

Two-Minute Mockery of Responsible Business

IN A TANGLE

Over three decades, this cup of 'healthy' 'easy-to-cook' instant food has dominated the instant food market in the country and many parts of the world. Attractive packaging, smart advertising and a product considered addictive by many who have slurped over their cup of Maggi ensured Nestle India Limited were the brand leaders in this domain.

The buzz around the presence of monosodium glutamate (MSG) has for long added a negative flavour to Maggi but without acting as a deterrent. Noodle sales are predicted to touch \$1.8 billion by 2019. At about \$1 billion in 2014, Maggi alone has sales of \$623 million¹. India is the second largest single market for the product. It has total dominance over the industry, built over decades of careful brand building, which included changing the taste buds of people, tapping cooking practices and targeting youth and children

What was ill fated for Maggi was that the beginning was not made in a metro in the public glare but in a Government Regional Public Analyst Laboratory in Gorakhpur through a sample collected from a smaller town, Barabanki. The 'routine check' was made in March 2014. The company has been engaging with the Laboratory since the time it appealed for the sample to be retested at the Kolkata Laboratory on 22 July 2014.

As it seems, the company never took the issue seriously until May 2015, when there was media attention. After 18 months of testing, retesting and validating, the Food Safety and Standards Authority of India (FSSAI), on June 5, 2015, indicated three major violations:

- (a) Presence of lead detected in the product in excess of the maximum permissible level of 2.5 ppm;
- (b) Misleading labeling information on the package reading "No added MSG"; and
- (c) Release of non-standardised food products in the market without risk assessment.

The authority deserves due appreciation.

GUILTY OF MSG - MISLEADING SOCIETY AND GOVERNMENT

By citing technicalities and loopholes, Nestle has been buying time. Meanwhile, it remains grossly guilty of misleading society and the government for years, by withholding and misrepresenting information to which it is privy, thereby putting the lives of millions of consumers at long-term risk (the extent of which has not yet been determined).

While Nestle's defence of its position will be looked at later in this note, here we look at how the company has violated principles set down by the Ministry of Corporate Affairs in July 2011 after consultations with corporate houses, chambers, civil society organisations and experts.

In fact, Nestle has violated not one or two but five of the nine National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business Responsibility Reporting. Corporate Responsibility Watch, a group of civil society organisations committed to keeping an oversight on business practices in India, lists out these violations.

Principle 1 (2): Businesses should communicate transparently and assure access to information about their decisions that impact relevant stakeholders

Principle 2 (2) and 2 (3): Businesses should raise the consumer's awareness of their rights through education, product labelling, appropriate and helpful marketing communication, full details of contents and composition and promotion of safe usage and disposal of their products and services.

¹ India is the second largest single market for Nestle's Maggi brand, with retail sales worth \$623 million in 2014 across noodles, table sauces and other products, according to Euromonitor International.

Principle 3: In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource efficient and sustainable.

Principle 4: Businesses should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product and services and associated operations on the stakeholders

Principle 8: Businesses should innovate and invest in products, technologies and processes that promote the wellbeing of society.

Principle 9 (3) and (4): Businesses should disclose all information truthfully and factually, through labelling and other means, including the risks to the individual, to society and to the planet from the use of the products, so that the customers can exercise their freedom to consume in a responsible manner and businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in these Guidelines.

In its Business Responsibility Report for the year 2012-13 (<http://www.corporatewatch.in/images/nestle.pdf>), Nestle claims that *“they uphold the Company’s enduring belief that to achieve long-term success for the shareholders the Company must comply with all applicable legal requirements and international norms, ensure that the activities are environmentally sustainable and create significant value for society”*. Further it affirms that *“the Company complies with applicable product packaging and labelling requirements, including declaration of appropriate method of preparation of products for safe and proper consumption. Distribution of promotional items along with products is preceded by a safety/risk evaluation by the Safety Committee of the Company. The risk evaluation reviews various aspects including correct labelling and safety of promotional products.”* For the years 2012-13 and 2013-14, the company reported in the affirmative to the question, “Does the company display product information on the product label, over and above what is mandated as per local laws?” In the context of the current development, it is incumbent upon the Ministry of Corporate Affairs and the Securities and Exchange Board of India (SEBI) to take action against Nestle for wrong disclosure in its regulatory reporting system. (For full report please click <http://www.corporatewatch.in/images/brr-report-final-december.pdf>)

Such blatant violation by one of the top 100 listed companies should certainly trigger a debate on the unacceptability of such practices. It should also raise a more serious question about whether such importance guidelines can continue to be voluntary, or if they must be made legally binding. It becomes even more pertinent since almost all companies that have violated the guidelines grievously, be it Nestle, The Coca Cola Company, Pepsico India or others, continue to peddle their wares after ensuring that the dust settles rapidly through sheer money and media power.

Coca Cola and Pepsico joined ranks and unleashed money and celebrity endorsements to muddy the waters when reports alleged unacceptable levels of pesticide residues. Now, Nestle seems to be mocking consumers by tabling even more ridiculous arguments! Coca Cola and Pepsico told us our water was contaminated and hence their drinks were contaminated too; suggesting that we should be content and grateful to them for at least adding some heavily sugary flavour to it. Nestle, on the other hand, tells us that the lead content acknowledged on Maggi packets is actually the amount that is visible after the noodle is immersed in a bucket of water!

Talk about dilution of responsibility!

ALARMING ARROGANCE

It is not surprising that industry veterans are blaming the testing process in India while some smell conspiracy by competitors. MNC sympathisers like Gurcharan Das see in Nestle a “soft target” and instantly compare Maggi with street vendors’ noodle outlets that are deemed to be more dangerous because of the levels of hygiene they practise (or not). But the truth is that MNCs fight back without making any changes in their products or processes. Pepsico, Coca

Cola, Cadbury, and in a different context, Uber, re-emerged as market leaders once they were able to silence critics and the media shifted the public's attention to other sensational stories.

In this background, Nestle's defence is arrogant blaming of the testing protocol. It says that the product contains two parts. It has to be tested in the way it is consumed, ie, after boiling the mixture of the noodles and tastemaker in water. If this is done, the lead concentration will be within the permissible limit. It says that the Government laboratory has been testing the two components separately. FSSAI has stuck to its ground and says the standards have to be applied separately, and adds that water is not even part of the product. The company's response is appalling as a number of people eat the tastemaker raw. It is significant and needs to be pointed out once again that the packet has no caution printed on it!

The second response was that the "No added MSG" label reflects that the company has not added MSG; and that they followed this practice as the industry in India generally follows this practice. The company, though, has now agreed that they will remove the label from the next lot.

MISSED OPPORTUNITY

It is sad to see that a reputed MNC is not aiming at being a business champion even after having a share of 63%² in the market. Incidentally, the Food Safety and Standards (Packaging and Labelling) Regulations, 2011, are very clear: *"Pre-packaged food shall not be described or presented on any label or in any leveling manner that is false, misleading or deceptive or is likely to create an erroneous impression regarding its character in any respect."*

Democracy is about the supremacy of people's choices about how a society is run, and this includes how its governments and corporates function. Can India afford to let nearly seven decades of democracy be held to ransom by corporate greed and manipulation? Should certain critical decisions like food be left to manipulations by corporations – even if they are multinational giants like Nestle, Coca Cola or Pepsico – or the media? Does the right to food be restricted to the right to enough food grains, or should it also be extended to the right to healthy, nutritious food, packaged or otherwise?

It brings us back to the question of whether the National Voluntary Guidelines on Business Responsibility Reporting provide a reasonably comprehensive guideline to ensure that business is run responsibly and rogue elements, be it national or multinational, are brought to account. The moot question is, can we afford to keep the National Voluntary Guidelines voluntary in the face of such blatant violations by the likes of Nestle and others?

Corporate Responsibility Watch calls for not only making business responsibility reporting mandatory but also making its random verification non negotiable.

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² Source: Euromonitor International from <http://www.wsj.com/articles/india-testing-samples-of-nestle-maggi-noodles-for-lead-1433172534>