reporting framework and guidelines. Closer attention will be paid to the latter as the case company of this thesis uses the GRI's reporting framework in their CSR reporting. CSR reporting can improve company's transparency of their CSR actions and respond to criticism.

3.2.1 Global Reporting Initiative's G3.1 guidelines

The GRI is arguably the most influential of those institutional developments that support businesses in sustainable development. According to KPMG's survey of CSR reporting (2013), among the world's 250 largest companies eighty two percent of those that report on CSR refer to GRI guidelines.

The GRI is both an independent institution and what is claimed the world's first standardized approach to sustainability reporting. The GRI sustainability reporting guidelines were recognized in the World Summit on Sustainable Development Plan of Implementation and feature in a range of influential and inter-connected international institutional settings. The GRI has become almost ubiquitous as the basis on which organizations should seek to report and as the intellectual framework through which sustainability should be articulated the organizational level. (Milne & Gray, 2012.)

GRI offers a few different guidelines for sustainability reporting, but this report will concentrate on G3.1 guidelines that were launched in 2011. The G3.1 guidelines consist of two parts: **Reporting Principles and Guidance**, and **Standard Disclosures**. Performance indicators are divided into economic, environmental and social categories. (Global Reporting Initiative, C.)

The GRI Reporting Framework offers companies a mean to unveil outcomes and results based on the companies' commitments, strategies and management approaches that have took place within the reporting period. Reports can be used for example to:

- Benchmark and assess sustainability performance with respect to norms, codes and laws.
- Demonstrate how the company affects and is affected by outlook about sustainable development.
- Compare actions within a company and between different organizations over time. (Global Reporting Initiative, 2000.)

The main objective of GRI Reporting Framework is to offer companies a globally accepted framework for reporting on a company's social, economic and environmental performance. The framework contains both general and sector-specific instructions that have been globally assented by a broad number of stakeholders to be generally relevant for the sustainability reporting for a company of any size, sector or location. (Global Reporting Initiative, 2000.)

GRI (2000) state that internal controlling such as internal audit functions are important to the total credibility and integrity of a company's sustainability report. Also the use of external assurance by a competent group of individual is recommended. However, the term 'external assurance' does not mean that the company's level or quality of performance is assessed by publishing e.g. a compliance assessment or a performance certification.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	Profile Disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	
	Disclosures on Management Approach	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	Performance Indicators & Sector Supplement Performance Indicators	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic, and environment.**		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.***		Respond on each core and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

* Sector supplement in final version
 ** Performance Indicators may be selected from any finalized Sector Supplement, but 7 of the 10 must be from the original GRI Guidelines
 *** Performance Indicators may be selected from any finalized Sector Supplement, but 14 of the 20 must be from the original GRI Guidelines

FIGURE 4 Application level system of GRI guidelines (GRI, 2011)

There are three Application Levels to show how much of the G3.1 Guidelines have been applied in sustainability reporting: A, B and C. The plus, '+', is included to an Application Level after the sustainability report has gained an external assurance. These levels communicate which parts of the GRI's Reporting Framework have been addressed. The purpose of the application levels is to show the degree of transparency in the GRI Guidelines in sustainability reporting. The Application Level goes hand in hand with the extent to which GRI Content Index disclosures have been reported. The indexes function as a communications tool to support an application level declaration. Reporters declaring Application Level A (+) are expected to complete the full GRI G3.1 Content Index template and to report all the required disclosures or explanation why if some disclosures have not been addressed. (Global Reporting Initiative, B.)

As a conclusion, GRI's G3.1 guidelines offer companies of all sizes a framework for sustainability reporting. However, these guidelines and procedures are merely recommendations and there is no external monitoring unless the organization itself acquires that.

3.2.2 Triple bottom line

The triple bottom line (TBL) is a framework that combines financial, social and environmental performances. The TBL can also be called the three Ps (3Ps): people, planet and profits. The TBL originates from the mid-1990s in America, when at the

time it went beyond traditional measures of shareholder value, profits and return on investment to involve environmental and social dimensions. (Slaper & Hall 2011, 4.)

As the 3Ps cannot be directly compared to each other the calculation of the TBL is quite challenging and there is no universal standard for it either. It can be seen as strength that there are no set standard for the measures that contain all of the three TBL categories, as it allows a user to modify the general framework to the needs of different geographic boundaries, different entities, different policies or projects. It is said that in the end, the data availability drives the TBL calculations. (Slaper & Hall 2011, 4-5.)

The application of the TBL differs between businesses, non-profit organizations and governments due to the different ways to measure the three categories of outcomes. The traditional sustainability measures are categorized into three variables: *economic*, *environmental* and *social*. *Economic variables* deal with the flow of money, e.g. income or expenditures, taxes, business climate factors or business diversity factors. *Environmental variables* are measurements of natural resources and show potential effects to its viability including e.g.: natural resources, air and water quality, energy consumption, and solid and toxic waste. *Social variables* are social dimensions of a certain region or community that can include measurements of access to social capital and resources, equity, education, and health and well-being. (Slaper & Hall 2011, 5-6.)

3.3 Transparency of CSR reporting

The demand of new innovative choices and ways of thinking are one of the main challenges sustainable development faces. New developments in knowledge and technology have the potential to help to solve threats and risks to the sustainability of social, environmental and economic issues and they also contribute to economic development. Organization's transparency about social, economic and environmental impacts play a great role in effective investment decisions, stakeholder relations and other market relations. This is why organizations should find new ways to make a difference in how their services, operations, products and activities impact the earth, economies and people. (Global Reporting Initiative, 2000).

Janet Voûte, Nestlé's Global Head of Public Affairs (KPMG 2013, 76) states that high-level commitment to transparency is very important to the quality of the CSR report. Transparency helps to solve problems and certainly contributes to better

interactions with external stakeholders. In today's world of social media you can't afford to be not transparent, it is the only way forward.

New Transparency Rules on CSR by the EU Council

Some actions are being taken towards more transparent assessing and reporting of CSR. This chapter will introduce the first legislation on non-financial reporting in EU based on a press release by the Council of the European Union in 2014.

In October 2013 the EU adopted a strategy to promote corporate social responsibility and acknowledge the importance of businesses revealing certain information about identifying risks and growing the trust in consumers and investors. (Council of the European Union, 2014.)

In September 2014 The Council of the European Union introduced a directive for the revelation of diversity non-financial information by a few large EU companies. These companies are required to publish annually a report consisting of employee-related, environmental and social matters, respect of human rights, anticorruption and bribery. Description of the policies, end results and the risks need to be included. (Council of the European Union, 2014.)

The directive is seen to answer for the need on incorporating CSR as a tool for business productivity and play a great role in a clever and sustainable growth while bringing benefits to both shareholders and stakeholders and citizens alike. The objective is to strengthen the companies' accountability and transparency while reducing any unjustified administrative burden. The new measures will be incorporated into the directive on the annual financial statements and reports of certain types of undertakings. (Council of the European Union, 2014.)

3.4 KPMG's CSR reporting survey

KPMG is one of the world's largest companies to offer audit, tax and advisory services. In 2013 KPMG issued a CSR reporting survey that provides a snapshot of current global trends in CR reporting to help companies worldwide identify their own approaches to CR reporting and to assess and improve the quality of their reports. The survey is also intended to provide a useful reflection of the current state of CR reporting for other audiences who take an interest in the subject.

The report is divided into two parts: Part 1 - *Global trends in CR reporting: a view across 41 countries* and Part 2 – *The quality of reporting among the world's largest companies*. The survey is studied more closely for this thesis due to its useful information about CR reporting and the fact that it offers analysis of the quality of Nestlé's CSR report. Nestlé's CSR report also includes a link to the KPMG's survey.

KPMG used 250 world's largest companies for the second part of the survey. The quality of the report was assessed against seven key criteria, which are based on current reporting guidelines and KPMG professionals' view of leading reporting practises. The average score of each criterion is listed after the criteria:

- **Strategy, risk and opportunity** (62)
- **Materiality** (66)
- **Targets and indicators** (68)
- **Suppliers and the value chain** (46)
- **Stakeholder engagement** (53)
- **Governance of CR** (53)
- **Transparency and balance** (58) (KPMG 2013, 7.)

An average quality score is 59 out of 100 among the 93 percent of G250 companies that publish a CR report. The results indicate there is room for improvement in the quality of company reporting on CR. Also, issues such as supply chain management and governance have only become a public subject fairly recently and so company processes for these may not be as steady as they might be in some companies. The quality of reporting matters because it is taken as indicative of the quality of management and what is actually happening inside the company. (KMPG 2013, 37.)

Ten out of the 250 companies that report on CSR scored 90 or more on their report quality, of which one was Nestlé. The average score for food and beverage sector was 59. Nestlé was only company from this sector to make to the top ten. (KPMG 2013, 37-38).

4 CRITICISM TOWARDS CSR

This chapter will discuss the nature of criticism that CSR faces, whether it is about the implementation of it or about the definition of CSR in general. During the research it became clear that there are numerous ways to perceive CSR and, furthermore, the criticism towards it usually originates from a different view on what is the sole purpose of CSR and what companies pursue to accomplish with it.

4.1 Five stages of CSR

Although the concept of CSR gives an idea that it should only have a positive impact on the world, CSR has gained generous amount of critics. Visser (2012, 1) states that corporate social responsibility has failed, introducing a logic by which we should judge the success of CSR simply by assessing if our communities and ecosystems are getting better or worse. Furthermore, according to Visser, while at micro level we can see many improvements, at the macro level almost every indicator of our social, environmental and ethical health is in decline.

Visser (2012, 2-3) introduces five overlapping stages of implementing CSR which are Defensive, Charitable, Proportional, Strategic and Systemic CSR. *Defensive CSR* is a stage where CSR is used only when it can be shown to protect shareholder value as a result. Certain actions are made only to avoid fines and penalties. The next stage *Charitable CSR* is where company supports various social and environmental causes through donations and sponsorships.

Promotional CSR is a stage in which corporate sustainability and responsibility are used as an opportunity to enhance the brand image and reputation of the company. At this stage a company can use the practices of *Charitable* and *Strategic CSR* and turn them into PR spin, which is often characterized as greenwash.

Strategic CSR is focused at the micro level by supporting social or environmental issues aligning with company's strategy, without necessarily changing it. For example Coca-Cola is using *Strategic CSR* with water management as it relates to Coca-Cola's core business.

The last stage *Systemic CSR* focuses on identifying and solving the causes of our present unsustainability and irresponsibility by inventing innovative business models, revolutionizing their products, services and processes while lobbying for progressive

national and international policies. Therefore with *Systemic CSR* a company is working on the macro level to change the company's strategy to optimize the outcome for this larger human and ecological system. So ideally, according to Visser (2012, 3), businesses should make the journey to *Systemic CSR* and avoid sticking in any of the first four stages. If that happens, in this sense CSR will continue to fail.

Simon Zadek (2004) the CEO of AccountAbility, has introduced similar stages of the learning process towards environmental responsibility. Both companies' and society's views on the issue are growing and becoming more mature. This creates a need for companies to stay apprised of the public's growing need for ideas about corporate responsibilities and roles. According to Zadek most companies pass five discernable stages in how they handle corporate responsibility; the *defensive* stage "It's not our job to fix that.", the *compliance* stage "We'll do just as much as we have to.", the *managerial* stage "It's the business, stupid.", the *strategic* stage "It gives us a competitive edge." and finally the *civil* stage "We need to make sure everybody does it."

4.2 The business case approach creates limitations

Nijhof and Jeurissen (2012, 623) created the term glass ceiling of CSR to stress that companies that follow a business case approach to CSR, create limitations, a ceiling, to the possible outcomes. Furthermore they point out that people working on CSR may not be aware of those limitations, as the limitations follow indirect effects of a business case approach to CSR. The business case approach was introduced in the chapter 2.1.1.

The indirect effects that create the glass ceiling can be divided into three larger claims that will be further discussed next:

1. A business case approach to CSR results in opportunism

Nijhof and Jeurissen (2012, 623) state that to do well, a business is required to obtain resources from stakeholders of all kind, who then have the possibility to either reward or punish the company. This leads to an assumption that companies that do good will also do well, which is a key point in a business case approach to CSR as it arouses a question about how will the company do well when implementing a certain CSR initiative. The problem with the "do good and you will do well" argument is that good ethics do not always result in good business. From a business case approach to CSR

this can result in opportunism: companies might choose the more successful CSR project over the one with which it could do more good. In other terms, a business case approach can result in business cherry-picking the social issues agenda.. Thus as a conclusion, the business case model can lead to insufficient take on CSR and on companies' motivation, and may lead to ethical complacency and ethical detachment. (Nijhof & Jeurissen 2012, 623-624.)

2. A business case approach to CSR leaves institutional blockades to CSR intact

A business case approach to CSR implies that when a company truly wants to act in a responsible manner, it is acceptable set the success of the organization as a priority. Therefore it is seen to be completely understandable if financial accomplishments are seen as the most valuable achievements, making it just about business as usual, which CSR is not about. The success of CSR strategy depends on the market dynamics, whether or not your clients trust you and how it affects the employees' loyalties. This requires involving CSR in all parts of the business, changing the corporate mindset. Every employee of an organization should be capable to embed CSR policies in their work. (Nijhof & Jeurissen 2012, 624-625.)

3. A business case approach to CSR drives out intrinsic motivation for CSR

The business case approach to CSR is seen as a good way to motivate employees who are questioning the importance of CSR; not by convincing them the importance of CSR but by showing that there is a business case for CSR matters. This can however lead to the loss of motivation of those who are intrinsically motivated to pursue CSR. (Nijhof & Jeurissen 2012, 626.)

According to self-determination theory the creativeness, productivity and commitment will increase among employees when they feel that the motivation for a challenging work comes from within. Those employees who feel good about themselves as a part of the company and believe to be working on towards some bigger purpose, tend to be more active in working environment rather than being just a follower of others. This is rather important quality when working on CSR, where new approaches are a key to overcoming unsustainable environmental and social practices. Based on the self-determination theory it is argued that employee who only gets tangible rewards for their accomplishments, tends to lower the employee's motivation for the work. This is explained by a theory that states that by giving people rewards for a job they

liked doing anyway, their level of intrinsic motivation might decrease as they might learn to believe their behaviour is affected by the reward. (Nijhof & Jeurissen 2012, 626-627.)

Nijhof and Jeurissen (2012, 627-628) state that to be able to shatter the glass ceiling, business leaders should decide on what ethical guidelines they want to attain both good and bad times, and use that as a base for developing economically sustainable business models. It is about managers creating a culture of responsibility.

4.3 Corporate social irresponsibility

While CSR is about the companies doing something good, the focus of corporate social irresponsibility (CSI from now on) is avoiding bad. CSR is frequently understood as a requirement for corporations to make additional contributions for the society. In addition to that, corporations also have to avoid bad in order to prevent CSI. Thus, CSI can be seen as an indispensable part of the social responsibility of corporations, and as a central precondition in order for corporations to be perceived as socially responsible in the long run. (Lin-Hi & Müller 2013, 1928.)

As stated earlier, CSR can be identified in many different ways and so can CSI. Atkins (2008, 28) finds that the goal of a company is to act on behalf of its owners. Thus, a company becomes irresponsible if it for example applies its assets for social purposes rather than for the profit of its owners.

4.4 Hard and soft information

To explain the concern of the verifiability of companies' CSR policies, Bazillier and Vauday (2014, 4) introduce the terms hard information and soft information. Hard information (i.e. verifiable information) can be seen as a proof that a certain effort has been made, whereas soft information is only a statement that the effort has been made without proving it. Many companies use soft communication because hard information is very expensive and difficult to send. For example if a company wants to prove they do not use child labor, a simple picture or a visit of one plant is not enough.

Most companies use sustainable development reporting to assess their commitments, but the variability and the sufficiency of those reports can be discussed as many of those firms use soft communication. Even if an external audit is carried

out, all the activities of the company cannot be controlled. Hence, the critical element is the evolution of how easy sending hard information is compared to sending soft information. If soft communication was examined in public more strongly, lead especially by NGOs, the mistrust in such communication would increase. Another means to increase the communication of hard information can also be some active policies at the state or regional level, or through the development of faster telecommunication. (Bazillier & Vauday 2014, 178.)

4.5 Greenwashing

If a company is selling goods which CSR content is hard to determine, companies might be tempted to lie about the CSR content of the product sold to generate a higher profit, since the CSR content of a product can explain a higher price. This is called greenwashing. (Bazillier & Vauday 2014, 6.) Other way to define it is that it's whitewashing with a green brush. In other words, it is about hiding unpleasant facts and using more resources to declarations of being 'green' via advertising and marketing, rather than just complying business practices that decrease negative environmental impact. Greenwashing can affect negatively the business itself among the environment and the consumers. At worst case scenario greenwashing can encourage consumers to do the exact opposite of what is good for the environment. A company can hurt its reputation and sales by greenwashing, leading the consumers feeling that they have been taken advantage of. (Greenwashing index 2015.)

One of the major concerns about greenwashing is the ability to convey hard information. A lack of hard information may help some companies to greenwash. When consumers receive a certain level of soft information about a company's CSR policies, they can be convinced that the company is indeed engaged in developing CSR. In order to create a real distinction with greenwashers, companies need to send hard information despite its costs. Greenwashing could impede the development of CSR as it may lead people to mistrust any company that states that it is practicing CSR. (Bazillier & Vauday 2014, 6.)

4.6 Application of CSR in supply chain

Although there are certain general elements of supply chain that apply across industries, different industries do have relatively unique supply chains and thus different CSR issues. So as one model of supply chain CSR does not fit for all, additional research is needed to explore industry specific CSR issues. Especially the food industry faces many significant risks from public criticism of CSR issues in the supply chain. Beyond ethical considerations, consumer criticism of perceived CSR inadequacies can be harmful to corporate profitability and market share. Despite the longer history of CSR, its application to the supply chain has only emerged from the late 80's. Although supply chain practitioners have been slow to adopt CSR considerations, social responsibility concepts in the supply chain are becoming more and more important. (Maloni & Brown 2006, 35-36.)

CSR in the food supply chain can be divided into eight individual elements: animal welfare, biotechnology, community, environment, financial practices, health and safety, labor and procurement. Some of these categories are generalizable to all industries, many present relatively specific and potentially highly demanding problems to the food industry. (Maloni & Brown 2006, 39.) The list illustrates the complexity of CSR and considering the characteristics of food supply chains, the implementation of CSR practices becomes even more complex. Transparency in the supply chain and the product traceability are important factors in supporting CSR. (Wiese & Toporowski 2013, 93.)

There have been several scandals regarding failures in CSR in food supply chains that are caused by one supply chain member. This affects the company negatively; even if the failure occurred at a supplier and not the end company itself. In order to be effective in terms of CSR, companies need all members in their own supply chain to act in a socially responsible manner. If a company is not in control how its suppliers and sub-suppliers execute their job, problems arise. (Wiese & Toporowski 2013, 93-94.) Wiese and Toporowski (2013, 93) also state that regarding CSR in food supply chains, mainly successes are being reported e.g. by publishing CSR reports and CSR case studies.

5 CREATING SHARED VALUE IN NESTLÉ

The case company for this thesis was chosen to be Nestlé due to its size as a global company and its operations in nutrition and health that link strongly to corporate social responsibility issues. This chapter will offer an overview about one example how CSV can be approached in such multinational company and the main points of Nestlé's CSV report will be included. Furthermore, some of Nestlé's most discussed topics of criticism will be brought up as well as Nestlé's response to them. This will be discussed more thoroughly in the conclusion.

Nestlé is multinational food and beverage company that has over two thousand brands worldwide, operates in more than 86 countries and has over 330 000 employees all over the world. Last fiscal year Nestlé's sales were 92 billion CHF (Swiss franc) which is about 75 billion EUR. Nestlé's mission is to be the leader in wellness, nutrition and health. (Nestlé, 2015, A.)



FIGURE 5 Nestlé Roadmap to Good Food, Good Life (Nestlé, 2014, B)

Nestlé has a generous amount of detailed information on their website about their policies towards environment and other CSR issues; water, nutrition, human rights and compliance and rural development and responsible sourcing. These are gathered under the term Creating Shared Value. Creating Shared Value is an approach based on respect for other people and cultures, and for the natural environment, and Nestlé believes that for a company to be successful over time and create value for the shareholders, it must also create value for society. (Nestlé in Society 2013, 2-4.)

Nestlé introduces ten of their corporate business principles (Figure 6) on their website. As seen in the figure the ten principles cover promises to the consumers, employees, suppliers and customers as well as promises towards environment, human rights and labor practices and water management.

Consumers	1	Nutrition, health and wellness	We aim to enhance the quality of consumers' lives by offering tastier, healthier food and drinks and encouraging a healthy lifestyle.
	2	Quality assurance and product safety	We want to ensure that, everywhere in the world, the Nestlé name represents the highest levels of product safety and quality.
	3	Consumer communication	We are committed to responsible, reliable communication that informs consumers, promotes healthier diets and respects consumer privacy.
Human rights and labour practices	4	Human rights in our business activities	We fully support the UNGC's principles on human rights and labour, and aim to set an example of good human rights and labour practices throughout our business activities.
Our people	5	Leadership and personal responsibility	While fostering a culture of respect and dignity, we provide our people with equal opportunities for development, protect their privacy and do not tolerate any form of harassment or discrimination against them. At the same time, we expect our employees to be responsible, motivated, and to respect our values.
	6	Safety and health at work	We are committed to preventing work-related accidents, injuries and illnesses, and to protecting employees, contractors and others involved along the value chain.
Suppliers and customers	7	Supplier and customer relations	We require our suppliers, agents, subcontractors and their employees to demonstrate honesty, integrity and fairness, and to adhere to our non-negotiable standards.
	8	Agriculture and rural development	We aim to help rural communities become more environmentally sustainable by contributing in a range of areas, including agricultural production and the social and economic status of farmers.
The environment	9	Environmental sustainability	We are committed to environmentally sustainable business practices and strive to use natural resources efficiently, achieve zero waste and use sustainably managed renewable resources.
	10	Water	The world faces a growing water challenge, and we are committed to using water sustainably and improving our water management.

FIGURE 6 10 Nestlé Corporate Business Principles (Nestlé, 2015, C)

The appliance of these principles is executed by requiring the Nestlé employees to comply with them and the employees are continuously monitored for their application and effectiveness. These ten steps are achieved through relevant business codes, policies, processes and tools which make sure that the principles take place in every part of the company. The principles are valid wherever Nestlé operates – despite the state of the local laws concerning these issues. (Nestlé, 2015, C.)

5.1 Acknowledgements

Nestlé has received several awards and acknowledgements concerning CSR in the past few years, of which a few is listed here:

- In 2013 KPMG ranked Nestlé as one of the top ten companies reporting on CSR. KPMG is a global network of professional firms providing audit, tax and advisory services. (KPMG, 2015)
- In 2013 Nestlé become the leading food products company in the Dow Jones Sustainability Index with a score of 88%, which is double the industry average (Nestlé, 2014). Companies are selected for the indices based on a assessment of long-term economic, environmental and social criteria (S&P Dow Jones Indices, 2015)
- In 2013 Nestlé has also achieved the maximum score for the second year running in the CDP 'Climate Disclosure Leadership Index' and the CDP 'Climate Performance Leadership index' (Nestlé, 2014).

Nestlé states that they have halved the greenhouse gas (GHG) emissions over the past ten years from their factories per kilo of product. They do so by improving energy efficiency, using cleaner fuels and investing in renewable sources, e.g. by switching from long-distance road transportation to rail or short-sea shipping in Europe. (Nestlé, 2014.)

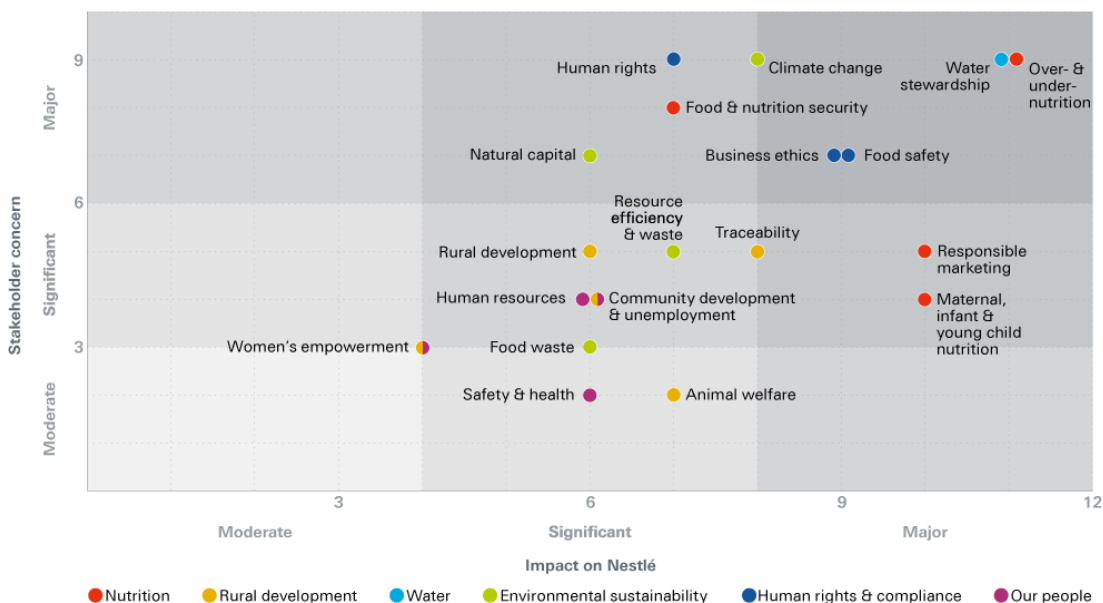
5.2 CSV report

Nestlé published its newest CSV report at the end of this thesis process, but as the purpose of this thesis is not to get into detail of the report, the report from 2013 was still used as an example. Only their materiality matrix (PICTURE 1) was updated to the new 2014 version, as it offers a better look on Nestlé's current priorities in CSV.

Nestlé in Society: Creating Shared value report from 2013 was aligned with GRI's G3.1 guidelines and Food Processing Supplement, which Nestlé helped to develop. The report helps Nestlé to communicate transparently with their shareholders and stakeholders about their commitments and progress. The report offers rather thorough compilation of the company's actions in following fields: nutrition, responsible sourcing, rural development, water, environmental sustainability, human rights and compliance, and the company's people. The report offers background

information about CSV and how it is applied in society as well. (Nestlé in Society 2013, 2-4.)

Nestlé has included a GRI application level statement (APPENDIX 1) to the report that states that the CSV report has fulfilled the requirement the application level A+ (see FIGURE 3). In that statement it is confirmed that the required set and number of disclosures for that application level have been addressed. The statement includes a notification about how the application levels do not measure either the quality of the sustainability performance of the reporter or the quality of the information in the report. The ‘+’ was added to the application as Nestlé had submitted (part of) the report for external assurance. For an external reader it is unclear which part(s) was not submitted for external assurance and why is that.



PICTURE 1 2014 Nestlé materiality matrix (Nestlé in Society, 2014)

PICTURE 1 sums up the factors that matter most to Nestlé's business and to their stakeholders, in other words it's their material matrix. Material issues can have a direct or indirect effect on a company's capability to build, maintain or drain economic, social and environmental value for both itself and its stakeholders and society in general. Materiality analysis helps Nestlé to decide where to focus their internal resources and what stakeholders want them to cover in their reporting. (Nestlé in Society, 2014.)

Human rights, climate change, water stewardship, and over- and under-nutrition are Nestlé's stakeholders' biggest concern according to the materiality matrix. From those the last two have the most impact on Nestlé and next come responsible

marketing, and maternal, infant and young child nutrition. If compared to the 2013 materiality matrix, the top concerns are still quite the same, but there are some noticeable changes. First of all, there are fewer issues in the newest matrix, for example 'transport and distribution' is excluded. In 2013 the issues that concerned the stakeholders the least were transport and distribution, and employee health and safety. In 2014 those were safety and health, and animal welfare. In 2013 Nestlé had put animal welfare alone to a category which implies that it has very little impact on Nestlé. In 2014 it had significant impact.

The materiality matrix gives a valuable insight on where Nestlé's priorities currently are at concerning CSV. It is a good way to engage stakeholders to the process and to avoid using resources to issues that aren't that significant to the stakeholders and/or to Nestlé either.

5.3 Criticism towards Nestlé's CSV actions

Despite Nestlé's constant attempts to improve their reputation in social responsibility issues, they still face a lot of criticism both from different activist groups, consumers and media. For example, In 2014 Nestlé the readers of Ethical Consumer voted Nestlé to be the most unethical company of the past twenty-five years. (Ethical Consumer). Being as big company as Nestlé is, it is not difficult to find criticism towards every of theirs actions. This chapter will introduce a few of the most criticized and still on-going issues that have gotten their share of media coverage, it is however acknowledged that the criticism is not objective and there is no proof whether the acquisitions are true or false. Nestlé's response to those arguments will be included as well as some Nestlé's actions to improve CSR issues that have been criticized in general.

The findings show that the criticism and Nestlé's responses are greatly in conflict and it is impossible to draw a conclusion on who is right and who is wrong. Thus, the two differencing sides are only introduced to show the complexity of implementing and evaluating the success of CSR.

5.3.1 Nestlé boycott

In the 1970s declining rates of breastfeeding led a number of organizations to raise concerns about the marketing practices of breast milk substitute manufacturers in developing countries (Nestlé, 2015, D). Nestlé was accused of getting third world

mothers hooked on formula, which is less healthy and more expensive than breast milk (Krasny, 2012). This led the Infant Formula Action Coalition to launch a boycott against Nestlé's products in 1977 in the United States (Nestlé, 2015, D).

In 1981 the World Health Organization (WHO) adopted the 'WHO Code' which contains a set of recommendations for member states to regulate the marketing of breast milk substitutes, feeding bottles and teats. As many developing countries did not fully implement the Code, in 1982 Nestlé introduced their own policy based on the WHO Code, to regulate their marketing of breast milk substitutes in developing countries. The policy was refined in 1984 after consultations with stakeholders including WHO, the United Nations Children's Fund (UNICEF) and civil society organizations. This resulted in the boycott to be dropped in 1984. (Nestlé, 2015, D.)

In 1988 a group of organizations in the United Kingdom launched a new boycott against Nestlé that is still active. In 2011 Nestlé was included in the responsible investment index FTSE4Good as the first and so far only breast milk substitute manufacturer. FTSE4Good is designed to identify companies that meet globally recognized corporate responsibility standards and Nestlé was able to demonstrate that they meet the Criteria for the Marketing of Breast Milk Substitutes.

In the Corporate business principle report (2010) Nestlé states that they are committed to supporting whatever is most suited for achieving the start in life for babies. This means recommending breast feeding over all other feeding alternatives. For those who need alternatives to breast feeding, Nestlé's objective is to offer formula products that meet international standards for infant health. Nestlé's infant food marketing is conducted in accordance with the WHO.

Despite the WHO Code, the inclusion in the FTSE4Good index and Nestlé's statements to support natural breast feeding, there is still a lot of criticism towards Nestlé. One source of that criticism is Baby Milk Action, which is a part of the International Baby Food Action Network. Baby Milk Action works towards stopping misleading marketing by the baby feeding industry and actively boycotts Nestlé. (Baby Milk Action, 2014, C.) According to Baby Milk Action Nestlé promotes infant milk globally with terms such as the 'natural start', 'gentle start' and 'protects' babies. So far Nestlé has made a promise to stop using the first term in 2015. (Baby Milk Action, 2014, B.)

Baby Milk Action states that babies that are fed with formula have a higher risk to become ill than babies that are breastfed, and more likely to die in more poor

conditions. Expensive baby foods can also increase family poverty. According to WHO, about 800 000 deaths among children under five years old could be prevented if they were optimally breastfed in the age of 0-23. (Baby Milk Action, 2014, B.) Baby Milk Action has introduced a four-point plan for Nestlé to accept and comply, and until they do the boycott will continue (Baby Milk Action, 2014, A).

5.3.2 Water management

Nestlé's water business seems to be one of the Nestlé's most criticized issue, which has led in few scandals in the social media. Nestlé controls over 70 of the world's bottled water brands (Bottled Life, 2015) and in 2013 Nestlé's total water withdrawal was 152 million m³ (Nestlé in Society, 2013). In 2012 premiered a Swiss award-winning film called the Bottled Life, which is about the flourishing business with bottled water by introducing the global leader in the business: Nestlé. In the film Swiss journalist Res Gehrigler does a research in areas where Nestlé operates with water; mainly in the USA and in Pakistan.

The United States is the biggest market for Nestlé's water business and in order to sell and get profit from water, they have it to themselves first. In the rural state of Maine Nestlé has acquired the ownership of these water rights and resources and sells there mostly spring water. In developing countries, such as Pakistan, Nestlé produces and markets its product Nestlé Pure Life, which is purified groundwater endowed with different minerals. Nestlé Pure Life globally the biggest bottled water brand. Bottled Life critically evaluates Nestlé's attempts to expand their bottled water business across the world. (Bottled Life, 2015.)

Res Gehrigler's researched the issue in Pakistan where Nestlé test markets its Pure Life product. Nestlé did not let him to access its production plant, but Gehrigler discovered that in the nearby village groundwater levels had fallen dramatically and there was almost nothing left of the village fountain water. Nestlé is criticized for advertising its product as a safe health-enhancing alternative in areas where public water supply is insufficient, where also majority of the consumers cannot afford the expensive alternative. (Bottled Life, 2015.)

Nestlé states that water use is a basic human need and as global water withdrawals are in excess of sustainable supply, the responsible management of water resources by all users is a necessity. To maintain its position as a leader on water stewardship,

Nestlé wants to ensure its operations are both efficient and ethical. (Nestlé in Society, 2013.)

Nestlé has published a document in which they explain their side on Bottled Life and the chairman of Nestlé Peter Brabeck-Letmathe answers questions and allegations that rose from the film. In the document is stated that they decided not to take part in the conversation with the producers of Bottled Life, as they believed that the film would only introduce one side of the issue objectively. Nestlé states that the content of the film is mostly misinformation and lacks objectivity and that Nestlé has always been committed to managing water resources in a responsible manner. (Nestlé Waters.)

In the document Brabeck-Letmathe's answer to the question whether Nestlé controls water resources or not, was that they do not as Nestlé is a very small water user with the usage of 0,003% of global freshwater withdrawals. He also denies other allegations made in the film, such as the one that Nestlé is responsible for the declination in the groundwater surface in the village next to their Pure Life production plant. According to Brabeck-Letmathe, their factory only operates two deep wells in the area and both of them are constantly monitored in order to identify possible risks and to take immediate actions to diminish them. (Nestlé Waters.)

5.3.3 Nestlé's actions

There are numerous commitments and promises in Nestlé's CSV report about how they are going to improve their own and supplier's actions to reduce any negative outcomes to themselves and to the society and environment. Some of these commitments are linked to the scandals Nestlé has faced, such as the Nestlé Cocoa Plan which is set to fight child labor and other ethical issues. The scandal started in 2005 when Nestlé among two other cocoa purchasers got filed with a lawsuit for aiding and abetting child slavery in cocoa farms in Côte d'Ivoire, even though Nestlé do not own the cocoa farms (Nieburg, 2014). The Nestlé Cocoa Plan is active in Brazil, Indonesia, Venezuela, Mexico, Ecuador, Ghana and Côte d'Ivoire. The Plan consists of three main pillars: improving social conditions; enabling farmers to run profitable farms; and sourcing sustainable and top-quality cocoa. Nestlé collaborates with independent partners such as the Fair Labour Associations and UTZ Certified to increase the plan's credibility and transparency while dealing with child labour and improving cocoa farming. (Nestlé in Society 2014, 103.)

One of Nestlé's objectives in 2012 was to build or refurbish forty schools in the next four years in Côte d'Ivoire. In 2014 the target was achieved enabling 2908 children to attend a school for the first time. But as Nestlé's Executive Vice President for operations José Lopez states, when cocoa is sourced from Côte d'Ivoire no one can guarantee that there has been no use of child labour but that tackling child labour is a top priority for Nestlé. (Nestlé in Society 2014, 105-106.) This has however created criticism, as more schools do not necessarily mean less child labour. In many cases the children must work too for the family to make enough money to survive.

To improve the transparency of product information, Nestlé has introduced new barcodes, scannable by smartphone in order to make nutritional and product lifecycle information instantly accessible. This initiative is called "beyond the label". By scanning the barcode a consumer can learn about the raw materials, manufacturing, packaging and distribution of the product from a website. (Fox, 2014.)

The website also includes information about Nestlé's environmental achievements and social impacts of the company's products, such as the Nestlé Cocoa Plan. This is the first initiative to use quick response barcodes for nutritional, social and product information. It is a response for the consumers' increasing sophistication of mobile technologies and increasing need for transparency of product information. Nestlé's goal is to eventually use the initiative in all of its products in developed and arising markets, in order the people to make more educated choices about what they eat and buy. (Fox, 2014.)

6 CONCLUSIONS

The motivation for this thesis rose from a personal interest towards environmental and social issues that MNC's can greatly affect – both in a positive and negative way. The main purpose was to study the issue thoroughly and aggregate a type of self-learning journal of what was learnt during the process. Furthermore, this report can act as a good source for anyone who is interested in CSR and offers insights why it has gained a lot of criticism.

The answer to the question whether CSR has failed or not depends on one's idea what CSR is and what is its main purpose. As seen in the research review, there are many ways to conceive CSR and there seems to be no one right answer. Is it every company's duty to do as much as they can for the society, or should CSR only be used as a tool to gain more profit?

When reflecting the research findings to Nestlé's case, it can be said that Nestlé's CSV reporting itself has not obtained much criticism but the lack of delivering hard information have. As many companies are using soft communication - in other words just stating that they are doing something - there is no real proof that their statements are in fact true. This seems a bit problematic from a consumer's point of view, although it is understandable that some information is hard if not even impossible to communicate with reliable proof. For example when Nestlé states that their business principles are executed by requiring all the Nestlé employees to comply with them and they are continuously monitored, is it even realistic to assume that every one of those hundreds of thousand employees are actually complying with every principle or even knows about them?

The scandal concerning child labor in Côte d'Ivoire is an example of both the difficultness of conveying hard information, and the question of how much responsibility does a company need to take concerning CSR. Of course supporting child labour is not ethical or acceptable in any circumstances, but it is also very difficult to a company to make sure its suppliers do not violate their policies. Rather than only blaming the end company, to solve a worldwide problem the attention should also be drawn to the supplier and the country's government.

GRI G3.1 reporting framework included sustainability performance assessment with respect to laws and other significant factors and demonstrating how the company influences and is influenced by sustainable development and comparison of the

performance within an organization and between others over time. Nestlé's CSR report included almost every point required to fulfill the guidelines as well as additional information.

If Nestlé's contribution to CSR is evaluated through Visser's five stages for implementing CSR, it is rather safe to say that Nestlé stands somewhere between strategic and systemic stage based on their comprehensive CSV report and wide range of other relevant information. This is however only based on the assumption that the claims the company has made are true and implemented in every part of their business, which is impossible to know for sure due to given soft information.

Furthermore, by Visser's logic we should judge the success of CSR by assessing if our communities are getting better or worse, and according Visser at the macro level almost every indicator of our social, environmental and ethical health is in decline. Nestlé stated that they have halved the greenhouse gas (GHG) emissions over the past ten years from their factories per kilo of product, which sounds quite a major improvement. According to Nestlé's 2013 CSR report their total production volume has increased 56,2% from 2003 to 2013. In 2003 their total production volume was 33,4 (in 10^6 tonnes) and in 2013 52,1 (10^6 tonnes). Thus, although they have halved the GHG emissions per kilo per product, they also have doubled the production volume which leads to an assumption that there is very little, if any, actual positive impact on environment by the cuts on emissions. Although all this information is given out rather clearly, it can be conceived as a slightly misleading when companies state their accomplishments like this.

It will be interesting to see how CSR evolves in the next years and decades. As consumers are more and more aware of companies' actions and environmental and social injustices in today's world, it is safe to say that CSR will continue to grow its importance. CSR has already transformed from costly burden to a tool to enhance stakeholder credibility, company reputation and to build a long term value in the world. Problems arise if companies neglect their responsibilities or are shady about their actions. CSR reporting is one of the tools to improve companies' transparency and share their successes, as well as failures, future plans and strategies. But as seen with the case study with Nestlé, criticism can still emerge. Some of it might be valid, but some can also be caused by false information or by differentiating views on how much responsibility lies on the shoulders of the criticized company.

7 DISCUSSION

Looking back now to the process and the finished thesis, I have to say I am not sure if the amount of self-learning really shows in this report. As the topic planning started from a completely opposite side of understanding CSR, the amount of material that was read during the process was a lot higher than what the references show. Although it is natural for the initial topic to change during thesis process, it might have taken me too long to decide the main objective for this thesis. However, I am happy with what I accomplished in terms of improving my own awareness of CSR issues and learning to critically evaluate both companies' CSR claims and criticism towards CSR.

When I started this process I was under an impression that CSR was always a good thing, whether a company fully engages it to its operations or just complies with some parts. And although it can be said that it is better to do even a little than nothing at all concerning ethical and environmental issues, I was surprised by the amount of criticism and problems that came up during the research. As I had not learned about those in earlier studies when CSR was discussed, I wanted to learn more about this different approach to it.

One of the most challenging parts during the research was the multiple different definitions of CSR and different terms describing it. It was confusing when many of the essentially same topics were discussed with different terminology which made gathering the right information rather difficult. For this reason I had to make some assumptions, such as that CSV is an improved version of CSR which some research findings backed up, but some sources denied it being about social responsibility at all. But as the case company Nestlé had also used the term CSR to describe its actions, I think it was a safe assumption.

It became clear that for many aspects of CSR, there is not one right answer and if there is, it is difficult to point it out. Especially with Nestlé's case it appeared to be impossible to find a truly objective take on the issue, and thus the two sides were only introduced without offering any conclusions on the debate. The amount of criticism and Nestlé's commitments and projects concerning CSV was a bit overwhelming and it was difficult to keep the information limited without leaving out any essential information and exceeding the limits of this thesis. Thus, I decided to focus on the couple of scandals that I was familiar with before this thesis process, and those two being probably the most important ones as well.

All and all, I think that I was able to find the information needed for introducing the different sides of CSR and to pinpoint the most important criticized issues. Although no in-depth analysis of the topics was included, I believe that anyone who is interested learning more about the issue will benefit from the given diverse information. What I noticed during the process was that many of the researched studies contained only one view on the issue rather than introducing the many sides of it, therefore it became one objective to gather the most important and influential issues together to offer a more compound look on the topic.

Although there are things that I would do differently if given the chance, I am pleased with the amount of learning and new perspectives I was able to obtain. As a thesis can probably never feel completely ready with everything being said, I would say that the biggest challenge was created by the intermittent process of writing and the magnitude of the term CSR and issues that are related. It would have been interesting to study the issue with more inside knowledge of some company and provide an actual solution to a more specific CSR problem. However, this thesis process has offered me a great amount of knowledge that I hope I can benefit from in the future.

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