

# corporate profile

**Coffee, Water and Kibble:  
A Profile of the Food and Beverage Giant**

# Nestlé



October 2005  
Prepared by Richard Girard  
Polaris Institute Researcher

profile

# corporate

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# INTRODUCTION

Nestlé S.A. was founded in 1866 by Swiss pharmacist Henri Nestlé. When Nestlé merged with the Anglo-Swiss Condensed Milk Co. in 1905, the company began an expansion that continues today. Nestlé S.A. has now become a colossus. When we speak of 'big' corporations and their global impact, Nestlé is the posterchild. Nestlé's global presence along with their CHF<sup>1</sup> 86 billion (\$67 billion USD) annual revenue, gives them the kind of economic power usually reserved for nation states. To put Nestlé's annual revenue into perspective, the \$70 billion figure surpasses the Gross Domestic Product (GDP) of many countries including Chile (\$64.2 billion), Kenya (\$12.3 billion) and Costa Rica (\$16.8 billion).<sup>2</sup>

Nestlé's profile as the largest food company in the world – and as the creator of the Nestlé bunny – is often surpassed by its infamous social track record. The Nestlé name became synonymous with corporate malfeasance in the 1970s when the company's practice of marketing infant formula in the South was linked with infant mortality. A major boycott ensued and Nestlé's questionable practices were broadcast worldwide. The boycott ended in 1984 after Nestlé ostensibly committed to the World Health Organization's Code on the Marketing of Breast Milk Substitutes. However, four years later citizen groups found that the company was again violating the WHO code (see below). The boycott continues today due to Nestlé's ongoing violations.

Along with the unethical marketing of infant formula, Nestlé has a bad reputation for using its power to strong arm labour unions around the world. In Colombia alone 10 Nestlé workers, all members of the Colombian food and beverage union SINALTRAINAL have been murdered since 1986, while in September 2005 a striking Nestlé worker was murdered in the Philippines.<sup>3</sup> The company also disturbs ecologically fragile water sources in the United States and Brazil for its bottled water operations and came under fire for bullying impoverished Ethiopia over debt (see below).

In addition Nestlé has had a negative impact on the commodity prices of coffee, cocoa and milk, thus affecting the socioeconomic situation for small farmers in supplier countries. Nestlé's refusal to buy its raw materials from fair trade collectives in the South is not helping the situation and sets a precedent for other multinationals to continue looking for the lowest price available to them. The company response to critics is often arrogant, hostile and stubborn. This is not a company that will shy away from controversy and will employ public relations firms to cleanse its tarnished reputation.

The Swiss multinational produces hundreds of different food and beverage brands for different markets around the world. Over the years they have acquired a number of large companies and developed new products to the point where they have become leading producers of chocolate, coffee, bottled water, milk, infant formula, pet food and pharmaceutical products among many others.

The purpose of this profile is to provide a snapshot of Nestlé's operations and dealings from a critical perspective. The information provided here will act as a tool for dissecting

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<sup>1</sup> Swiss Francs

<sup>2</sup> World Bank

<sup>3</sup> There is no evidence directly connecting Nestlé to the murders, which were most likely carried out by paramilitary forces. See Social Profile for more information

and analyzing certain parts of Nestlé in order to discern its strengths and vulnerabilities. Using the Polaris Institutes' X-Ray methodology, the profile is broken into 4 sections outlining how the company operates, its economic situation, how they are connected politically, and their social and environmental track record. The profile presents strategic information and intelligence on Nestlé for activists interested in corporate campaigns.

# 1. Organizational Profile

Nestlé employs close to 253,000 people in 86 countries around the world. The corporation has 511 factories, with 208 in Europe, 170 in the Americas, and 133 in Asia, Oceania and Africa.<sup>4</sup> They also have 106 offices globally.<sup>5</sup>

Head Office  
Nestlé S.A.  
Avenue Nestlé 55  
Vevey,  
Switzerland  
Tel: 41-21-924-21-11  
Fax: 41-21-924-28-13

Nestlé USA, Inc.  
800 North Brand Blvd.  
Glendale, CA  
91203  
United States of America  
Tel: (818) 549-6000, (818) 549-6818  
Fax: (818) 549-6952, (818) 549-6330

Nestlé Canada Inc.  
25 Sheppard Avenue West  
North York  
Ontario  
M2N 6S8  
Canada  
Tel: (416) 512-9000, (800) 387-4636  
Fax: (416) 218-2654

Nestlé shares are traded on the Swiss exchange (NESN VX) and in Brussels, Frankfurt, London (NSTR), Paris, Tokyo and Vienna. They are traded in the United States in the form of ADRs (American Depository Receipts), valued at one-twentieth of the price traded in Switzerland. Nestlé shares in the United States are offered by JPMorgan Chase Bank. **To track Nestlé's stock price please visit the internet link in the footnotes.**<sup>6</sup>

Some of Nestlé's worldwide media contacts<sup>7</sup>:  
Canada: Catherine O' Brien, Tel: (416) 218-2667 corporateaffairs@ca.nestle.com  
United Kingdom: Tel: 020 8667 6005, 020 8686 3333 nestleukpressoffice@uk.nestle.com  
United States: Laurie MacDonald, Tel: (818) 549-7131 laurie.macdonald@us.nestle.com

## 1.1 Nestlé's operations

Nestlé's operations encompass a number of different and disparate industries. To put the size of this corporation in perspective, Nestlé USA, headquartered in Glendale California, employs 21,000 people, runs 42 factories and brought in \$12 billion in sales in 2003. Nestlé's operations, simply put, are huge. Beginning in the 1980's under CEO Helmut Maucher, the company began a long string of large acquisitions, beginning with Britain's Rowntree in 1988, Perrier in 1992, a host of large ice cream companies throughout the 1990s. In 2001 the company made its largest acquisition to date with the \$10.3 billion purchase of Ralston Purina. Nestlé's growth during this period can also be attributed to their expansion into dozens of new markets in the South.

<sup>4</sup> Nestlé website [http://www.nestle.com/All\\_About/Glance/Introduction/Glance+Introduction.htm](http://www.nestle.com/All_About/Glance/Introduction/Glance+Introduction.htm)

<sup>5</sup> Addresses for all of Nestlé's country offices are available at the following website:  
[http://www.nestle.com/Header/Country\\_Access/Country+Access.htm](http://www.nestle.com/Header/Country_Access/Country+Access.htm)

<sup>6</sup> <http://mwprices.ft.com/custom/ft-com/quotechartnews.asp?subtab=&FTSite=FTCOM&q=887500&searchtype=equity&expanded=&countrycode=XE&s2=x&e&symb=887500&sid=790025&site=&company=NEW&selected=Nestle+Sa>

<sup>7</sup> For more media contacts visit: [http://www.nestle.com/Media\\_Center/Media\\_Contacts/Contact+List.htm](http://www.nestle.com/Media_Center/Media_Contacts/Contact+List.htm)

Nestlé has been able to position itself as the largest producer in almost half a dozen different sectors. Their position as a top producer of coffee, chocolate, bottled water and pet food helps to explain why this corporation is frequently described as one of the 'biggest' corporations in the world. Not only in Nestlé one of the world's largest food companies it owns most of Alcon, a maker of ophthalmological equipment, as well as 26% of L'Oréal, the French cosmetics giant.

For years the company operated under the philosophy of decentralization in order to cater to local tastes and establish links with customers around the world. Their adherence to this model has changed recently due to the sheer size and unmanageability of the expanding corporation along with falling profit margins. The company is attempting to transform its entire business into a more efficient and coordinated operation. Instead of shrinking or 'downsizing' Nestlé has continued to grow, but with management of factories in individual countries consolidated into regions. Nestlé has also combined the oversight of similar products into 'strategic business units'.<sup>8</sup> In addition, CEO Brabeck has closed or sold more than 150 factories and is implementing three new programmes aimed at lowering manufacturing and administrative costs and establishing a single technology platform that will standardize packaging codes and provide more accurate data about raw materials and stock levels. The new programmes will not be fully operational until 2006 or 2007.

Nestlé intends continue pushing into new markets and expand its existing businesses. They will go anywhere in the world where they can sell their products. An example of Nestlé's desire to break into new markets comes from Indonesia where the company, along with The Coca-Cola Company formed a joint venture when they acquired a local bottled water brand in 2004. This shows that Nestlé is interested in seeking to expand into one of the world's largest bottled water markets in Asia. In the first half of 2004, the company did, however, dispose of a number of non-strategic businesses in areas such as distribution, culinary, and cocoa processing, in line with Nestlé's strategy to focus on high value-added, R&D-driven food and beverage products.<sup>9</sup>

## 1.2 Nestlé's main brands

Nestlé has six main international corporate brands: Nestlé; Nescafé; Nestea; Maggi; Buitoni; and Purina. These six brands account for about 70% of the corporation's sales. In addition to the six main brands, Nestlé is involved in the production of a wide variety of products from baby food to pet foods and pharmaceuticals. The company's operational performance is broken into eight product sections: Beverages; Milk products; Nutrition and Ice cream; Prepared dishes and cooking aids; Chocolate and confectionary and biscuits; PetCare; Associated companies; and Pharmaceutical and cosmetic joint ventures.

Its products' main brands include:

**Beverages** – Nestlé is one of the world's largest producers of both coffee and bottled water.

- **Water**<sup>10</sup> – Nestlé is responsible for dozens of different brands of bottled water around the globe, some of their main international brands include: Nestlé Pure Life<sup>11</sup>; Nestlé Aquarel<sup>12</sup>; AquaPanna; Perrier; S. Pellegrino; Vittel; and Contrex.

<sup>8</sup> The Economist, "Daring Defying, to grow – Nestlé", August 7, 2004

<sup>9</sup> Nestlé Press Release, "The Nestlé Group's Results For The First Half Of 2004: Increased Sales, Ebita And Net Profit, With A Record Operating Cash Flow, Confirm Positive Outlook For The Full Year", August 18, 2004, [http://www.lr.nestle.com/news\\_events/press\\_releases/press/press\\_template/news.htm?Pressguid={C8a1e10b-4651-443c-9e52-1677e1856bbc}](http://www.lr.nestle.com/news_events/press_releases/press/press_template/news.htm?Pressguid={C8a1e10b-4651-443c-9e52-1677e1856bbc})

<sup>10</sup> For locations and addresses for Nestlé Waters' regional offices around the world visit the following website: <http://www.nestle-waters.com/en/Menu/NWToday/FactsFigures/Implantation#>

<sup>11</sup> This product is available in Canada, USA, Mexico, Brazil, Argentina, South Africa, Saudi Arabia, Jordan, Egypt, Lebanon, Turkey, Russia, Uzbekistan, Pakistan, China, Thailand, and the Philippines.

<sup>12</sup> This product is available in Belgium, France, Portugal, Spain, Switzerland, Italy, Hungary, Austria, Germany, Luxembourg, and Finland.

#### Nestlé's Regional Bottled Water Brands

Nestlé produces and distributes bottled water through a combination of international, national and regional brands. Nestlé is responsible for 71 brands in addition to its 8 major brands sold in most countries. In Europe alone Nestlé produces 37 regional brands in 11 countries; In Latin America they produce 9 brands in 4 countries; ten brands in Canada and the US<sup>13</sup>; eight brands in seven countries in Africa and the Middle East; and 7 brands in 8 Asian countries. **Nestlé says that local regional brands are the “anchor of Nestlé Waters’ strategy” and account for approximately two-thirds of the sector’s business.** Nestlé put themselves in this position through strategic acquisitions on all continents. The company website states that, “Local brands provide both a market foothold and a strong source of market knowledge, which are key to Nestlé Waters’ global growth”.<sup>14</sup> See lawsuit section below for information on campaigns against Nestlé’s bottled water operation’s in the United States. For a list of Nestlé’s North American bottling facilities go to Appendix 1.

- Coffee – In 1937 Nestlé developed its instant coffee brand, Nescafé. Since then, Nestlé has become one of the big four coffee roasters in the world along with Kraft (Maxwell House), Proctor and Gamble (Folgers), and Sara Lee (Douwe Egberts). These four corporations buy nearly half of the world’s raw coffee beans and account for 60% of retail sales in the United States.<sup>15</sup> Some of Nestlé’s main coffee brands include: Nescafé; Nesscau; and Nespresso. These brands are linked to dozens of other coffee products that range from instant coffee to single serving coffee beverages to coffee syrup. Nestlé’s coffee brands can be purchased around the world.
- Chocolate/Malt beverage area – Nestlé’s main powdered chocolate and malt drinks are Nesquik and Milo.
- Ice Tea/Fruit Juice – Through their Libby’s brand, Nestlé bottles a range of fruit juices under the Juicy Juice brand in the United States. Nestlé’s ice tea brand Nestea, produces a wide variety of cold tea and powdered beverages.

**Milk Products, Nutrition and Ice Cream** – This group includes breakfast cereals, ice cream, yogurt, infant formula, energy bars, Ice cream, dairy products and health care nutrition for people under medical care. The Economist says that Nestlé’s chilled dairy – milk and yogurt – operations in Europe are its Achilles heel where rival Danone is doing well.<sup>16</sup>

#### Breakfast Cereal<sup>17</sup>

Many of Nestlé’s breakfast cereal brands contain excessive levels of sugar, salt and fat. This despite the growing concern about rising obesity rates around the world. Of the 15 worst offenders of cereals marketed to children in a recent study undertaken in the UK, 7 are Nestlé brand cereals.<sup>18</sup>

Some brand names include: Cereal, Shredded Wheat, Shreddies and Cherrios (UK only); Ice cream, Nestlé, Frisco, Motta, Camy, Savory, Peters, Häagen Dasz, Mövenpick, Schöller, Dreyer’ s, Extreme/Drumstick; Performance nutrition, PowerBar, Nesvita, Neston; Health care nutrition, Nutren, Peptamen, Modulen; Infant nutrition, Nestlé, Nan, Lactogen, Beba, Nestogen, Cérélac, Neslac, Nestum, Guigoz, Good Start; Dairy, Carnation, Coffee Mate, Nido, Nespray, La Lechera, Milkmaid, Gloria, Svelty, Sveltesse, La Laitière; Infant nutrition, Alete (Germany), Baeren Marke (Germany), Beba (Germany), Nestlé Baby, Nestlé Babymilk, Very Best Baby (USA); Health care nutrition, Crucial, Nutren, Peptamen, Glytrol, Modulen, Nubasics.

<sup>13</sup> Regional brands in the US and Canada include: Ice Mountain (for home and office delivery); Great Bear; Aberfoyle/Nestlé Pure Life; Deer Park (home delivery); Poland Spring; Arrowhead; Ozarka; Zephyrhills; Calistoga; and Montclair.

<sup>14</sup> Nestlé Waters website, [http://www.nestle-waters.com/en/Menu/NWToday/BrandPortfolio/Marques\\_locales](http://www.nestle-waters.com/en/Menu/NWToday/BrandPortfolio/Marques_locales)

<sup>15</sup> Innes, L., “Brewing Misery: The Third World and the Politics of Coffee Production”, Z magazine, October 2001

<sup>16</sup> The Economist, “Daring Defying, to grow – Nestlé”, August 7, 2004

<sup>17</sup> For more information on Nestlé’s marketing of unhealthy cereal to children go to <http://www.which.net/campaigns/food/nutrition/0403cereals.html>

<sup>18</sup> Consumers’ Association Press Release, “Which? Exposes the cereal offenders”, March 31, 2004, <http://www.which.net/media/pr/mar04/which/cereals.html>

**Pet Care** – Nestlé is the world's largest pet food manufacturer. It entered this sector in the 1990s with the purchase of Alpo pet food and then expanded into its present dominant role with the \$10.3 billion acquisition of Ralston Purina in 2001. Other Nestlé pet food brands include: Alpo (USA); Beneful (USA); Fancy Feast (USA); Felix (Europe); Friskies (Japan, USA); Go Cat (UK); Gourmet Gold (UK); Mighty Dog (USA); Pro Plan (USA); Purina (5 continents); ONE (USA); Tidy Cats (USA); Vital Balance (UK); Vitalife (Brazil); Winalot (UK).<sup>19</sup>

**Chocolate and Confectionary** – Nestlé began selling chocolate in 1904 and over the years has expanded its chocolate and candy operations to include the following brands: After Eight; Nestlé Allstars; Baci; Butterfinger; Cailler (Switzerland); Choco Crossies (Germany); Chokito (Hungary); Crunch: Frutips (New Zealand); Kit Kat; Lifesavers (Australia); Lion (Germany); Milky Bar (New Zealand); Negrita (Chile); Nestlé Toll House (USA); Passatempo (Brazil); Perugina (Italy, USA); Powerbar (USA); Rowntrees (UK); Smarties (UK); Wonderball (USA); Wonka (USA).

**Prepared Dishes and Cooking Aids** – This category includes packaged soups, frozen meals, prepared sauces and flavorings. Nestlé's main brands in this category include: Buitoni (pasta and sauces, Italy); Lean Cuisine (frozen foods); Libby's Pumpkin; Stouffer's; Maggi (soup mix, sauces flavourings); Ortega (USA).

**FoodServices** – Nestlé FoodServices distributes Nestlé brand foods and beverages to restaurants and food service providers. Some of their products include Coffee machines

#### **Pharmaceutical and cosmetic joint ventures**

- Alcon – Continuing in their diverse line of operations, Nestlé owns Alcon, a large US pharmaceutical and eye care corporation. Alcon produces drugs, surgical products and consumer eye care products. Nestlé acquired Alcon in the mid-1970s.
- Galderma – Pharmaceutical company. Galderma was created in 1981 from a joint venture between L'Oréal and Nestlé. Galderma produces pharmaceuticals for the treatment of dermatological illnesses.
- L'Oréal – The cosmetic giant is controlled by French holding company Gesparal, of which 51% is held by the Bettencourt family and 49% by Nestlé.

Countries where Nestlé has factories include: Argentina, Australia, Austria, Bahrain, Bangladesh, Belgium, Brazil, Bulgaria, Cameroon, Canada, Chile, Colombia, Costa Rica, Cote d'Ivoire, Cuba, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Fiji, Finland, France, Germany, Ghana, Guatemala, Guinea, Hungary, India, Indonesia, Iran, Israel, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Lebanon, Malaysia, Mexico, New Caledonia, New Zealand, Netherlands, Nicaragua, Norway, Panama, Pakistan, Papua New Guinea, People's Republic of China, Peru, Philippines, Poland, Portugal, Puerto Rico, Qatar, Republic of Ireland, Republic of Korea, Romania, Russia, Saudi Arabia, Senegal, Singapore, Slovak Republic, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Syria, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, United Kingdom, United States, Uruguay, Uzbekistan, Venezuela, Vietnam, Zimbabwe.

### **1.3 Nestlé executives<sup>20</sup>**

Nestlé does not publish the individual salaries awarded to its top executives. In 2004, Nestlé paid its executives (including bonus) a total of CHF 18 million. The executive committee is made up of 12 people from 10 different countries with no women or evident minorities.

**Werner Bauer** – EVP: Technical, Production, Environment, Research & Development

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<sup>19</sup> Nestlé's website,

[http://www.nestle.com/Header/Internet\\_Directory/Brand+Category/Internet+Directory+Brand+Category.htm?BrandCategory=Petcare](http://www.nestle.com/Header/Internet_Directory/Brand+Category/Internet+Directory+Brand+Category.htm?BrandCategory=Petcare)

<sup>20</sup> As at February 2005

**Peter Brabeck-Lemathe** – Chair of the Board and Chief Executive Officer: Brabeck-Lemathe received \$5.2 million in total compensation in 2003.<sup>21</sup>

**Paul Bulcke** – Deputy EVP: United States, Canada, Latin America, Caribbean

**Luis Cantarell** – Deputy EVP: Nestlé Nutrition

**Francisco Castaner** – EVP: Pharmaceutical & Cosmetic Products, Liason with L'Oréal, Human Resources, Corporate Affairs

**Carlo Donati** – EVP: Nestlé Waters

**Chris Johnson** – Deputy EVP: GLOBE Program, Information Systems, Strategic Supply Chain, eNestlé, Group Information Security

**Richard Laube** – Deputy EVP: Corporate Business Development

**Ed Marra** – EVP: Strategic Business Units, Marketing

**Lars Olofsson** – EVP: Zone Europe

**Wolfgang H. Reichenberger** – EVP: Finance, Control, Legal, Tax, Purchasing, Export

**Frits van Dijk** – EVP: Executive Vice President (EVP) Zone Asia, Oceania, Africa, Middle East

## 1.4 Board of Directors<sup>22</sup>

**Peter Brabeck-Lemathe** – Chair of the Board, CEO, term expires 2007 – Brabeck-Lemathe is a member of L'Oréal's board of Directors; is member of the European Roundtable of Industrialists; and is a member of World Economic Forum's Foundation Board.

**Günter Blobel**, blobel@mail.rockefeller.edu Gunter.Blobel@mail.rockefeller.edu – Term ends in 2009 – Professor Blobel heads Rockefeller University's Laboratory of Cell Biology. Since August 2001, he has been a member of the Nestlé Nutrition Council (NNC), a group of international experts who advise Nestlé on nutrition.

**Peter Böckli** – Term expires 2008 – Board memberships: Assivalor AG; Doerenkamp-Stiftung; Hason Ag; Holler-Stiftung; Manufacturer des Montres Rolex S.A.; UBS AG; Vinetum AG. Böckli is a former professor of business and tax law at the University of Basel.

**Daniel Borel** – Term expires 2009 – Borel is co-founder and Chairman of computer hardware company Logitech. Board memberships: Phonak A.G.; Bank Julius Baer; Defitech Foundation; Chairman of the "Foundation for Excellence in Education in Switzerland.

**Edward George** – Member of the Committee to the Board and the Remuneration Committee, Term expires 2007 – George is the former Governor of the Bank of England (1993-2003). Board memberships: Rothschilds Continuation Holdings A.G.; Bank for International Settlements; N.M. Rothschild and Sons Ltd.; Grosvenor Group Holdings Ltd.

**Rolf Hanggi** – Member of the Committee to the Board and the Audit Committee, Term ends 2009 – The biography on Nestlé's website says that Hanggi presently works as a consultant. Board memberships: Bank Rud, Blass & Cie AG; Roche Holding Ltd.; GFG Gesellschaft für Grundeigentum; AF für Immobilien und Handelswerte; Deutsche Assent Management and Investment Gesellschaft mbH; Werner Abegg Fonds.

**Carolina Müller-Möhl** – Term ends in 2009 – Müller-Möhl is Chair of the Müller-Möhl group. Board memberships: Medical Holding; Pestalozzianum Foundation.

**Nobuyuke Idei** – Term expires 2006 – Idei has been the CEO and Chair of the Board of Sony Corporation since 2000. He is a member of the Information Technology Strategy Council to the Prime Minister of Japan and sits on the advisory board of the Bank of Japan and on the Asian Advisory council of the General Motors Corporation.

**Andreas Koopman** – Member of the Committee to the Board and the Remuneration Committee, Term expires 2008 – Koopman is the CEO of Bobst Group SA. Board memberships: Credit Suisse Group; Swissmem; and SIG Holding.

**André Kudelski** – Term Expires 2006 – Kudelski in the Chair and CEO of Kudelski Group. Board memberships: Dassault Systemes; Groupe Edipresse; Swiss-American Chamber of Commerce; Swiss International Air Lines; Credit Suisse Group.

<sup>21</sup> Tomlinson, R., "Europe's 25 Highest-Paid CEOs", Fortune (Europe) Magazine, Vol. 149, Issue 9, May 31, 2004

<sup>22</sup> As at February 2005

**Jean-Pierre Meyers** – Member of the Audit Committee, Term expires 2006 – Board memberships: L'Oréal (Vice Chair); Rothschild Ophthalmological foundation; Téthys S.C.A.; Gesparal S.A.. He is also the Vice-Chair of the Bettencourt-Schueller Foundation.

**Kaspar Villiger** – Member of the Audit Committee, Term ends 2009 – Between 1982 and 2003, Villiger has held various positions in the Swiss government including, Defence Minister (1989-2003), Finance Minister (1995-2003) and President of Swiss Confederation. Prior to his political career Villiger owned and managed his family business Villiger Soehne AG.

## 1.5 Public relations

Nestlé knows that its questionable actions, past and present, have put the corporation at a great reputational risk. To combat these reputation problems, they have developed a large public relations machine. If one was to visit Nestlé's website in search of information on the company's marketing of infant formula, role in the coffee crisis, or 'commitment to Africa' they would find a large amount of space dedicated to their 'good' deeds in the South and their adherence to the World Health Organization's Code.

Nestlé has a website dedicated specifically to the infant formula question.<sup>23</sup> The site counters every criticism leveled against the company, leaving the public to question the validity of the wealth of information condemning Nestlé's track record. They go as far as providing a link to organizations such as Baby Milk Action and the International Baby Food Action Network (IBFAN). Nestlé has also been known to ask for meetings with groups like IBFAN to discuss infant formula issues and then claim that the two are working together as partners.<sup>24</sup>

Another document posted on Nestlé's website entitled "Nestlé in the Community", describes how the company is committed to the well being of the countries in which they operate. In the document, Nestlé attempts to project a clean image by highlighting their aid projects and financial donations around the world.<sup>25</sup>

Baby Milk Action has published a document exposing Nestlé's public relations machine. The document compares what Nestlé says about the marketing of infant formula, WHO code violations and their ostensible commitment to Africa, with the reality which is Nestlé's intense public relations campaigning.<sup>26</sup>

The company spends millions of dollars every year on public relations and advertising firms in order to strategically construct their image as an altruistic, caring and health promoting corporation.

## 1.6 University links

The nature of Nestlé's business requires an incredible amount of scientific research. To deal with the need for constant research and development, Nestlé has established huge research centres where it develops new products. The Nestlé Research Center, established in 1987 in Lausanne Switzerland, plays a central role in Nestlé's R&D network. The centre employs 600 staff and works with 'leading universities and research centers around the world'. In addition to Nestlé's research links to 'leading universities' around the world, the corporation provides grants and

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<sup>23</sup> <http://www.babymilk.nestle.com>

<sup>24</sup> Baby Milk Action Press Release, "Nestlé claim to be working with the IBFAN Africa coordinating office is untrue", October 24, 2001, <http://www.babymilkaction.org/press/press24oct01.html>

<sup>25</sup> Nestlé publication, "Nestlé in the Community", [http://www.nestle.com/NR/rdonlyres/632AD11A-7DA2-490F-8434-F15A5D39ADCA/0/Community\\_English.pdf](http://www.nestle.com/NR/rdonlyres/632AD11A-7DA2-490F-8434-F15A5D39ADCA/0/Community_English.pdf)

<sup>26</sup> "The Nestlé Public Relations Machine Exposed", IBFAN, Baby Milk Action, <http://www.babymilkaction.org/pdfs/nprmeprint05.pdf>

scholarships to dozens of universities. The following list shows some of Nestlé's links to universities.<sup>27</sup>

**Technical University of Munich (GER)** – The University and the Nestlé Research Centre have collaborated on research dealing with edible fats and oils.<sup>28</sup>

**Cornell University (US)** – In March 2004, Nestlé signed on as a senior research partner with the Cornell School of Hotel Administration's Center for Hospitality Research.<sup>29</sup> Elaine Wedral, Vice President of the Nestlé Product Technology Center in Connecticut, sits on the advisory board at the Center for Hospitality Research. The School of Hotel Administration's library, is named the Nestlé Library.

**Guelph University (CAN)** – Robert Tracy Thomas, President of Nestlé Foodservices Canada sits on the advisory board at Guelph University's School of Hospitality and Tourism Management. Nestlé Canada is a participating company at the School of Hospitality and Tourism Management.

**Purdue University (US)** – Nestlé is a sustaining member of Purdue University's Whistler Center for Carbohydrate Research.<sup>30</sup> The research center is part of Purdue University's Food Science Department where Nestlé is an industrial associate.

**Michigan State University (US)** – Nestlé Ralston Purina offers research grants for students at Michigan State University.

**Rockefeller University (US)** – Professor of cell biology Günter Blobel sits on Nestlé's board of Directors. Since August 2001, he has been a member of the Nestlé Nutrition Council (NNC), a group of international experts who advise Nestlé on nutrition.

**University of Wisconsin (US)** – The University of Wisconsin and Nestlé Purina have collaborated on a research project investigating hairballs in cats. The university and the corporation filed a joint patent on the new technology.<sup>31</sup>

**University of York (UK)** – In 1995, the University of York and Nestlé along with three other members, founded Biosciences York, a group that conducts research in the fields of health sciences, food sciences, plant biotech and drug development.<sup>32</sup> Nestlé UK gave money in 2001 to the University for the upgrade of two lecture halls. One of the halls was renamed Henri Nestlé Lecture Theatre.<sup>33</sup>

**Queen's University (CAN)** – In 2003 Nestlé Canada donated \$6,000 (Cnd) for a tuition draw at the University's Stauffer library. In addition to the tuition money, the corporation donated 20,000 packets of Nestlé brand Smarties for students.

**McGill University (CAN)** – Heather Munroe-Blum, the Principal and Vice Chancellor of McGill University, sits on the Board of Directors at Nestlé Canada Inc.<sup>34</sup>

**University of Innsbruck** – The company sponsors the Nestlé prize for economics.<sup>35</sup>

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<sup>27</sup> Nestlé does not publicly disclose which universities it collaborates with for research purposes.

<sup>28</sup> Klamm, W., "Authenticity Control of Edible Fats and Oils by analysis of minor constituents via on-line liquid chromatography-gas chromatography", PHD Dissertation, <http://tumb1.biblio.tu-uenchen.de/publ/diss/ww/2002/kamm.pdf>

<sup>29</sup> Cornell University Press Release, "Cornell School Welcomes Nestlé as Major Research Partner", March 23, 2004, <http://www.hotelschool.cornell.edu/chr/news/nestle.html>

<sup>30</sup> <http://www.whistlercenter.purdue.edu/index.htm>

<sup>31</sup> University of Wisconsin Press Release, "Scientists devise a new nutritional solution for cat Hairballs", September 30, 2003, <http://www.news.wisc.edu/story.php?get=8985>

<sup>32</sup> Biosciences York Website, [http://www.bioscienceryork.org.uk/about/about\\_frameset.html](http://www.bioscienceryork.org.uk/about/about_frameset.html)

<sup>33</sup> University of York Press Release, "Joseph Rowntree and Henri Nestlé make their mark at University", November 26, 2001, <http://www.york.ac.uk/admin/presspr/pressreleases/nestlerooms.htm>

<sup>34</sup> McGill University Website, <http://www.mcgill.ca/principal/munroe-blum/>

**Brazil** – Through programs at the Federal University of Goias, the Federal University of Uberlandia, and the University of Viscose-MG, Nestlé offers social and technical assistance to small farmers and their families.<sup>36</sup>

**Hungary** – Nestlé provides support for the University of Budapest.<sup>37</sup>

**Jamaica** – Nestlé awards two annual scholarships in food Chemistry at the University of the West Indies.<sup>38</sup>

**Italy** – Nestlé supports courses for category management specialists at Sacro Cuore Catholic University of Milan.<sup>39</sup>

**Nigeria** – Nestlé established a national research library at the University of Agriculture Abeokuta.<sup>40</sup>

**Philippines** – Nestlé provides educational training to students from De La Salle University, Dualtech, Meralco Foundation Institution and the Xavier University. The company also provides grants at the University of the Philippines, University of Sto. Tomas, Nutrition Foundation of the Philippines, Ateneo de Manila University and the Philippine Science High School.<sup>41</sup>

**Singapore** – Nestlé sponsors the Gold Medal for best in Pediatrics at the National University Hospital and scholarships for students studying food technology at the Singapore Polytechnic.<sup>42</sup>

**South Africa** – Nestlé sponsors a lecture in human nutrition at the University of Stellenbosch.<sup>43</sup>

**Sweden** – Nestlé works with the Economics University of Lund through a lecture program.<sup>44</sup>

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<sup>35</sup> Nestlé publication, “Nestlé in the Community”, [http://www.nestle.com/NR/rdonlyres/632AD11A-7DA2-490F-8434-F15A5D39ADCA/0/Community\\_English.pdf](http://www.nestle.com/NR/rdonlyres/632AD11A-7DA2-490F-8434-F15A5D39ADCA/0/Community_English.pdf)

<sup>36</sup> ibid

<sup>37</sup> ibid

<sup>38</sup> ibid

<sup>39</sup> ibid

<sup>40</sup> ibid

<sup>41</sup> ibid

<sup>42</sup> ibid

<sup>43</sup> ibid

<sup>44</sup> ibid

## 2. Economic Profile

**2.1 Financial data** (All figures are in Swiss Francs (CHF). Roughly converted, the total sales for 2004 in US dollars totaled \$66.94 billion)

Data	2004	2003	Change
Revenue	86.76 billion	87.97 billion	(1.3)%
Net Profit	6.71 billion (7.7% of revenue)	6.21 billion (7.1% of revenue)	8%
Liabilities	46.81 billion	51.73 billion	(9.5)%
Equity	39.21 billion	36.88	6.3%

[Source: Nestlé's 2004 Annual Report]

### Revenue by region

Region	2004	2003	Change
Zone Europe	12.19 billion	12.15 billion	0.3%
Zone Americas	8.91 billion	9.64 billion	(7.5)%
Zone Asia, Oceania and Africa	14.67 billion	14.43 billion	1.6%
Nestlé Waters	8.03 billion	8.06 billion	0.3%
Other activities (Pharmaceutical products, joint ventures)	7.71 billion	9.25 billion	(16.6)%
<b>Total</b>	<b>86.79 billion</b>	<b>87.97 billion</b>	<b>(1.3)%</b>

[Source: Nestlé's 2004 Annual Report]

### Revenue by product

Product	2004	2003	Change
Beverages	21.79 billion	23.52 billion	(7.3)%
Milk products, nutrition and ice cream	23.58 billion	23.28 billion	1.2%
Prepared dishes and cooking aides	15.87 billion	16.06 billion	(1.1)%
Chocolate, confectionary & biscuits	10.25 billion	10.24 billion	0.1%
PetCare	9.93 billion	9.81 billion	1.2%
Pharmaceutical products	5.32 billion	5.05 billion	5.3%
<b>Total</b>	<b>86.79 billion</b>	<b>87.97 billion</b>	<b>(1.3)%</b>

[Source: Nestlé's 2004 Annual Report]

### 2.2 Joint ventures/alliances

**Algeria** – In May 2005, Nestlé Waters formed a joint venture in Algeria with Boissons Gazeuses des Freres Zahaf Group. Nestlé Waters will control 51 percent of the new company called Société Source de Taberkachent.<sup>45</sup>

**Beverage Partners Worldwide** – Coca-Cola and Nestlé formed Coca-Cola and Nestlé Refreshments in 1991 in order to expand both companies' position in the ready-to-drink tea category. Renamed Beverage Partners Worldwide in 2001, the collaboration operates in 24 countries and is expanding into the ready-to-drink coffee category. Brands within the cooperation include Nestea and Nescafé ready-to-drink products and the Tian Yu Di tea and Yang Guang tea businesses from Coke.<sup>46</sup>

**Cereal Partners Worldwide** – Nestlé and US food company General Mills formed a joint venture to produce and market breakfast cereal worldwide, except in Canada and United States. Formed in 1989, the Swiss based joint venture began operating in 1991. Cereal Partners Worldwide is active in 80 countries.<sup>47</sup>

**Indonesia** – Nestlé and the Coca-Cola Company announced in July 2004 that they had created a 50:50 Water bottling joint venture in Indonesia. The joint venture Waters Partners Bottling, will operate exclusively in Indonesia. Coke and Nestlé acquired a 65% majority of the Indonesian bottled water company, PT AdeS Alfindo Putrasetia, Tbk (AAPS). AAPS offers 3 brands of bottled water bottled in 7 plants around the country. Nestlé and Coke want to expand their presence in the world's seventh largest bottled water market and the second largest in Asia, after China.<sup>48</sup>

**Universal** – In July 2003, Universal Parks and Resorts and Nestlé Waters North America agreed upon a 10-year marketing deal that links Nestlé with Universal theme parks in the United States. Nestlé's numerous bottled water brands in the US will become the official waters of Universal Orlando and Universal Studios Hollywood and CityWalk Hollywood. The deal also involves retail sweepstakes, on-package promotions, radio and Internet promotions and outdoor ads on Nestlé Waters' delivery trucks in Orlando and Los Angeles. The deal only includes Universal theme parks.<sup>49</sup>

**Walt Disney** – Nestlé has a close relationship with Walt Disney through marketing and promotions. Nestlé has been the exclusive producer of a number of products (cereal, chocolate bars, ice cream etc.) used to promote Walt Disney films. In one example from 2003, Nestlé in the UK took advantage of the success of Disney film 'Finding Nemo' in the United States by featuring branding related to the film across a line of dairy products.<sup>50</sup>

## 2.3 Lawsuits

### Anti Trust

**Bulgaria** – Nestlé has repeatedly breached Bulgarian anti-trust legislation with the promotion of games. The most recent breach in 2004 came when the company organized two promotion games where customers had to collect logos of Nestlé products to participate in a draw for two

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<sup>45</sup> "Nestlé waters announces the creation of a partnership in Algeria and moves into the Maghreb", Nestlé press release, May 11, 2005, [http://www.nestle.com/Media\\_Center/Press\\_Releases/All+Press+Releases/050512\\_acqsidielkebir.htm](http://www.nestle.com/Media_Center/Press_Releases/All+Press+Releases/050512_acqsidielkebir.htm)

<sup>46</sup> Nestlé Press Release, "Nestlé and Coca-Cola: Joint venture to tap rapidly growing beverage segments", January 30, 2001

<sup>47</sup> Nestlé USA Website, [http://www.nestleusa.com/pressRoom/FactSheets/fact\\_sheet.asp?fact\\_id=200152111433165131552](http://www.nestleusa.com/pressRoom/FactSheets/fact_sheet.asp?fact_id=200152111433165131552)

<sup>48</sup> Nestlé Press Release, "Indonesia: Bottle water joint venture between Nestlé and Coca-Cola", [http://www.nestle.com/Media\\_Center/Press\\_Releases/All+Press+Releases/Indonesia+Bottled+water+joint+venture+betw+een+Nestle+and+Coca+Cola.htm](http://www.nestle.com/Media_Center/Press_Releases/All+Press+Releases/Indonesia+Bottled+water+joint+venture+betw+een+Nestle+and+Coca+Cola.htm)

<sup>49</sup> "Universal Nestlé Ink Deal", Promo Magazine, July 1, 2003

<sup>50</sup> "Nestlé Features Film on Product", Marketing, September 11, 2003

luxury cars. Bulgaria's Protection of Competition Act bans the promotion of sales by offering prizes that exceed the value of the product. The company's previous breach occurred in 2001.<sup>51</sup>

**Italy** – In March 2000, Nestlé was among a group of baby milk suppliers fined for violating their agreement to sell only in pharmacies and not in super markets. In July 2004, Italy's anti-trust body launched an investigation into 15 baby milk producers, including Nestlé, to see if they were coordinating efforts in order to restrict competition and keep prices elevated. Baby milk prices in Italy are higher than in other European countries and in some cases are more than double.<sup>52</sup> The probe is ongoing.

## **Bottled Water Lawsuits**

**Bottled Water Scam, false advertising** – In 2003, a total of 12 class-action lawsuits were filed in the United States claiming that Poland Springs, a Maine based Nestlé brand of bottled water, is not naturally pure spring water. The suits allege that Nestlé uses heavily treated water from common ground sources but then labels the bottles as spring water. In November 2003, a judge in Illinois approved of a \$12 million settlement in one of the class-action suits. The settlement will provide customers with \$8 million in discounts and coupons and requires the corporation to make \$2.75 million in charitable donations. It may, however, block the remaining 11 lawsuits from proceeding.<sup>53</sup> In a suit brought against Poland Spring in Illinois in 2003 by the Sheriff of Kane County Ken Ramsay, it was alleged that "Poland Spring Water, a Nestlé subsidiary and the nation's third-largest bottled water company, advertised their water in a false, fraudulent, deceptive, and misleading manner."<sup>54</sup> The suit covered thousands of Poland Spring customers across the country. The suit claims that contrary to what it advertises, Poland Spring does not come from "deep in the woods of Maine; is not naturally purified, is not, "spring water"; and even, that the water is not safe to drink.<sup>55</sup>

**Michigan, illegal water sourcing** – In 2001, Michigan Citizens for Water Conservation, a group whose goal is to conserve, preserve and protect Michigan's water, natural resources and the public trust in those resources for the benefit of the public, filed a lawsuit against Nestlé Waters North America (Nwana) asking the company to halt production at the Ice Mountain Spring Water Co. in Mecosta Township. The lawsuit claimed the plant's pumping of water would lower lake and stream levels near the wells from which the company draws water. In November 2003, the judge in the case ordered Nwana to stop drawing water saying that the operation diminishes the flow and level of streams and lakes.<sup>56</sup> Unfortunately, the order only lasted a couple of weeks when in December the Michigan Court of Appeals, pressured by Governor Granholm and the Michigan Department of Environmental Quality, granted emergency relief to Ice Mountain allowing the company to continue pumping water until the appeals process is over.<sup>57</sup> The case did, however, make it clear that Ice Mountain and Nestlé were illegally diverting and selling water out of a watershed, and highlighted moves by corporations and governments towards the privatization of publicly owned natural resources in North America. Michigan Citizens for Water Conservation have shown that a small citizen action group can go up against one of the largest corporations in the world and find success. The case also demonstrates that Nestlé is vulnerable to popular based action.

**Texas** – In 1996, Nestlé owned bottled water company Ozarka Spring Water, drilled wells and began pumping 340,687 litres a day in Henderson County Texas.<sup>58</sup> Four days after Ozarka

<sup>51</sup> Global News Wire – Europe Intelligence Wire, "Anti-Trust Body Fines Nestlé BGN 300,000", May 14, 2004

<sup>52</sup> AFX.COM, "Italy anti-trust body launches probe into 15 baby milk producers", July 15, 2004

<sup>53</sup> Biz Briefs, "Poland Spring settlements OK'd", Chicago Sun-Times, November 6, 2003

<sup>54</sup> Clarke, T., "Inside the Bottle: An Exposé of the Bottled Water Industry", Ottawa: The Polaris Institute, 2005, P. 33

<sup>55</sup> *ibid*

<sup>56</sup> Prichard, J., "Water-bottling plant ordered to stop pumping from site", Associated Press, November 25, 2003

<sup>57</sup> Freeman, L., "Appeals court says Ice Mountain plant can continue water withdrawals", Associated Press, December 16, 2003

<sup>58</sup> Haurwitz, R., "Underground water law upheld", Austin American-Statesman, May 7, 1999

started pumping, Bart Sipriano's well went dry. Sipriano, who lives close to the plant, along with another family from the area took Ozarka to court for drying up their water supplies. Unfortunately in Texas a 100 year old law known as the 'rule of capture', exists saying that a landowner may pump as much groundwater as they desire regardless of the consequences even if the pumping impacts other wells. Because of the law, the families' case was dismissed from a lower court. The case then went to the supreme court amid calls to reform the law, but in 1999 the rule of capture was unanimously upheld and the case was thrown out. Justice Craig Enoch did, however, say that the case presents "compelling reasons for groundwater use to be regulated."<sup>59</sup>

**Wisconsin** – Another attempt by Nestlé to source water for private sale, this time in Wisconsin, was blocked by successful citizen legal actions between 2000 and 2002. Perrier, a Nestlé subsidiary, had been wooed by State officials to build a large bottled water factory where millions of litres of water would be extracted every week from springs in rural Wisconsin to produce Perrier. The corporation was able to gain the required permits from Wisconsin's Department of Natural Resources (DNR) in the fall of 2000 to dig two high-capacity wells (95 million litres/week) for their proposed bottling plant.<sup>60</sup> At the time, the DNR decided that a full environmental impact study of the proposed wells and the 1 million-square-foot production facility was not necessary. After the decision came down, two citizen groups sued the DNR. The Ho-Chunk tribe sued over the DNR's failure to take into consideration the cultural ties of a Native American tribe to the springs, while Concerned Citizens of Newport argued that the DNR violated the Wisconsin Environmental Protection Act, by not conducting environmental impact studies before issuing a permit.<sup>61</sup>

In January 2002, a Judge in Marquette County ruled in favour of the Concerned Citizens of Newport, ordering the DNR to conduct a more thorough environmental impact study of Perrier's proposal. The ruling did not cancel Perrier's existing permit to build the wells, but forced the DNR to follow the Wisconsin Environmental Protection Act (WEPA) and state clean water laws before deciding how much water Perrier would be allowed to pump. By following WEPA, a full environmental impact study must be undertaken along with public hearings.

By September 2002, Perrier had let its permits lapse effectively canceling the corporation's project.<sup>62</sup> The court cases along with the intensive efforts by citizen groups against the DNR and Nestlé's planned wells, show that people will not sit by and watch a precious natural resource be extracted and sold at inflated prices in order to pad the bottom line of a large corporation. The Wisconsin case also sends a message to State and local governments that the people will decide what will be done with their water.

## Patent infringement

In May 2005 Alcon, Nestlé's eye care product division, was ordered to pay \$94.8 million in damages to Advanced Medical Optics for infringing cataract surgery patents. Advanced Medical Optics sued Alcon in 2003, contending it infringed patents awarded in 1997 and 2000 for equipment and methods for removing clouded eye tissue through a suction needle.<sup>63</sup>

## 2.4 Product safety

**Genetically Engineered Foods (GE)** – Nestlé employs a double standard on the use of Genetically Engineered food in its products. The company does not use GE food in its products in countries where GE foods require labels, but continue to use them in places where legislation concerning labeling has yet to be passed. Nestlé has been repeatedly targeted by Greenpeace

<sup>59</sup> *ibid*

<sup>60</sup> Price, J., "DNR approves Perrier wells that have drawn local opposition", Associated Press, September 21, 2000

<sup>61</sup> Seely, R., "Perrier foes target DNR", Wisconsin State Journal, December 2, 2001

<sup>62</sup> Murphy, K., "Nestlé Waters won't develop Big Spring site", Milwaukee Journal Sentinel, September 18, 2002

<sup>63</sup> "Jury decides against Alcon on patents", The New York Times, May 7, 2005

for its use of GE products but is doing little to change its policy of double standards. Nestlé also has a history of going after NGOs that expose GE ingredients in the company's products. In one case, the company sued an organization that published results of a commissioned test showing that Nestlé products contained GE ingredients.<sup>64</sup>

#### GE Baby Food and Childrens' Health

Genetically Engineered (GE) foods refer to any product containing or derived from Genetically Modified Organisms (GMOs). GMOs are created by transferring genes from one species of plant, animal or bacteria, to an entirely unrelated species in order to increase the recipient's species' ability to produce a pesticide or to withstand the application of herbicides.<sup>65</sup> For example, genes have been taken from soil bacteria and put into the DNA of corn and potatoes. The process of GE is imprecise and unpredictable and could create health risks such as the development of antibiotic resistance, allergic reactions, nutritional changes and the creation of toxins. Infants, who sometimes rely on single food sources such as infant formula or cereal, are at an even greater risk. The Royal Society Working Group, the UK's national academy of science, expressed fears about the safety of genetically modified infant formulas saying that "bottle-fed babies could be undernourished if given genetically modified infant formula milk because of inadequate regulations and testing regimes for GM foods".<sup>66</sup> Nestlé continues to sell GMO contaminated food, including baby food, in countries where they are not in contravention of specific regulations.

**China** – In the Spring of 2005 two infant milk powder products manufactured by Nestlé were found to contain excessive levels of iodine. Too much iodine can cause a swelling of the neck resulting from enlargement of the thyroid gland. The first product, Jin Pai Growing 3-Milk Powder, failed to meet national standards over iodine content and was recalled. Nestlé's initial response was to claim that the products were safe and that the iodine content was 'just a little' higher than the standard.<sup>67</sup> According to Chinese standards there should be no more than 30 to 150 micrograms of iodine per 100 grams of milk powder. The Nestlé product contained 198 micrograms of iodine.<sup>68</sup> The company finally apologized to consumers over a week after the discovery was made.<sup>69</sup> Almost one month after the first product was found to contain too much iodine, the Beijing Administration of Industry and Commerce ordered Nestlé to recall another of its baby milk powder products because of the same problem.

**Colombia** – In November 2002, Colombia's Administrative Security Department (DAS) security police ordered Nestlé to decommission 200 tonnes of imported powdered milk. The milk had come from Uruguay under the brand name Conaprole but had been repackaged and stamped with false labels saying it had been produced at Nestlé's Bugalagrande factory in Colombia in September and October 2002. In reality the real production dates were between August 2001 and February 2002. One hundred and twenty tonnes with similar false country of origins markings were found in December 2002. Colombian senator Jorge Enrique Robledo charged Nestlé with using sub-standard, contaminated milk saying that it was "a serious attack on the health of our people, especially the children."<sup>70</sup>

**Pet food recall** – In February 2005 Nestlé was forced to recall an extensive amount of pet food after discovering toxins in 10 different brands. All of the products were manufactured at the company's Purina plant in Venezuela. Nestlé discovered the problem after veterinarians contacted the company and complained of sick animals.<sup>71</sup>

<sup>64</sup> Russian Regional Environmental Centre News Release, "Nestlé Against Civil Society", August 5, 2004, <http://info.rusrec.ru/ns/modules.php?op=modload&name=News&file=article&sid=652&mode=thread&order=0&thold=0>

<sup>65</sup> Greenpeace, "How to Avoid Genetically Engineered Food", Information Pamphlet

<sup>66</sup> *ibid*

<sup>67</sup> Xi, F., "Nestlé China defends infant milk powder against charges of unsafe iodine content", Xinhua General News Service, June 1, 2005

<sup>68</sup> *ibid*

<sup>69</sup> "Nestlé China apologizes for unsafe iodine content in infant milk powder", Xinhua General News Service, June 6, 2005

<sup>70</sup> Higginbottom, A., "Nestlé in Colombia", Morning Star, December 28, 2002

<sup>71</sup> Feldstein, M.J., "Purina PetCare recalls pet food made in Venezuela", St. Louis Post-Dispatch, February 19, 2005

## 2.5 Advertising

Nestlé's is infamously known for its consistent violations of the World Health Organization's International Code of Marketing of Breastmilk Substitutes by advertising its infant formula around the world. In addition to breastmilk substitutes, the corporation has hundreds of different brands on which it spends millions of dollars every year for marketing and advertising.

**Nestlé's birds** – In 2005 the Tanzanian Food and Drug Authority (TFDA) banned the import of Nestlé's breastmilk substitutes carrying the company's logo of a bird feeding its young in a nest. The TFDA say the logos violate the International Code and Tanzanian regulations. Nestlé has now removed the logos.<sup>72</sup>

**Advertising Agencies** – Nestlé and its subsidiaries use over 100 different advertising, communications and public relations firms worldwide. Some of these agencies include:

- Publicis Dialog – California based Public Relations/Advertising firm. <http://www.publicisdialog.com/>
- Euro RSCG – <http://www.eurorscg.com/index.asp>
- Alan Taylor Communications - <http://www.alantaylor.com/>
- J Walter Thompson – Promotes Nestlé Rowntree in the UK and chocolate bars in Canada <http://www.jwt.co.uk/index.asp>
- Lowe Paris – Promotes Nestlé chocolate in France and the UK <http://www.loweparis.com/loweparis.html>
- Ogilvy – Ogilvy is the self proclaimed 'lead agency' for Nestlé. They manage advertising in water, beverages and chilled dairy. <http://www.ogilvy.com/>
- Publicis Groupe – A large advertising group based in France. Group members Publicis Worldwide, Publicis Conseil, Publicis Mojo and ZenithOptimedia represent Nestlé for ad campaigns around the world. <http://www.publicis.com/>
- ZenithOptimedia Group, part of the Publicis Groupe
- GroupM, part of the WPP Group
- Dentsu for media services in Japan

**Channel One (US)** – Since 1990, this 12-minute daily news show has been beamed to schools across the United States and is now featured in more than 12,000 schools with more than 8 million kids. Schools that agree to show the program are specifically wired and loaned a television for each classroom. Every telecast includes a 2 minute commercial for products ranging from athletic shoes to soda pop. It is because of the direct advertising to children – and questionable quality – that Channel One has been at the centre of the controversy over advertising in schools. Some of Nestlé's junk food products have been advertised on Channel One.<sup>73</sup> Other products promoted on Channel One include: Pepsi; Skittles candy; Snickers chocolate bars; Twinkies; M&Ms; and Twix chocolate bars.

**Rogers Television (CAN)** – Rogers Television and Nestlé Canada teamed up to produce two 'reality' TV series in Canada. 'Nestlé Nine Months', launched in early 2003, and 'Nestlé Baby & You', launched in April 2004, focus on different families and their experiences with pregnancy, childbirth, parenting and infant development. Both series are sponsored by Nestlé Baby, a program designed to promote Nestlé products on families as well as provide information on life with an infant. The programs are advertising vehicles for Nestlé, its infant formula and other products.<sup>74</sup>

<sup>72</sup> Baby Milk Action Update, Issue 36: July 2005, <http://www.babymilkaction.org/update/update36.html>

<sup>73</sup> Commercial Alert News Release, "Coalition Wants Schools to Stop Pushing Junk Food on Children", Wednesday July 12, 2000, [http://www.commercialalert.org/index.php/article\\_id/index.php/category\\_id/2/subcategory\\_id/34/article\\_id/55](http://www.commercialalert.org/index.php/article_id/index.php/category_id/2/subcategory_id/34/article_id/55)

<sup>74</sup> To learn more about Nestlé involvement visit, <http://www.babyandyou.ca/>

## 3. Political Profile

### 3.1 Political connections

**Michael Garrett** – Garrett, Nestlé's Executive Vice President for Zone Asia, Oceania, Africa and the Middle East, was appointed by the Australian Government as Chair of the Food Industry Council and as a member of the Industry Council of Australia.<sup>75</sup>

**Edward George** – George, a former Governor of the Bank of England, was elected to Nestlé's board of directors in 2004.

**Nobuyuki Idei** – Idei, a member of Nestlé's board of directors, served as the Chair of Japan's Information Technology Strategy Council, an advisory committee to Japan's Prime Minister from July to November 2000. As Chairman of the Council, Idei played a major role in the development of Japan's IT Strategy which formed the foundation of Japan's IT Basic Law. Japan's IT Strategy Headquarters was established in January 2001, in which Idei was appointed a member.<sup>76</sup>

**Edwin Muskie** – Former US secretary of State and chair of Nestlé's Infant Formula Audit Commission (NIFAC) which was set up by the company to monitor their own marketing practices using in house guidelines and not the World Health Organization's Code.

**Anne Veneman** – The former US Secretary of Agriculture is Member Emeritus of the International Food and Agriculture Trade Policy Council (IPC), a group funded by Monsanto, Cargill, Archer-Daniels-Midland, Kraft and Nestlé.<sup>77</sup> In May 2005, Veneman became Executive Director of UNICEF.

**Kaspar Villiger** – Villiger serves as a member of Nestlé's board of Directors. Between 1982 and 2003, Villiger held various positions in the Swiss government including, Defence Minister (1989-2003), and Finance Minister (1995-2003).<sup>78</sup>

**Sanford A. Miller** – Miller is the Chair of the United States Food and Drug Administration's Food Advisory Committee. He also is a member of the Nestlé Consultative Committee on Nutrition.<sup>79</sup>

### 3.2 Big business associations

Nestlé is a member of a number of influential business associations and lobby groups in both the United States and Europe. Their membership in these powerful groups provides the corporation with further links and influence to policy makers in the European Union and in the United States government.

**International Food & Agriculture Trade Policy Council (IPC)** – Nestlé is a member affiliate of the IPC and Hans Johr, the company's Corporate Head of Agriculture and Assistant Vice President, sits on the IPC's board of directors. The IPC is a strong advocate for the liberalization of trade in the food industry. While the IPC states that its members serve as individuals and do not represent their respective institutions, many of its members are high ranking executives at

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<sup>75</sup> Nestlé website,

[http://www.nestle.com/All\\_About/Nestle\\_Management/Executive\\_Board/CV/Michael+WO+GARRETT.htm](http://www.nestle.com/All_About/Nestle_Management/Executive_Board/CV/Michael+WO+GARRETT.htm)

<sup>76</sup> Nestlé website, [http://www.nestle.com/All\\_About/Nestle\\_Management/Board\\_Directors/CV/Nobuyuki+IDEI.htm](http://www.nestle.com/All_About/Nestle_Management/Board_Directors/CV/Nobuyuki+IDEI.htm)

<sup>77</sup> International Food and Agriculture Trade Policy Council, <http://www.agritrade.org/member.htm>

<sup>78</sup> Nestlé website, [http://www.nestle.com/All\\_About/Nestle\\_Management/Board\\_Directors/CV/Kaspar+Villiger.htm](http://www.nestle.com/All_About/Nestle_Management/Board_Directors/CV/Kaspar+Villiger.htm)

<sup>79</sup> Food and Drug Administration Website, <http://www.cfsan.fda.gov/~dms/facvmill.html>

large multinationals such as Cargill, Monsanto, and Archer Daniels Midland who themselves strongly advocate for further trade liberalization. Along with high powered executives, the IPC members include politicians and World Bank officials.<sup>80</sup> The IPC is funded by Archer Daniels Midland, Cargill, Kraft and Monsanto among others.

**US Council for International Business (USCIB)** – Nestlé USA is a member of the USCIB. The USCIB advocates for US corporations with the goal of influencing "laws, rules and policies that may undermine U.S. competitiveness, wherever they may be". The USCIB is the U.S. wing of the International Chamber of Commerce, and was the key corporate lobby group in the push for the failed Multinational Agreement of Investment (MAI). They are also heavily involved in the current pro-liberalization lobby regarding negotiations on the Free Trade Area of the Americas and the World Trade Organization.

The USCIB, the World Health Organization and Sugar

In early 2003, the USCIB joined food industry groups and the Sugar Association (the main industry association representing big US sugar producers) wrote to then US health secretary Tommy Thompson asking him to push for the withdrawal of a World Health Organization report on healthy eating. The report sets guidelines which say that sugar should only account for 10% of a healthy diet and that soft drink consumption has contributed to the obesity epidemic. Sugar industry associations threatened to use their lobbying power to get the United States Government to withdraw its \$406 million funding of the WHO if the report was not withdrawn.<sup>81</sup>

**Grocery Manufacturers of America** – The Grocery Manufacturers of America is a powerful lobby group that represents the interests of food manufacturers in the United States. Nestlé USA is a member. Joe Weller, Chair and CEO of Nestlé USA is on the GMA's board of directors. In a case demonstrating the GMA's influence, the group filed a lawsuit in August 2003 to block a new Maine law that would require bottled water labels to identify their water source. The GMA said that it wanted uniformity in labeling and held that Maine should not be allowed to make its own laws that would supercede Food and Drug Administration (FDA) laws stating that companies need only label their products 'Purified Water'. The case stated that the law would hurt sales and goodwill, and would conflict with "the reality that purified water is very different from tap water."<sup>82</sup> In October 2003 Maine backed off on putting forward the law to label the water. The settlement ensured that the state will not enforce the law unless the FDA decides that the law does not conflict with federal law.<sup>83</sup>

**National Soft Drink Association** – Nestlé Waters North America Inc. (NWNA) is a member while current NWNA CEO and Chair Kim Jeffrey sits on the board of directors. The Association serves as a liaison between the industry, government and the public, and represents the industry in legislative and regulatory matters.

**National Confectioners Association** – This US based industry association works to advance the interests of its members in the candy industry. The NCA has come under criticism from fair-trade advocates due to its reluctance to encourage its members to use fair trade cocoa in their products.<sup>84</sup> The NCA is a member of the International Confectionery Association.

**Chocolate Manufacturers Association** – Nestlé is a member of this powerful industry association.

<sup>80</sup> <http://www.agritrade.org/>

<sup>81</sup> Boseley, S., "Sugar industry threatens to scupper WHO", The Guardian, April 21 2003

<sup>82</sup> Murphy, E., "Bottler's Sue State over Labels: A Manufacturing Group contends that Requiring Bottled Water Labels to Identify the Source of Water is Unconstitutional", Portland Press Herald, August 20, 2003

<sup>83</sup> Murphy, E., "State backs off law on labeling bottled water", Portland Press Herald, October 28, 2003

<sup>84</sup> Franklin, S., "Youths Taste Protest at Candy Trade Show", The Chicago Tribune, June 8, 2004

Other Cocoa and Chocolate trade associations looking out for Nestlé's interests include: the Association of the Chocolate; Biscuit & Confectionery Industries of the EU; the Federation of Cocoa Commerce Ltd.; the Cocoa Merchants Association of America; and the European Cocoa Association and the World Cocoa Foundation.

**National Coffee Association of the USA** – Rob Case, President of Nestlé USA's beverage division sits on the NCA's Board of Directors. In addition to Case, three Nestlé executives sit on the NCA's Government Affairs committee: one on the Market Research Sub-Committee; two on the Public Relations Committee; one on the Scientific Advisory Group; and two on the Technical and Regulatory Affairs Sub-Committee. The NCA rejects claims by groups who see the coffee industry as the cause of low coffee prices and increased poverty among the world's coffee producers.<sup>85</sup>

**International Association of Infant Food Manufacturers (IFM)** – The IFM represents infant food manufacturers at a number of international agencies including UNICEF, WHO, and the FAO. The IFM is a lobby group protecting the interests of large multinationals like Nestlé.

**World Economic Forum (WEF)** – As a strategic partner Nestlé contributes resources and support to the WEF in its mission to advance neoliberal economic policies along with the interests of its corporate members. Two thousand political, business and academic elites meet in Davos Switzerland for the WEF's annual meetings. The WEF takes credit for launching the Uruguay Round of the General Agreement on Trade and Tariffs which led to the creation of the World Trade Organization.<sup>86</sup> Nestlé CEO Peter Brabeck-Letmathe is a member of the WEF's Foundation Board and a number of other Nestlé executives are WEF contributors or serve on various boards and committees.

**European Roundtable of Industrialists (ERT)** – This exclusive group of close to 50 chairpersons and CEOs of some of Europe's largest corporations has been a powerful force in European politics since it was founded in 1983. Nestlé CEO Peter Brabeck-Lemathe's membership in the ERT gives his corporation privileged access to governments and the European Commission. This access gives Nestlé incredible power in shaping the political agenda of the European Union.<sup>87</sup>

**United Nations Global Compact** – Nestlé became a participant of the United Nations Global Compact in 2004. The Global Compact is an agreement based on ten principles of human rights, environmental protection, labour rights and corruption designed to promote 'responsible corporate citizenship'.<sup>88</sup> The Global Compact is a voluntary initiative which is not defined as a binding set of regulations nor as a code of conduct for companies. UN Secretary General Kofi Annan defines the Global Compact as a dialogue forum to promote mutual learning among corporations. To become members of the Global Compact, a corporation's CEO must send a letter to Secretary General Kofi Annan expressing support for the Compact and its principles, set in motion changes to business operations so that the Compact will become part of the company's business strategy, culture and day-to-day operations. Compact members are also expected to publicly advocate the Global Compact through press releases and speeches. In a statement released by EarthRights International in June 2004 in response to the UN's Global Compact Leaders' Summit, the group said that the Global Compact "cannot adequately address corporations' negative social and environmental impact...[it] distracts Governments and the UN from necessary steps to establish an effective intergovernmental framework on corporate accountability...[it] provides little but a public relations cover for global corporate malefactors."<sup>89</sup>

<sup>85</sup> Reuters, "US coffee groups dispute Oxfam on poor farmers", September 26, 2002.

<sup>86</sup> New Internationalist Magazine, "The Naked Lobbyist", New Internationalist, No. 347, July 2002

<sup>87</sup> ibid

<sup>88</sup> United Nations Global Compact Website, <http://www.unglobalcompact.org/Portal/Default.asp?>

<sup>89</sup> "Joint civil society statement on the Global Compact and corporate accountability", June 23, 2004, <http://www.earthrights.org/news/ngogcstatement.shtml>

### 3.3 Political contributions

As is the case with most large corporations, Nestlé, along with its subsidiaries and joint-ventures, donates large sums of money to candidates during election campaigns who they think will push for policy that will benefit the company. Statistics on Nestlé's political contributions are only available for the company's US subsidiaries. Between 2002 and 2004 Nestlé USA's Political Action Committees<sup>90</sup> (the company has PACs for Nestlé USA, Nestlé Purina, and Nestlé Waters) donated \$112,800 to various political candidates in the US.<sup>91</sup> Between 1998 and 2002, Nestlé USA donated \$225,892 in Soft Money to various political candidates. The majority of Nestlé's political donations in the United States go to candidates from the Republican Party.

Nestlé USA Chairman Joseph Weller has been named a 'Pioneer' by the Bush 2004 campaign for raising over \$100,000 for the President's reelection.<sup>92</sup>

### 3.4 Lobbying expenditures

In addition to Nestlé's membership in powerful and influential industry groups, the company invests large amounts of money each year to hire lobby firms. According to The Center for Responsive Politics who supplies statistics for lobby efforts in the US, Nestlé USA spent \$4.75 million on lobby firms between 1997 and 2000.<sup>93</sup>

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<sup>90</sup> PACs are political committees organized for the purpose of raising and spending money to elect and defeat candidates, most PACs represent business, labor or ideological interests

<sup>91</sup> Center for Responsive Politics, <http://www.opensecrets.org/>

<sup>92</sup> <http://www.whitehouseforsale.org>

[http://www.whitehouseforsale.org/ContributorsAndPaybacks/pioneer\\_profile.cfm?pioneer\\_ID=1117](http://www.whitehouseforsale.org/ContributorsAndPaybacks/pioneer_profile.cfm?pioneer_ID=1117)

<sup>93</sup> Center for Responsive Politics <http://www.opensecrets.org/>

## 4. Social Profile

*"In the interest of continued flow of foreign direct investment, which is critical for developing countries, it's desirable that conflicts are resolved according to international law and in a spirit of fairness"* Nestlé spokesperson on the Ethiopia affair PR Week, January 13, 2003

Nestlé sees itself as a caring, philanthropic and altruistic multinational. They construct this image by publicizing their initiatives in the South, participating in the United Nations' unaccountable Global Compact programme and investing millions in public relations and advertising campaigns. However, it is also well known for its questionable social track record. The Economist stated in August 2004 that "few companies are more exposed than Nestlé to reputational risks".<sup>94</sup> Due to the size and diversity of the corporation, Nestlé's socioeconomic impact is truly global and spans a large number of industries. They have the power to deeply impact global commodity prices (as is the case in the coffee, cocoa, and milk industries) and in turn the livelihood of millions of farmers and labourers in South. Along with their socioeconomic impact, Nestlé's confectionary products and aggressive marketing approach has had an impact on the health of millions of people around the world. This section will profile six different cases studies of the socio economic impact of Nestlé.

### 4.1 Socioeconomic impact

*"What the hell have we taken away from society by being a successful company that employs people?"* CEO and Chair of the Board Peter Brabeck-Letmathe in March 2005 speech to executives in Boston<sup>95</sup>

**Coffee** – Coffee producers worldwide are experiencing a sustained period of crisis with low prices and an ever growing oversupply of beans. After years of decline, prices fell below the average cost of production in 2002 and production has finally surpassed consumption. In 2002 production reached a high of close to 121 million bags while prices hit an all-time low of below 46.2 cents a pound down from around \$1 dollar a pound in 2000.<sup>96</sup> Prices made a small recovery in 2004 rising to a high of 86 cents a pound and settling at 68 cents.<sup>97</sup> In 2002, the money that farmers could make from coffee would only buy one-quarter of what it could in 1960.<sup>98</sup> It has been estimated, with inflation taken into account, that this is probably the lowest price farmers have been paid for coffee in 100 years.

This is a disastrous situation for coffee farmers worldwide with many experiencing increased hunger and worsening health care. Seasonal workers who depend on the coffee industry for jobs are also suffering due to the crisis. Low coffee prices have also severely impacted the economies of countries that depend on coffee exports.

A combination of the end of the International Coffee Agreement in 1989, which managed export quotas, the emergence of Brazil and Vietnam as giant coffee exporters and lagging demand in the U.S., Germany, France and Japan, have contributed to the low price situation.<sup>99</sup> In addition, big coffee corporations like Nestlé have a hand in keeping coffee prices low by seeking out the lowest price for the raw materials. For example, with the development of new technologies able to raise the quality of bitter low priced beans, corporations will continue to look for cheap and poor quality beans ensuring that the commodity price will not recover.

<sup>94</sup> The Economist, "Daring Defying, to grow – Nestlé", August 7, 2004

<sup>95</sup> Heldt Powell, J., "Nestlé chief rejects the need to 'give back' to communities", The Boston Herald, March 9, 2005

<sup>96</sup> International Coffee Organization, <http://www.ico.org/frameset/traset.htm>

<sup>97</sup> Wall Street Journal Markets data

<sup>98</sup> Gresser, C., Tickell, S., "Mugged: Poverty in Your Coffee Cup", Oxfam, p. 9

<sup>99</sup> Gresser, C., Tickell, S., "Mugged: Poverty in Your Coffee Cup", Oxfam, p 18

While farmers are not making enough to cover their costs, the four major corporations, including Nestlé<sup>100</sup>, who purchase over half of the world's raw coffee and account for about 60 percent of US retail coffee sales, are making billions in profit. A 2002 report by Oxfam International shows the average retail price for soluble coffee in the United Kingdom is over 188 times higher than the price per kilo a coffee farmer in Uganda received for his crop.<sup>101</sup> Coffee multinationals enjoy excellent profit margins while the producers are struggling to survive. Oxfam has called on Nestlé to offer farmers a better price for their coffee.

Nestlé has yet to commit to purchasing its coffee beans from fair trade cooperatives that pay the farmer a fair price. For more information please visit the following fair trade organizations' websites: <http://www.transfair.ca/> <http://www.maketradefair.com/en/index.htm> <http://www.fairtrade.net/> <http://www.fairtradefederation.org/> <http://www.fairtraderesource.org/>

**Milk** - Nestlé, pays just 15 cents on the dollar for every litre of milk produced in the developing South, compared to the 48 cents per litre paid to European farmers, but their prices are nearly the same in supermarkets everywhere, pointed out Joao Pedro Stédile, an Landless Movement (MST) leader. <http://www.commondreams.org/headlines01/0418-02.htm>

**Ethiopia** – In an amazing demonstration of insensitivity, Nestlé went after the government of Ethiopia<sup>102</sup> in 2002 demanding a \$6 million – about what the company makes in an hour – payment to compensate for an Ethiopian business which had been nationalized in 1986. An offer by the Ethiopian government to pay Nestlé \$1.5 million to settle the claim was rejected by the company who stood by its demand saying that it was a matter of principle.<sup>103</sup>

After a swift and overwhelming public outcry, Nestlé still did not fully retract its claim. Instead, the company announced that it was standing by its claim on principle, and that it would invest any money it received from Ethiopia back into the country.<sup>104</sup>

One month after Nestlé's demand, the corporation was forced to drop its original claim after mounting public outrage. The company accepted Ethiopia's offer of \$1.5 million, which was handed straight over to the country's famine relief effort. Nestlé was forced to rethink its claim came after 40,000 people wrote the company in outrage.<sup>105</sup> The Economist called Nestlé's claim "a spectacular own goal", and a "clumsily handled effort to extract payments from impoverished Ethiopia".<sup>106</sup>

The episode demonstrates Nestlé's capacity power to bully states like Ethiopia who are dealing with massive famine and economic on a point 'of principle'. Fortunately the story also demonstrates the corporation's vulnerability to public pressure.

## 4.2 Impact on the world's health

**Infant Formula**<sup>107</sup> *"Those who make claims about infant formula that intentionally undermine women's confidence in breastfeeding are not to be regarded as clever entrepreneurs just doing*

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<sup>100</sup> The remaining three coffee multinationals are: Proctor and Gamble; Philip Morris; and Sara Lee

<sup>101</sup> Gresser, C., Tickell, S., "Mugged: Poverty in Your Coffee Cup", Oxfam, p. 24

<sup>102</sup> Ethiopia's Gross Domestic Product in 2002 was \$6.1 billion (World Bank) compared to Nestlé's near \$70 in annual revenue in 2003

<sup>103</sup> Denny, C., "Nestlé claims pounds 3.7m from famined-hit Ethiopia", The Guardian, December 2002

<sup>104</sup> Denny, C., "Retreat by Nestlé on Ethiopia's Dollars 6m debt", The Guardian, December 20, 2002

<sup>105</sup> Denny, C., "Nestlé u-turn on Ethiopia debt : Public outrage forces firm to drop Dollars 6m claim against country hit by famine", The Guardian, January 24, 2003

<sup>106</sup> The Economist, "Daring Defying, to grow – Nestlé", August 7, 2004

<sup>107</sup> For more information on Nestlé's continued violations of the WHO code and a complete history of the company's track record concerning infant formula please visit the following websites: Baby Milk Action <http://www.babymilkaction.org/>

*their job but as human rights violators of the worst kind*” From a speech given by Stephen Lewis titled “Malnutrition as a human rights violation: Implications for United Nations-supported programmes”<sup>108</sup>

Along with chocolate, coffee and water, the Nestlé name is probably best known for its unethical marketing of infant formula. According to UNICEF, “If every baby were exclusively breastfed from birth for six months, an estimated 1.3 million additional lives would be saved and millions more enhanced every year”.<sup>109</sup> As one of the world’s largest producers of artificial baby milk, Nestlé has a hand in this ongoing tragedy. Nestlé knows that once a mother changes from breastfeeding to bottle feeding, she will stop producing milk and not go back. The negative impact of marketing of infant food – which does not contain the natural antibodies found in breastmilk, is expensive, and in some cases is mixed with unsafe drinking water – has been described as commerciogenic malnutrition.<sup>110</sup> In other words, the act marketing of infant formula for the purpose of making money causes malnutrition.

Since 1977, Nestlé’s unethical marketing of infant formula has been the target of an international boycott initiated by Infant Formula Action Coalition (INFAC) which was later joined by other organizations to become the Infant Baby Formula Action Network (IBFAN). The successful boycott continued until 1984 when Nestlé finally agreed to implement the World Health Organization’s 1981 International Code of Marketing of Breastmilk Substitutes. The boycott resumed, however, in 1988 after numerous code violations by the company were uncovered.<sup>111</sup> The International Code bans all promotion of bottle feeding and sets out requirements for labeling and information on infant feeding.<sup>112</sup>

IBFAN has been documenting Nestlé’s numerous violations Code since 1984. In 2004, IBFAN along with a number of other groups, say that Nestlé is continuously violating the International Code. The corporation’s interpretation of the Code includes only infant formula and follow on formula, but excludes baby foods, gruels, teas, juices and bottles. Even under this limited interpretation, the company is violating the Code. IBFAN’s recent report “Breaking the Rules, Stretching the Rules 2004” reports that Nestlé continues to break the code in a number of countries by: promoting formula to the public; promoting its products at the point of sale; promoting its products in health facilities by giving out free samples and supplies; giving gifts to health care workers; comparing their products to breastmilk; and using misleading text and pictures.<sup>113</sup>

In countries where the International Code has not been adopted and where national codes are inadequate or have expired, Nestlé engages in aggressive and competitive marketing practices. IBFAN says that they “only abide by the code grudgingly when forced”.<sup>114</sup> While the profile of the boycott is not as high as it was during the late 1970s and early 1980s, the message about Nestlé’s practices is still being heard. In 2004 a UK breast cancer charity refused a 1 million pound promotional deal with Nestlé because of concerns over the corporation’s continuing promotion of infant formula in the South.<sup>115</sup>

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International Baby Food Action Network, <http://www.ibfan.org/> Infant Feeding Action Coalition, <http://www.infactcanada.ca/InfactHomePage.htm>

<sup>108</sup> Lewis, S., “Malnutrition as a human rights violation: Implications for United Nations-supported programmes”, Keynote Speech at the Administrative Committee on Coordination/Subcommittee on Nutrition (ACC/SCN) Symposium on the Substance and politics of human rights: Approach to food and nutrition policies and programmes. Geneva, 12-13, April 1999

<sup>109</sup> United Nations Children Fund, [http://www.unicef.org/nutrition/index\\_breastfeeding.html](http://www.unicef.org/nutrition/index_breastfeeding.html)

<sup>110</sup> Baby Milk Action, <http://www.babymilkaction.org/pages/history.html>

<sup>111</sup> *ibid*

<sup>112</sup> Baby Milk Action, <http://www.babymilkaction.org/regs/thecode.html>

<sup>113</sup> International Baby Food Action Network, “Breaking the Rules, Stretching the Rules 2004”, <http://www.ibfan.org/english/pdfs/btr04.pdf>

<sup>114</sup> *ibid*

<sup>115</sup> Frith, M., “Breast Cancer Charity Rejects Pounds 1m”, *The Independent*, May 6, 2004

### 4.3 Labour track record

**Child labour, Chocolate** – In all likelihood the chocolate used to produce such popular candy treats such as Smarties and Kit Kat was produced from cocoa beans that were picked by child slaves or child labourers working in hazardous conditions. Nestlé, along with other chocolate manufacturers purchase much of their cocoa from the Ivory Coast which accounts for over 40 percent of the world's supply. The impact large cocoa multinationals have on economic conditions in the Ivory Coast help produce an environment where child labour is able to flourish. Multinationals using commodity market pricing do not guarantee the minimum price cocoa growers need to cover costs, thus forcing cash strapped farmers to find the cheapest form of labour.<sup>116</sup> A 2002 study quoted by the US State Department's country report on human rights for Cote d'Ivoire, found that between 5,000 and 10,000 children were trafficked to or within the country to work full or part time in the cocoa sector. The study also found that approximately 109,000 (70 percent of which worked on family farms) child labourers worked in hazardous conditions on cocoa farms in the country in what the study described as the worst forms of child labor.<sup>117</sup>

While it is difficult to know for sure if Nestlé's chocolate products contain cocoa produced through child slavery or child labour, a number of NGOs and labour rights groups are continuously putting pressure on Nestlé and other chocolate manufacturers to stop using products sourced from child slavery. Most recently, In July 2005, Nestlé, along with Archer Daniels Midland and Cargill, were sued for using forced child labour. The suit alleges the companies' involvement in the trafficking, torture and forced labour of children who cultivate and harvest cocoa beans which the companies import from different countries in Africa. The lawsuit was filed in a Los Angeles Federal District Court and was brought under two US federal statutes, the Torture Victims Protection Act and the Alien Tort Claims Act.<sup>118</sup> The Washington D.C. based International Labor Rights Fund (ILRF), along with Alabama based civil rights firm Wiggins, Childs, Quinn & Pantazis, LLC, filed the suit on behalf of a class of Malian children who were trafficked from Mali into the Ivory Coast. The lawsuit's background facts state that the defendants "not only purchased cocoa from farms and /or farmer cooperatives which they knew or should have known relied on forced child labor in the cultivating and harvesting of cocoa beans, but Defendants provided such farms with logistical support to do so with little or no restrictions from the government of Cote d'Ivoire."<sup>119</sup>

The lawsuit is in response to the passing of a July 1, 2005 deadline voluntarily set by the chocolate industry known as the Harkin-Engel Protocol. The Protocol was announced in September 2001 by US Senator Tom Harkin, Representative Eliot Engel and large chocolate manufacturers (through the Chocolate Manufacturers and the World Cocoa Foundation) as an attempt to eliminate the worst forms of child labour in the West African cocoa industry. A central part of the Protocol was an obligation by companies to implement an independent and credible system of farm monitoring, certification and verification for their suppliers, to ensure no child labour was taking place. The certification system requires manufacturers to affix labels to chocolate products declaring no child labour was used in their production. The ILRF said in that the chocolate industry failed to establish such a system by the July 1 deadline<sup>120</sup> and that the Protocol is failing to produce any real effective change on the ground.<sup>121</sup>

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<sup>116</sup> "The Cocoa Industry in West Africa: A history of explanation", Anti Slavery International 2004, <http://www.antislavery.org/homepage/resources/cocoa%20report%202004.pdf>

<sup>117</sup> Cote d'Ivoire, Country Reports on Human Rights Practices – 2004, United States Department of State, February 28, 2005, <http://www.state.gov/g/drl/rls/hrrpt/2004/41599.htm>

<sup>118</sup> "Human Rights Watchdog and Civil Rights Firm Sue Nestlé, ADM, Cargill, for Using Forced child Labor", International Labor Rights Fund Press Release, July 14, 2005, [http://www.laborrights.org/press/cocoa\\_pressrel\\_071405.htm](http://www.laborrights.org/press/cocoa_pressrel_071405.htm)

<sup>119</sup> United States District Court Central District of California, [http://www.laborrights.org/projects/childlab/FinalCocoa-Complaint\\_Jul05.pdf](http://www.laborrights.org/projects/childlab/FinalCocoa-Complaint_Jul05.pdf)

<sup>120</sup> *ibid*

<sup>121</sup> "May 2005 Report – Child Labor in Agriculture", International Labor Rights Fund Report, May 2005, [http://www.laborrights.org/projects/childlab/cocoa\\_childlabor\\_update\\_May05.pdf](http://www.laborrights.org/projects/childlab/cocoa_childlabor_update_May05.pdf)

**China** – Baby Milk Action reported in 2002 that a Chinese refugee in Australia asserted that she and 130 other prisoners in a Beijing labour camp were forced to manufacture toy rabbits bearing the Nestlé brand name.<sup>122</sup> While Nestlé denied that their products came from forced labour camps, Swiss newspaper *Le Temps*, found troubling coincidences between the location of a MiQi Toys factory, the company contracted by Nestlé to produce the toy rabbits, and the prison labour camp.<sup>123</sup>

**Colombia** – Since 1986 ten Nestlé employees who were members of Colombia's Food and Drink Union, SINALTRAINAL have been assassinated or have disappeared.<sup>124</sup> There is no evidence directly connecting Nestlé to the murders, which were most likely carried out by Colombia's paramilitary forces.<sup>125</sup> Nestlé in Colombia has repeatedly been implicated in union busting and a number of cases in recent years indicate a sustained effort by the company to remove SINALTRAINAL's presence from its Colombian operations. After the most recent murder of a SINALTRAINAL leader in September 2005, the union made the following statement regarding the continuing oppression of labour activists in Colombia: "We repudiate this horrendous murder that adds LUCIANO ENRIQUE ROMERO MOLINA to the interminable list of assassinated union leaders in Colombia, [carried out] within the strategy of State Terrorism and through the persecution unleashed by the corporations to exterminate the trade union movement. We condemn once again the government of Álvaro Uribe Vélez and his deceitful 'peace process' with the paramilitary groups, which as we see continue massacring the unarmed population, with their crimes protected by total impunity thanks to the 'Justice and Peace Law'."<sup>126</sup>

The following list highlights the major incidents of violence, murder and intimidation involving Nestlé employees since 1986:

- 2005 – On the 11<sup>th</sup> of September Luciano Enrique Romero Molina was assassinated in Valledupar Cesar. Luciano was seen alive at approximately 9pm on the 10<sup>th</sup> September, then on the morning of 11 September his dead body was found tied up, and tortured with 40 knife wounds. At the time of his murder he was living under the Protective Measures scheme of the Inter-American Human Rights Commission of the Organization of American States. He had worked for 20 years at Nestlé's plant in Valledupar. He was sacked from there on the 22<sup>nd</sup> October 2002, for a supposed cease of work activities that was declared illegal by the Ministry of Social Protection. Luciano was a leader of SINALTRAINAL and currently was the union's representative on the Foundation Committee of Solidarity with Political Prisoners where he carried out activities of solidarity and humanitarian assistance for detainees. He had returned to Colombia at the beginning of 2005 living for several months in Gijón, Spain in a protection and solidarity program.<sup>127</sup>
- 2002 – Management at Nestlé's milk processing subsidiary, Cicolac, attempted to break the collective bargaining agreement covering 400 workers, fire another 96 and break the contracts of 58 in order to contract their jobs through labour agencies.<sup>128</sup> Following the refusal of company officials to talk to union leaders in the capital of Bogotá, representatives traveled to Switzerland in order to engage Nestlé management in a discussion on the renewal of the collective bargaining agreement. Nestlé refused to meet with the representatives saying that it had requested mediation from the Colombian Ministry of Labour. In May 2003 an arbitration panel, without representation by the union, decided to deny a set of demands presented to the company by SINALTRAINAL.<sup>129</sup>

<sup>122</sup> Babymilk Action, Boycott News, Issue No. 31, 2002, <http://www.babymilkaction.org/pdfs/bn31.pdf>

<sup>123</sup> Koller, F., "Mise en cause par une ancienne prisonnière chinoise, Nestlé introduit une clause contre le travail forcé", *Le Temps*, April 13, 2002

<sup>124</sup> SINALTRAINAL website, <http://www.sinaltrainal.org/Textos/martires.htm>

<sup>125</sup> Higginbottom, A., "Nestlé in Colombia", *Morning Star*, December 28, 2002

<sup>126</sup> SINALTRAINAL website, <http://www.sinaltrainal.org/Textos/lucianoromero.htm#LU>

<sup>127</sup> *ibid*

<sup>128</sup> *ibid*

<sup>129</sup> International Labor Rights Fund Urgent Action Release, Arbitration Decision Violates Rights of Nestlé Workers in Colombia", May 20, 2003, <http://www.laborrights.org/urgent/nestle051903.htm>

- 2001 – In 2001 workers at Nestlé’s subsidiary Comestible La Rosa, were threatened that they must renounce their union membership or lose their jobs.
- 2000 – On the 1<sup>st</sup> of September Hernando Cuartas was assassinated on his way to work. Cuartas worked at Nestlé’s plant in Dosquebradas Risaralda and was a SINALTRAINAL activist.<sup>130</sup>
- 2000 – On the 21<sup>st</sup> of May Omar Darío Rodríguez Salazar drowned under suspicious circumstances in the Bugalagrande River. Salazar worked in the Nestlé plant in Bugalagrande Valle del Cauca and was a leader of SINALTRAINAL.<sup>131</sup>
- 1999 – On the 22<sup>nd</sup> of July Víctor Eloy Mieles Ospino and his wife Elvira Rosa Ramírez Pacheco were assassinated in front a Nestlé plant in the municipality of Copey Cesar. Prior to his death Ospino worked at Nestlé’s CICOLAC plant in Valledupar Cesar and was a leader of SINALTRAINAL. Ospino had been forced to resign from his job due to continued death threats and two attempts on his life one of which left him gravely injured.<sup>132</sup>
- 1996 – On the 12<sup>th</sup> of July Alejandro Matías Hernández Vanstrahlen was assassinated. Before having to retire because of death threats Vanstrahlen worked at Nestlé’s CICOLAC plant in Curumaní Cesar and was a leader of SINALTRAINAL.<sup>133</sup>
- 1996 – On March 30, Toribio de la Hoz Escorcía was assassinated on the front steps of his house and in front of his family. Escorcía worked at Nestlé’s CICOLAC plant in Valledupar Cesar and was a leader of SINALTRAINAL.<sup>134</sup>
- 1996 – On the 19<sup>th</sup> of January José Manuel Becerra Pacheco was assassinated. Pacheco worked at Nestlé’s CICOLAC plant in Valledupar Cesar which was affiliated with SINALTRAINAL.<sup>135</sup>
- 1993 – On the 11<sup>th</sup> of July Harry Laguna Tariana was assassinated in front of his children and fellow workers. Before being forced to retire because of constant death threats, Tariana worked at Nestlé’s CICOLAC plant in Becerril Cesar and was a leader of SINALTRAINAL.<sup>136</sup>
- 1989 – On the 30<sup>th</sup> of November Luis Alfonso Vélez Vinazco was disappeared in Bugalagrande Valle del Cauca. Vinazco worked for Nestlé de Colombia S.A. and was an active member of SINALTRAINAL.<sup>137</sup>
- 1986 – On the 22<sup>nd</sup> of July Héctor Daniel Useche Berón was assassinated in the municipality of Bugalagrande Valle del Cauca. Berón worked for Cicolac – today a part of Nestlé de Colombia S.A. – and was a leader of SINALTRAINAL.<sup>138</sup>

**El Salvador** – In April 2003, Nestlé employees at the company’s instant coffee plant in Ilopango were informed that the plant would be closed due to a production transfer. Employees were offered two months’ salary by management who refused to negotiate when the union requested that the terms of the collective agreement be respected until its expiration date at the end of the year. Nestlé promptly closed the factory gates, which housed the union’s headquarters, and stated that if employees did not sign the severance agreement it would be forfeited. The union occupied the plant in order to gain access to their office and continue a campaign for a negotiated conclusion. The union campaign and International pressure pushed the local management to the negotiating table at the end of June where the essential demands of the union were met.<sup>139</sup>

<sup>130</sup> SINALTRAINAL website, <http://www.sinaltrainal.org/Textos/martires.htm>

<sup>131</sup> *ibid*

<sup>132</sup> *ibid*

<sup>133</sup> *ibid*

<sup>134</sup> *ibid*

<sup>135</sup> *ibid*

<sup>136</sup> *ibid*

<sup>137</sup> *ibid*

<sup>138</sup> *ibid*

<sup>139</sup> International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers’ Union (IUF), Press Release, “Positive Result at Nestlé El Salvador – Conflict Ends in Negotiated Solution”, July 8, 2003

**France** – In November 2003, Nestlé Waters division announced a major shakeup of employment practices at Perrier, expected to impact a quarter of the workforce, after the parent company decided its subsidiary was not making enough money. The French Confédération Générale du Travail (CGT) union, which represents over 80 percent of the workers at the Perrier factory in Southern France, opposed Nestlé's move and forced the corporation to withdraw its restructuring plans.<sup>140</sup> Nestlé threatened to sell the company or move it overseas if the CGT kept obstructing its plans. Finally, in May 2005, after more than a year of disputes, the company and the French unions reached an agreement to cut staff and improve productivity at Perrier. Under the agreement 356 of the 1,650 workers at the Verge'ze factory in Southern France will leave on early retirement packages over the next two years. The French government agreed to finance part of the early retirement program.<sup>141</sup>

**South Korea** – Demanding an 11.7% pay increase and union participation in management decisions, workers at Nestlé's South Korean operation went on strike.<sup>142</sup> The strike action also came after the company unilaterally transferred 44 employees to a new distribution division, a move that was widely seen as a prelude to subcontracting and layoffs.<sup>143</sup> In August 2003 the company shut its office in Seoul and locked out union workers at its production facility and at warehouse and distribution centres across the country. Nestlé threatened to pull out of the country, violating OECD Guidelines on Multinational Enterprises which prohibit the threat of production transfers as a tool for pressure in the context of union negotiations. A Provincial Labour Relations Committee determined that Nestlé's tactics of refusing to negotiate and threats of moving production out of the country were unfair and illegal, and that the company carried out intimidation and intervention during the negotiations. The Committee instructed Nestlé to enter into negotiations with the union. The negotiated collective agreement established a joint union-management committee and provided for a 5.5 wage increase.<sup>144</sup>

**Philippines** – Workers at two Nestlé facilities in the Philippines have taken different strike actions against the company since 1997. In both cases there have been violent clashes between the strikers and police along with company security guards.

- Quezon City, Magnolia factory – In early 1997, Philippine trade union IBM took strike action after new Nestlé management refused to negotiate with trade unions, dismissed eight union officers along with two union members and then suspended 200 other workers. Employees and supporters organized a permanent protest outside the factory. Incidents of violence took place including the intervention of 300 security guards and 50 police officers.<sup>145</sup>
- Cabuyao – In 2002, workers at Nestlé Philippines Cubayo plant went on strike citing unfair labour practice and bargaining. The union was fighting to include retirement benefits as a collective bargaining issue. In March 2003, the union received a decision from the Philippines Court of Appeals affirming the union's stand that benefits are a mandatory bargaining issue. The Court also ordered Nestlé to return to the negotiating table. In June 2003, plant management had yet to implement the Court's decision. In response 700 workers and supporters attempted to take over the factory, but were violently turned back by 300 security guards and police. Fifty workers and security guards were injured in the clash.<sup>146</sup>
- Cubayo – On September 22, 2005, a trade union leader at the Nestlé factory in Cubayo, Laguna was murdered by unidentified gunmen while on his way home from a picket line

<sup>140</sup> Townsend, A., "Nestlé Threatens to Sell Perrier as Dispute with Workers Grows", The Independent on Sunday, March 21, 2004

<sup>141</sup> Arnold, M., "Closure threat ends Nestlé Water impasse", Financial Times, May 4, 2005

<sup>142</sup> Chi-Yon, S., "Nestle Korea Shuts Down Main Office Due to Strike", World News Connection, August 26, 2003

<sup>143</sup> International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Union (IUF), Press Release, "Negotiated Agreement Ends Lengthy Conflict at Nestlé Korea", November 28, 2003

<sup>144</sup> *ibid*

<sup>145</sup> <http://www.hartford-hwp.com/archives/54a/038.html>

<sup>146</sup> Philippine Daily Inquirer, "50 Workers, Guards Injured in Plant Clash", June 25, 2003

at the factory. Diosdado Fortuna headed the Union of Filipino Employees-Drug and Food Alliance which has been on strike since Jan. 14, 2002 in a dispute over bringing retirement benefits within the collective bargaining process, which Nestlé management rejects. Fortuna's wife quickly blamed Nestlé management for his death saying "my husband has no other enemy except Nestlé management."<sup>147</sup> The International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) called on the government of the Philippines to undertake a full investigation into the murder.<sup>148</sup>

**United Kingdom** – In 2004, Nestlé decided to close its chilled desserts factory in Staverton in Wiltshire. The factory employs 150 people and uses millions of litres of locally produced fresh cream every year.<sup>149</sup> The Transport and General Workers' Union has vowed to fight the closure.

### United States

- In June 2003 a California state appellate court upheld a \$5.1 million age discrimination verdict against Nestlé USA for refusing to promote a manager in his forties. The court said the company resisted promoting people over 40 and that "evidence showed it was company policy to eliminate so-called 'deadwood' and 'to promote young, energetic people in management positions'". The court quoted directly from 1990 statements by a Nestlé vice president. There was an abundance of evidence that Richard Herr was denied a promotion due to his age. The court also requires Nestlé to inform its 20,000 employees of the ruling.<sup>150</sup>
- In March 2005 Nestlé announced that it would close three of its candy plants in St. Louis by mid-2006. The company planned to begin phasing out production in December 2005. Three hundred and eighty three workers will lose their jobs with the plant closures. Production at the three plants will be moved to locations in Illinois and Mexico.<sup>151</sup> In a clear case of corporate welfare, the State of Illinois announced in April 2005 that it will give Nestlé USA \$3.9 million in tax credits and other incentives to expand a plant near Chicago so it can absorb production from the plant closings in Missouri. The State will provide \$3.4 in corporate income-tax credits, \$200,000 in job-training funds and \$250,000 for infrastructure improvements.<sup>152</sup>

### Nestlé and Nazi Germany

*"It cannot be denied that industrial production by Swiss companies in Germany actively contributed towards the country's economy between 1933 and 1945, and therefore towards the German war effort. It would clearly be an exaggeration to consider this contribution as decisive, but at the same time it was not negligible"* Quoted from the final report of the Independent Commission of Experts Switzerland – Second World War, set up to investigate Switzerland's role in the Third Reich.

Like many other large multinationals, (The Coca-Cola Company, IBM) Nestlé maintained a number of subsidiaries in Nazi Germany during the Second World War. The Independent Commission of Experts Switzerland (ICE), known as the Bergier Commission, found that a number of Swiss firms, including Nestlé, had subsidiaries in Germany that were directly involved in the German war effort. The commission's final report released in 2002 outlined how the Nazi's

<sup>147</sup> "Nestlé union leader murdered", Inquirer News Service, September 23, 2005

<sup>148</sup> "Nestlé Philippines Union Leader Murdered – Government Must Act Now!", International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations press release, September 26, 2005, [http://www.iuf.org/cgi-bin/dbman/db.cgi?db=default&uid=default&ID=2330&view\\_records=1&ww=1&en=1](http://www.iuf.org/cgi-bin/dbman/db.cgi?db=default&uid=default&ID=2330&view_records=1&ww=1&en=1)

<sup>149</sup> "T&G warns Nestle it will fight for jobs at Staverton", Morning Star, May 8, 2004

<sup>150</sup> Egelko, B., "Nestlé age-bias verdict upheld", The San Francisco Chronicle, June 13, 2003

<sup>151</sup> Stroud, J., "Nestlé will shut three candy plants here, erasing 383 jobs", St. Louis Post-Dispatch, April 1, 2005

<sup>152</sup> Stroud, J., "Nestlé gets Illinois plant incentives \$3.9 million would help move candy making from closed plants here", St. Louis Post-Dispatch, April 13, 2005

reorganized production of goods early on in the war to prioritize supplies for the armed forces over that of goods for civilian consumption. To achieve this companies, including Swiss subsidiaries, were ordered to reorganize their production. In the case of Nestlé, their subsidiary Sarotti was urged by the Nazi's to modify production to help the military. Sarotti complied and offered one of its chocolate and biscuit factories along with its entire staff to an armaments manufacturer.<sup>153</sup>

While Nestlé maintained its German subsidiaries throughout the war, the company also saw opportunities for expansion into recently conquered territory. For example, in 1940 Nestlé set up a company in Prague, of which 93% was owned by its subsidiary Deutsche Aktiengesellschaft Nestlé (DAN), and built a factory in the recently invaded city.<sup>154</sup>

On the eve of the outbreak of war Nestlé transferred its central administration to the United States and operated under the name Unilac. Throughout the war Nestlé's European business continued to be managed from company headquarters in Vevey, but Nestlé and Unilac were legally separated.<sup>155</sup> According to the ICE, Nestlé's operations in Germany and occupied territories during the war represented one-quarter of the company's 'turnover'. The remaining three-quarters came from Unilac and were out of reach of German influence.

Nestlé, therefore, was established in Berlin and was contributing to the Nazi war effort, and was simultaneously based in Stanford New York under the name Unilac.<sup>156</sup> To avoid being blacklisted by the allied countries for their involvement in the German war effort, and to protect their own interests, ICE reported that Swiss parent companies gave the impression that their subsidiaries in Nazi Germany were acting independently. ICE stated in their final report that Swiss companies backed up this claim "by invoking communication difficulties, inadequate information, and consequently the impossibility of maintaining proper control over their subsidiaries. This was, however, far from the truth in most cases."<sup>157</sup> As recently as the year 2000 Nestlé has used this excuse to explain their operations in Nazi Germany. In an August 2000 press release referring to the company's German operations during the war Nestlé stated that "in many instances, Nestlé was not the owner of these corporations at that time; where it was, it was often not possible to exercise effective control over these companies."<sup>158</sup> The ICE reported that all of the companies they examined in detail (including Nestlé) appeared to have been informed about the fact that foreigners were being used.<sup>159</sup>

## Forced Labour

The ICE final report stated that it would be impossible provide an exact number of forced labourers and prisoners 'employed' in Swiss subsidiary companies in Nazi Germany during the Second World War. The Commission did state, however, that the total most likely exceeded the 11,000 figure widely quoted by the media. Regarding Nestlé's German subsidiaries' use of forced labour during the war, the total number of workers has not been determined.<sup>160</sup> In August 2000 Nestlé issued a statement saying that "it is either certain or it may be assumed that some corporations of the Nestlé Group that were active in countries controlled by the National-Socialist

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<sup>153</sup> "Switzerland, National Socialism and the Second World War: Final Report", Independent Commission of Experts Switzerland – Second World War, 2002, p. 294

<sup>154</sup> *ibid.*, p. 301

<sup>155</sup> *ibid.*, p. 300

<sup>156</sup> *ibid.*, p. 293

<sup>157</sup> *ibid.*, p. 302

<sup>158</sup> "Nestlé : Solidarity Contribution of CHF 25 Million to US Settlement", Nestlé press release, August 28, 2000, [http://www.nestle.com/Media\\_Center/Press\\_Releases/All+Press+Releases/Nestlé+-+Solidarity+Contribution+of+CHF+25+Million+to+US+Settlement.htm](http://www.nestle.com/Media_Center/Press_Releases/All+Press+Releases/Nestlé+-+Solidarity+Contribution+of+CHF+25+Million+to+US+Settlement.htm)

<sup>159</sup> "Switzerland, National Socialism and the Second World War: Final Report", Independent Commission of Experts Switzerland – Second World War, 2002, p. 318

<sup>160</sup> *ibid.*, p.313

regime employed forced laborers.”<sup>161</sup> The statement publicized Nestlé’s settlement of all claims against it from former slave labourers during the Nazi era. Nestlé simultaneously donated \$14.1 million towards the slave labour settlement approved by US judge Edward E. Korman.<sup>162</sup>

In order to be protected from any further litigation, Nestlé was required to disclose the names of its subsidiaries which used forced labour during the Second World War. Nestlé provided Korman with the names of 58<sup>163</sup> (20 in Germany; 7 in Austria; 7 in France; 6 in the Netherlands; 4 in Czechoslovakia (Czech Republic); 4 in Switzerland; 3 in Norway; 2 in Belgium; 2 in Denmark; 2 in Italy; 1 in Poland) subsidiaries that fell into the settlement’s “Slave Labour Class II List”.<sup>164</sup> The Settlement defined “Slave Labour Class II” as those “Individuals who actually or allegedly performed Slave Labor at any facility or work site, wherever located, actually or allegedly owned, controlled, or operated by any corporation or other business concern headquartered, organized, or based in Switzerland...”<sup>165</sup> Nestlé provided evidence that Slave labour had been used at 11 of the 58 subsidiaries listed in the settlement documents.<sup>166</sup>

Living conditions for forced labourers at Swiss subsidiaries in Nazi Germany were very poor. Workers were forced to live in cramped living quarters and suffered from under-nourishment and malnutrition. For example, at Nestlé’s plant in Kappeln (city in Northern Germany), 38 people were forced to live in an area of 59.4 square metres.<sup>167</sup> In another case mentioned by the ICE, a Ukrainian forced labourer at a Maggi (Nestlé purchased Maggi in 1947) GmbH plant in Singen recalled that “the work was hard and the food was pitiful: there was soup swimming with maggots. Begging for more bread or better food resulted in merciless beating from the camp commander.”<sup>168</sup>

## Maggi-Singen

In an atmosphere of hostile competition with German food manufacturers and ultra-nationalism, Maggi enthusiastically complied with the Nazi regime. The company never missed an opportunity to emphasize its German Aryan character.<sup>169</sup> Their complicity with Nazism entailed a number of consequences including, discipline, internal propaganda, exclusion of Jewish employees, cronyism and appointing Nazi party members to the board of directors.<sup>170</sup> Maggi’s acceptance of Nazism rewarded the company with production advantages and the title of exemplary Nazi firm. Maggi flew the swastika over its factory in Singen replacing it with the Swiss flag only hours before the arrival of allied forces in 1944.<sup>171</sup> The ICE claims that it was Maggi’s desire to survive in a competitive industry which led the company’s German subsidiary towards a whole hearted acceptance of Nazism.<sup>172</sup> In the end Maggi relied too much on the Nazi market through its

<sup>161</sup> “Nestlé : Solidarity Contribution of CHF 25 Million to US Settlement”, Nestlé press release, August 28, 2000, [http://www.nestle.com/Media\\_Center/Press\\_Releases/All+Press+Releases/Nestlé++Solidarity+Contribution+of+CHF+25+Million+to+US+Settlement.htm](http://www.nestle.com/Media_Center/Press_Releases/All+Press+Releases/Nestlé++Solidarity+Contribution+of+CHF+25+Million+to+US+Settlement.htm)

<sup>162</sup> “Nestlé to pay into Swiss WWII settlement with Jewish groups”, Agence France Presse, August 28, 2000

<sup>163</sup> Included on this list are subsidiaries of Nestlé subsidiary Maggi, which was purchased by the company in 1947.

<sup>164</sup> United States District Court of Eastern District of New York, Case No. CV 96-4849 (ERK(MDG), Holocaust Victim Assets Litigation, [http://www.swissbankclaims.iom.int/common\\_docs/court\\_order.pdf](http://www.swissbankclaims.iom.int/common_docs/court_order.pdf)

<sup>165</sup> From the Holocaust Victim Assets Litigation (Swiss Banks) Special Master’s Proposal, September 11, 2000, [http://www.swissbankclaims.com/PDFs\\_Eng/697953.pdf](http://www.swissbankclaims.com/PDFs_Eng/697953.pdf)

<sup>166</sup> United States District Court of Eastern District of New York, Case No. CV 96-4849 (ERK(MDG), Holocaust Victim Assets Litigation, Special Master’s Proposal, September 11, 2000, <http://www.nyed.uscourts.gov/pub/rulings/cv/1996/697505.pdf>

<sup>167</sup> “Switzerland, National Socialism and the Second World War: Final Report”, Independent Commission of Experts Switzerland – Second World War, 2002, p. 315

<sup>168</sup> *ibid*

<sup>169</sup> *ibid*, p. 302

<sup>170</sup> *ibid*, pp 302-303

<sup>171</sup> Foulkes, I., “Swiss firms meet slave labour deadline”, BBC News, August 25, 2000, <http://news.bbc.co.uk/1/hi/world/europe/895466.stm>

<sup>172</sup> “Switzerland, National Socialism and the Second World War: Final Report”, Independent Commission of Experts Switzerland – Second World War, 2002, p. 303

German subsidiary and the parent company did not recover after the Allied victory. The company was then purchased by Nestlé in 1947.<sup>173</sup>

#### 4.4 Environment

**Water** – The world's largest bottled water company by annual sales, Nestlé is playing a part in the privatization of public water sources around the globe. It is estimated that in 2003 Nestlé Waters withdrew a total of 7,050,254,807 liters for its bottled water production in the US alone. With demand for bottled water increasing every year this number will most likely rise. The company claims that it only collects "as much as the spring can safely support".<sup>174</sup> However, since the company uses boreholes to extract water from, more water is withdrawn than the natural flow of springs.

Since Nestlé increased its North American production of bottled water in 1999, the company has encountered resistance in California, Florida, Maine, Michigan, Texas and Wisconsin over water rights. In Florida, concerns have been raised about Nestlé extracting water from areas prone to drought conditions. In Pasco County Florida, where Nestlé sources water for its Zephyrhills bottled water brand, the company is taking water from the Crystal Springs that feed the Hillsborough River, which serves as one of Tampa's main sources for drinking water. In 2000-2001, when a drought hit this region, Nestlé was pushing for a permit that would allow its daily water takings to increase from 1.14 million to 6.8 million litres. Nestlé has come up against fierce resistance to their plans to increase pumping volume from the spring. In February 2001, an appeals court rejected the request to increase the volume of water pumped.<sup>175</sup> Another Nestlé brand, Deer Park, gets its water from the Source of Life Spring in Montverde, about 20 miles west of Orlando.

In another case the company built a water bottling plant on top of a rare mineral water aquifer in Sao Lourenco, Brazil. Franklin Frederick, coordinator of the Water Citizenship Movement in Circuito de Aguas, said that in 2000 many people in Sao Lourenco noticed a change in the taste of the mineral water from one of the area's most famous water sources.<sup>176</sup> Not only did the flavour of the water change, but the source of the water dried up and stopped flowing. After launching an investigation, Franklin discovered that the Nestlé plant was responsible for the changes. They discovered that Nestlé was pumping water from a 150 metre well and then demineralizing it. Since demineralizing water is in violation of the Brazilian constitution Franklin's group convinced the public prosecutor of the State Public Ministry in Sao Lourenco to begin an official investigation of Nestlé's operations. The investigation led to charges against the company at the end of 2001 and a federal investigation of Nestlé.<sup>177</sup> In October 2004 Brazil's National Department of Mineral Production forced Nestlé to close its Sao Lourenco plant saying that the production of its Pure Life bottled water brand – sourced from the Sao Lourenco spring – is illegal. The department ruled that Brazilian law forbids the alteration of mineral water from its natural composition saying that the water contained too much iron to be sold in its natural state.<sup>178</sup> Nestlé followed the order to shut the plant, but opened it a few days later after appealing the decision to shut the entire factory. The ruling was canceled pending a final judgment in the case. The judgment has yet to arrive. While the company stopped demineralizing water for its Pure Life brand, it has not stopped pumping. Nestlé continues to pump in order to extract carbon dioxide from the water, which is in turn continuing the environmental degradation of the area.<sup>179</sup>

<sup>173</sup> Ibid 309

<sup>174</sup> Nestlé Waters website, <http://www.nestle-watersna.com/faq/categories.asp?id=4>

<sup>175</sup> Dennis, B., "Court upholds water ruling", St. Petersburg Times, February 9, 2001

<sup>176</sup> Frederick, F., "Water as a Multidimensional Entity: An Interview With Franklin Frederick of the International Free Water Academy, Brazil", Mountain Research and Development, Vol 23, No 1, Feb. 2003, pp24-26

<sup>177</sup> Ibid

<sup>178</sup> "Nestlé est contraint de fermer une source minéral au Brésil", Le Temps, 29 November 2004

<sup>179</sup> "Nestlé and Brazilian Spa Resort", BBC Face the Facts, Transcript from July 22, 2005 program presented by John Waite, [http://www.bbc.co.uk/print/radio4/facethefacts/transcript\\_20050722.shtml](http://www.bbc.co.uk/print/radio4/facethefacts/transcript_20050722.shtml)

Nestlé continues exploiting new sources of water for their ever growing list of bottled water brands. Increasingly, however, citizen groups and local governments concerned about their water rights and the environment and are resisting Nestlé's attempts to take a precious resource for corporate profit.

## 5. Stakeholder Profile

As of December 2004, Nestlé's share register showed 194,554 registered shareholders. If unprocessed applications and the indirect holders of shares are taken into account, the total most likely exceeds 250,000. The company was not aware of any shareholder holding, directly or indirectly holding more than 3% of the share capital. The shares are broken into country of origin, Swiss investors held 42% of the stock, US citizens 22%, British 10%, French 8% and German 5%.<sup>180</sup>

Information on which investment firms hold large numbers of Nestlé shares is unavailable.

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<sup>180</sup> Nestlé's 2004 annual report

# Appendix 1

Nestle Water North America (Nwana)			
MA	NWNA Aberfoyle Springs Ltd. R.R. #3 Guelph, Ont, Canada	Aberfoyle Spring Guelph, Ont.  Erin Spring Hillsburgh, Ont.	Aberfoyle Tim Horton's
MA	NWNA 405 Nestle Way Breinigsville, PA	Frontier Springs, New Tripoli, PA Bangor, PA Stroudsburg, PA Hegins, PA South Coventry, PA Pine Grove, PA Oakland, MD	Ice Mountain Spring Water Ice Mountain Drinking Water Ice Mountain Spring Water Deer Park Spring Water Deer Park Drinking Water <i>Great Bear Spring Water</i> <i>Great Bear Purified Water</i>
MA	NWNA 865 Silverado Trail Calistoga, CA	Lukens Spring Placer, CA  Mineral Well Calistoga, CA	Ice Mountain Ozarka
MA	NWNA Poland Spring 105 Pennsylvania Ave. Framingham, MA	Garden Spring Poland, ME  Evergreen Spring Fryeburg, ME Frontier Springs, East Stroudsburg, PA PWS	Poland Spring Great Bear Ice Mountain
MA	NWNA 400 Killick Pond Rd. Hollis, ME	Evergreen Spring Fryeburg, ME  Clear Spring Hollis, ME  Frontier Springs, Hegins, PA	Poland Spring Ice Mountain Deer Park
MA	NWNA Poland Spring Water Co. 109 Poland Spring Drive Poland, ME	Poland Spring Poland Spring, ME  Garden Spring Poland, ME  Evergreen Spring Fryeburg, ME  Frontier Springs, Hegins, PA	Poland Spring Deer Park Ice Mountain
MA	NWNA	Bergman Spring,	None distributed at this time.

	5772 Jurupa St. Ontario, CA	Palomar Mtn., CA  SP Spring, Cabazon, CA	
MA	NWNA 19275 8 Mile Road Stanwood, MI	Sanctuary Spring Rodney, MI  Wells Stanwood, MI	Ice Mountain
MA	NWNA 9351 East Point Dr. Houston, TX	Moffit Spring Walker, TX	Ozarka
MA	Nestle Waters North America, Inc. 1548 County Road 3540 Hawkins, TX	Clear Spring Hawkins, TX  Piney Woods Spring Hawkins, TX	Aberfoyle Ozarka Deer Park Ice Mountain
MA	NWNA Ozarka Spring Water 4250 Cambridge Rd. Ft. Worth, TX	Roher Spring Henderson, TX  Moffit Spring Corpus Christi, TX	Ozarka
MA	NWNA Zephyrhills Bottled Water 4330 20th St. Zephyrhills, FL	Spring of Life Montverde, FL	Deer Park
NY	Nestle Waters North America Inc. 4235 Leap Rd Hilliard, OH 43026		
QC	Groupe Perrier du Canada Ltée. (Nestle) 3440 Francis-Hughes Laval, QC H7L 5A9		