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Company report review

**Cadbury Schweppes
Corporate and Social Responsibility
Report 2004**

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Note

This review is based on information contained in the online version of the Cadbury Schweppes Corporate and Social Responsibility Report 2004 – as available at: <http://www.cadburyschweppes.com>

1 Background

Cadbury Schweppes, with origins going back over 200 years, is a global company with over 55,000 employees that manufactures, markets and distributes a variety of confectionary and beverages brands sold in almost every country in the world. Cadbury Schweppes is joint number one in chocolate, sugar and confectionary, number two in gum and the world's largest soft drinks company.

The report is divided into twelve chapters, beginning with a discussion of Cadbury Schweppes' five main CSR challenges (managing change; addressing obesity; trading with care; economic responsibility); an overview of the company and illustration of its value chain; a discussion of what CSR means at Cadbury Schweppes (including a booklet on the company's business principles); and an overview of the management structure and discussion of how the company engages with stakeholders. Further, there are separate chapters on the company's employees, consumers, suppliers, relationships with local communities, and the environment.

1.1 Corporate social responsibility

The report highlights the following key points relating to the history of CSR at Cadbury Schweppes, the business case and CSR management:

1.1.1 History

Cadbury Schweppes considers CSR to be embedded in its history and culture. The report states that: 'CSR is and always has been fundamental to us. Our founders were well known for their fair treatment of employees and for philanthropy in the community.'

The company's recent history include the following highlights:

- 1998 – Published first environment report, having produced an environment policy five years earlier
- 2000 – Environment, health and safety report combined for the first time; human rights and ethical trading policy published.
- 2001 – CSR Committee established; human rights and ethical trading pilot study program launched; achieved Dow Jones Sustainability Index listing
- 2002 – Published first CSR report; published Business Principles; participated in the Community Corporate Responsibility Index
- 2003 – Integration of environment, health and safety management policy and systems; adopted Key Performance Indicators (KPIs) for sustainability; joined UN Global Compact
- 2004 – Second CSR report published; launched program to embed CSR

1.1.2 Business case for CSR

In addition to its history of corporate citizenship, Cadbury Schweppes' report presents a number of reasons for its commitment to CSR:

'Demonstrating strong corporate and social responsibility is not only the right thing to do, it also makes good business sense. Shareholders, customers and regulators are more likely to support our plans to grow our business because they trust us to make the right decisions and to manage risks. Consumers are more likely to buy our brands because they trust us to provide safe, high quality products. Employees are more likely to join and stay with us because they trust us to treat them openly and equally, recognize and reward their contributions and help them realise their potential.'

1.1.3 Management

The Corporate and Social Responsibility Committee, formed in 2001, drives the company's CSR agenda. The Committee is chaired by Baroness Wilcox, a non-executive board member, and includes the Chairman, Chief Executive Officer (CEO), Human Resource and Legal Officers, and two other non-executive board members. The Committee oversees the management of all issues relating to the company's five pillars of CSR (see below).

1.2 Challenges

1.2.1 Managing change

Cadbury Schweppes describes the current business environment as one of 'more demanding customers, changing consumer tastes, increasingly global competition, mounting public scrutiny of the food and drink industry and rising expectations of the role of business in society.' To deliver in this environment, the company introduced a simpler structure in 2003 and identified five main goals, the fifth relating explicitly to CSR:

1. Deliver superior shareowner performance
2. Profitably and significantly increase global confectionary share
3. Profitably secure and grow regional beverages share
4. Ensure capabilities are best in class
5. Reinforce reputation with employees and society

1.2.2 Addressing obesity

Obesity is viewed by the World Health Organization as one of the most significant global health concerns and is associated with disorders such as diabetes and heart failure.

In its report, Cadbury Schweppes argues first, that the causes of obesity are complex and second, that the company's impact is limited by the fact that confectionary and soft drinks are only a small part of the world's diet.

Nevertheless, Cadbury Schweppes reports that it is taking action (and using its influence to encourage others to do so) in the areas of information and education to encourage moderate consumption. Importantly, Cadbury Schweppes has withdrawn from all advertising directed specifically at situations where children aged less than 8 years form the majority of viewers. The company has also developed a Global Marketing Code of Practice to ensure advertising is supporting the principle of responsible consumption, recognizing children's susceptibilities, sensitive to cultural differences etc,

1.2.3 Trading with care

Cadbury Schweppes opens this section of the report by stating its shared commitment with Fairtrade to improve the conditions of cocoa growing communities. The company's Human Rights and Ethical Trading policy reflects the Universal Declaration of Human Rights and core standards of the International Labor Organization. The policy is supported by the company's Business Principles and Working With Suppliers, published in five languages to guide procurement teams worldwide.

However, Cadbury Schweppes' approach differs from that of Fairtrade in that supplies are traded on the world market according to prices that are subject to the conditions of supply and demand.

Cadbury Schweppes reports that it is committed to increasing its investment in ethical sourcing programs (see below).

1.2.4 Economic responsibility, wealth generation and distribution

For the first time, Cadbury Schweppes reports on the areas in which it adds value, and how this cash value is distributed to stakeholders.

According to the statement presented in the report, Cadbury Schweppes spent £4,519 million on raw materials, goods, services and assets in 2003. By the company's calculations, this means that more than two thirds of economic activity generated by its product sales takes place in the supply chain rather than in its own business operations.

Cadbury Schweppes' 55,000 employees were the group to benefit most significantly from the cash value added, receiving over 53%. Providers of capital, shareowners and financial institutions lending money received £02 million, or 21%. Around £320 million, or 17%, was paid to governments around the world in taxes and social security costs for employees. An additional value of community investment worth 1.6 million was donated in staff time and company products and facilities.

1.3 Areas of responsibility

Cadbury Schweppes has identified five areas/pillars of social responsibility. Each pillar, covered in a separate chapter of the report, is assigned a set of KPIs and targets going forward.

1.3.1 Human rights and employment standards

This section of the report covers Cadbury Schweppes' Equal Employment Opportunities and Diversity Policy; learning and development programs; communication and consultation (around 70% employees have formal representation through trade unions and other fora); rewards and recognition (45% employees participate in company share plans); work/life balance (a range of flexible working benefits are widely available).

1.3.2 Ethical sourcing and procurement

Cadbury Schweppes estimates that it has around 40,000 suppliers and states that its current focus is to address human rights and labour issues in the supply chain. Of the 40,000 suppliers, 96 are categorized as level 1 priority, about 3,000 are level 2 priority and the rest are level 3. Cadbury Schweppes has so far communicated its Ethical Sourcing Standards, introduced in 2003, to level 1 and 2 suppliers. Further, risk assessments have been undertaken in five pilot countries: Ghana, Turkey, China, Indonesia and Mexico.

1.3.3 Marketing food and consumer issues

This section covers how Cadbury Schweppes responds to consumer needs both locally and at the global level through a Food Issues Strategy Group. For example, the company has committed to use only non-GM derived ingredients in the EU. There is also brief discussion of Cadbury Schweppes' Quality Policy and commitments in this area.

1.3.4 Environment, health and safety

In 2004, Cadbury Schweppes launched an integrated Environmental, Health and Safety policy and is now working to implement an EHS Management System, compliant with both ISO 140001 and ISO 180001. An expanded set of KPIs was adopted following the acquisition of Adams confectionary in 2003.

This section also covers Cadbury Schweppes' approach to health and safety, climate change, packaging and materials conservation and biodiversity. Key statistics include:

- Manufacturing is the company's most significant cause of emissions – energy use per tonne rose by 12.5% in 2003 (following the acquisition of Adams) but greenhouse gas (GHG) emissions increased by only 8.7%
- Roughly 170kg of packaging is used per ton of product in the UK
- 819.5 accidents per 100,000 employees in 2003

1.3.5 Community

Cadbury Schweppes has introduced a 'Growing community value around the world' strategy with the aim of investing 1% of global pre-tax profits in local communities. Decisions on how to spend time and money are made by local businesses and tend to fall into three areas: education and enterprise; health and welfare; environment. The report presents a table of local business unit community projects.

Cadbury Schweppes is ranked among FTSE's top 40 givers worldwide, with a total contribution of £6.03 million or 1.09% of global pre-tax profit in 2003. Employees donated twice as much time to community projects in 2003 as in 2002. Cadbury Schweppes contributed £2.2 million to UK communities in 2003 (3% of UK pre-tax profits), channeled mainly the Cadbury Schweppes Foundation established in 1935.

2 Our comment

Rating: ★★★★★

Cadbury Schweppes has produced an outstanding Corporate and Social Responsibility report. It is refreshing to see the key CSR challenges clearly identified and discussed. The report suggests significant commitment to CSR at the highest level: the company's CSR Committee is comprised of senior executives and its fifth strategic goal relates explicitly to CSR. Cadbury Schweppes has selected key performance indicators for its five areas of CSR related activity and there are signs of significant progress, notably the completion of human rights risk assessments in five pilot countries and work towards the implementation of an integrated environment, health and management system. For the first time, Cadbury Schweppes reports on its economic impact, a vital but often neglected component of triple bottom line reporting. Overall, information is engagingly presented with a balance of text and case-studies, illustrations and statistics.

The report's main weakness is the absence of external verification. Further detail on CSR management processes and specific measures to ensure progress towards stated objectives in 2005 would also be of interest.



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