

Brussels, April 6th 2017

Dear Chairman of Nestlé Mr Peter Brabeck-Letmathe, dear shareholders of Nestlé,

Dear Mr Paul Bulcke, dear Mr Mark Schneider, Dear George Clooney,

We write to you all at the conjunction of two very special occasions: international World Health Day and the 150th Annual General Meeting of Nestlé which takes place today in Lausanne Switzerland.

We of course congratulate you with this 150th anniversary which is quite a milestone for every organisation. And we congratulate you, Mr Brabeck-Letmathe with your well deserved retirement, as you announced that you will not stand re-election after serving the company for almost 50 years, of which 11 years as CEO and 12 years as Chairman. We congratulate Mr Bulcke with his election as Chairman and Mr Schneider with his new position as CEO. We also congratulate the shareholders with their dividend of 2,30 Swiss francs per share, as proposed today by the Board of directors and which will be payable in a few days.

However, we know that, for a company such as Nestlé – the largest producer of food and key player in the bottled water business - a good reputation, good will and good governance are very important, and so we would allow ourselves to ask you a few questions.

First of all, in relation to World Health Day and the importance of access to clean drinking water, we wonder if with the departure of Mr Brabeck-Letmathe Nestlé is planning to communicate and operate in a different way on water issues. You will remember the infamous quote of Mr Brabeck-Letmathe stating that “access to water is not a public right”. Apart from the dubious ethical standard this quote reflects, you of course know that this access is not just a public right, but de facto an internationally recognised public, human right. The Human Right to Water and Sanitation (HRWS) was recognised as a human right by the United Nations (UN) General Assembly on 28 July 2010,

signed by all nations and based on international law, that goes back to 1948, with the Universal Declaration on Human Rights.

As a Swiss based company we trust in your utmost respect for international human rights convention and treaties and the rule of international law. We wonder how you reconcile this human right with your strategy of privatising access to water? There have been many reports throughout the world of local communities from Pakistan to the United States fighting the tapping of public water-wells by Nestlé (and other companies), leaving the public to suffer with shortages.

Money flows like water

Money flows like water, as the saying goes, and Nestle is the biggest in profiting from a finite and crucial source of life. We see in your annual report that the Nestlé Waters recorded sales of almost 8 billion Swiss francs, a 4,5 % organic growth. As we read, “Nestlé Waters has a portfolio of 52 brands, and the company is the world’s number one bottled water company by value and Nestlé flagship Pure Life is the largest bottled water brand in the world.” In the global bottled water market Nestlé represents 11 – 13%, the biggest part of the pie. In Europe you outnumber Group Danone and Coca Cola.

You write “we want our products to be the healthiest and the tastiest choices in each and every category we compete in” and you write “Nestlé wants to create value for both your shareholders and society over the long term” as well as “as part of a healthy lifestyle, people should be drinking more plain water, as it does not contain any calories”. Nestlé claims to be “committed to the responsible management of water resources”. Is that reflected by the statement of Nestlé Waters North America CEO Kim Jeffrey that “we believe tap infrastructure in the US will continue to decline. People will turn to filtration and bottled water for pure water needs.”

Do you seriously see this as a healthy view for modern societies in the 21st century? Returning to the matter of World Health Day and water as a human right, we profoundly believe public access and management to clean drinking water resources, free of charge, should be the collective aim in line with international law - rather than intensifying private control over this common human heritage. And we are convinced that the general public would agree

with us. You might remember that the two million European citizens signed the very first EU Citizens Initiative in 2014, entitled "Right2Water," which was aimed against the privatisation of water? You might remember the 345 000 signatures of US citizens that were delivered on February 28 , 2017 to the Michigan Department of Environmental Quality, to protest against Nestlé's 200 million dollar permit to pump up hundreds of millions of gallons a year from the White Pines well in Osceola Township?

The communities in many developing countries have even less access to clean drinking water – the UN estimates them at more than 600 million – and less access to mainstream media to voice their concerns. In this context, the report "Remunicipalisation: Putting Water Back into Public Hands", published by Corporate Europe Observatory and Transnational Institute (March 2012), which analyses various case studies of remunicipalisation in the world, sheds light on some of the challenges posed by Public Private Partnerships in the water sector, including for developing countries.

This report shows the trend towards remunicipalisation, which stems among others from the failures of water privatization. Although the negative side-effects of a profit-driven water service delivery model on workers, low-income households and the environment are acknowledged by the World Bank, in its report "Time to Rethink Privatization in Transition Economies?" (World Bank, June 1999), the World Bank, the EU and many UN agencies still advocate for private sector participation in water services around the world.

Taxes

Lastly, speaking of money flowing like water, we would like to focus your attention on tax issues. In 2014 Jean-Marc Duvoisin, CEO of Nestlé's brand Nespresso, said in an interview "we should pay taxes wherever we have to pay taxes". We could not agree more, as tax justice is one of our spearhead campaigns.

However, we would ask you for more transparency, because our research shows strong indications that Nestlé might not be paying taxes "wherever it needs to pay taxes", or it may even be dodging taxes. As the actions of the European Commission and our previous research on multinationals as IKEA,

BASF and Zara show, almost all multinationals tend to avoid paying taxes, just as children tend to avoid the dentist.

Our preliminary research into Nestlé's international tax planning strategies show clear indications of the possibility that Nestlé is engaged in large-scale profit-shifting and tax avoidance. There is strong evidence that various kinds of intra-company payments (royalties and interest) significantly reduce the taxation of certain Nestlé subsidiaries.

While, at the level of the ultimate parent company, Nestlé's overall effective tax rate tends to track fairly closely with the Swiss statutory rate, it is also clear as water that your company has established structures consistent with classic tax avoidance strategies, for example, holding companies and internal finance operations organized through the Netherlands, Luxembourg and Belgium.

To be clear, we want to raise some red flags. Why? Nestlé has a number of subsidiaries in reputed tax havens, which likely play a role in the company's international tax planning. However, the financial filings of these subsidiaries are either exempt from disclosure or provide minimal information about transactions with related parties. This makes it difficult to identify and assess the tax strategies which may be used by the company. It is a clear cut example of why the European Union and Switzerland public country-by-country reporting for all companies.

However, on the basis of our initial research, it is possible to identify certain red flags – indicators that the company does use common profit-shifting strategies.

- There is evidence that at least some Nestlé operating subsidiaries reduce their taxable income by paying large intellectual property royalties to Nestlé in Switzerland.
- Nestlé provides substantial financing to its operating subsidiaries with intra-company loans, which creates opportunities for profit-shifting via tax-deductible interest payments.
- Nestlé owns some of its foreign operating subsidiaries through holding companies in Luxembourg and the Netherlands.

- Subsidiaries located in Luxembourg play a central role in Nestlé's internal financing and treasury operations, but the tax impact of their activity remains unclear.
- A Luxembourg subsidiary charged with managing treasury operations (cash-pooling) may be owned by a subsidiary in Gibraltar, which is a very favorable jurisdiction for profit-shifting.
- From 2009 to 2014, an internal financing subsidiary in Belgium paid virtually no tax on €660 million in income, derived primarily from interest on intra-company loans.

Thanks to “optimising taxes”, this can create an increasing cash flow and financial options for companies like Nestlé to overpower local communities to keep access to water resources, making a connection between your tax planning and water policies. The Canadian people of Centre Wellington, a town near Toronto, where Nestlé won a bid to hold the right to exploit the water well over the local municipality, are all too aware of this dismay reality.

We trust that Nestlé will – after celebrating its 150 years - do its utmost to provide us with some honest answers. We are particularly interested in knowing if you support public country by country reporting so that European citizens would know where your economic activity takes place in each country where you operate, where Nestlé pays taxes and whether you could commit to implement it before your 151 year anniversary.

We would highly appreciate if you could clarify these in the months to come and wish you a healthy celebration.

Kind regards,

Green members of the European parliament

Bart Staes

Maria Heubuch

Sven Giegold

Molly Scott-Cato

Philippe Lamberts

