

Nestlé response to Nils Rosemann report « Drinking Water Crisis in Pakistan and the Issue of Bottled Water – The Case of Nestlé's 'Pure Life' »

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The allegations against our business in Pakistan presented in this report represent a highly distorted and misleading picture of the situation.

Nestlé Waters represents 0.0009% of total freshwater consumption worldwide, and therefore is not a significant actor in the global access to water debate. The impact we may have on a resource, compared to other users (agriculture representing in average 70% of freshwater consumption, industry 20% and domestic users 10%), is very limited.

Industry, and in particular a company whose main product is water, needs to ensure that its water supplies are constant and of good quality, thus sustainable management of the resources we operate is at the very core of our business. It would be self-defeating and bad business to deplete a water source in which significant funds have been invested.

In countries where markets are developing, information is less available and regulatory framework not always clear-cut, operating a business can be a challenge. Occasional disputes may occur. However, in its presentation the report takes a highly biased perspective, and we would like in the following few pages to provide our comments to these different elements raised:

Pakistan cases referred to in the report:

Nestlé Pure Life in Pakistan

Nestlé Pure Life is a multi-site drinking water produced in a number of countries around the world for local consumption. It was first launched in Pakistan in 1998. More low-cost than some of the natural mineral waters, Nestlé Pure Life is still in the middle-income market segment: It is important to keep in mind that Nestlé Waters is not in the basic water supply service market, but rather offering an additional beverage choice, whether it is for safety, convenience or pleasure. Bottled water is not a substitute for tap water, or water delivered via the public water distribution system. Bottled water provides an alternative to other drinks.

Impact of Nestlé Waters activities on the ground water levels in the Lahore region

Responsible management of water resources is one of the more important challenges facing the world today, Pakistan being no exception. For Nestlé Waters, sustainable management of the water resources we operate is part of our business.

- The ground water in the Lahore region is primary used for irrigation and purposes other than bottled water. The amount of water used by Nestlé is so extremely small compared to these other uses, that the amounts of water extracted for Pure Life could not possibly affect the level of the water table.
- Water consumption for Nestlé Pure Life is strictly controlled, and regular monitoring shows that over the last years, changes in the production level of Nestlé Pure Life do not have any relation with changes in the water level.
- The Nestlé Pure Life deep well is equipped with the instrumentation allowing the monitoring of the key hydrodynamic parameters (flow rate, water level) and the well is constructed in such a way that only very conservative exploitation is possible, and there is no aquifer dewatering. In fact the well used for Nestlé Pure Life is operated well below its theoretical capacity.
- The water used for Nestlé Pure Life is taken from a deeper aquifer than those usually used by most local users. The aquifer is naturally replenished by rainfall infiltration in the recharge area of the aquifer.
- Independently of regulation on water in Pakistan, it is important for Nestlé Waters to manage the resource in a sustainable manner, monitoring the water consumption and water level.

Nestlé Water factory in Karachi

November 2004, the Sindh High Court decided that Nestlé Waters would not be allowed to produce from its newly constructed factory in Karachi, claiming that Nestlé Waters did not have the right to operate a factory on this site. Nestlé Waters has appealed the decision of the Court; arguing that Nestlé Milkpak had been issued with all necessary legal documents by the local authorities (government of Sindh province, local and district municipalities), land purchase deed and building permit are on file. Pending the outcome of the appeal, the factory remains closed.

Some other points raised related to the case:

- The plant was constructed for the internal Pakistani market, to be able to better serve the population in the Karachi area.
- As for the concern that extraction would “diminish water deposits in the aquifers” this should not be an issue first as Nestlé Waters strictly monitor our water consumption related to the source capacity, and also the well is constructed in such a way that only very conservative exploitation is possible, so there is no aquifer dewatering. Furthermore, there are few other users of this aquifer, for technical reasons and more importantly because of the high salt levels in the water, making the water inappropriate for regular human consumption unless treated.

Renewal of licence from Pakistan Standards and Quality Control (PSQCA)

Nestlé always operate in line with local regulation and requirements. In addition to our own corporate group-wide quality requirements we adhere to the specific demands of the local markets. In Pakistan it is the PSQCA that is responsible, since 1996, for establishing, managing and administering Pakistan Standards for all type of products. The first standard for bottled water products were developed in 2001. Bottles approved by the PSQCA receive the quality assurance logo of the organization. In 2004 the PSQCA made certain changes to this process and Nestlé has contacted the organization for a discussion around this, the outcome is still pending.

Relations with the Pakistan Council for Research in Water Resources (PCRWR)

There is no “battle” with the PCRWR on quality or any other matter. It is true that Nestlé did once challenge the Chairman of the PCRWR regarding a statement he made on the quality of the company’s water brands, however following a discussion with the Chairman the matter ended there. Under instructions from the Ministry of Science & Technology, the PCRWR has carried out lab tests of several water brands in the past. In every test Nestlé Pure Life samples were declared fit for consumption and emerged ahead of all other brands in terms of quality and conformity to claims being made on the labels. To ensure a consistent quality of our products, Nestlé conducts frequent tests of our products, before and after bottling.

Pakistan railway case

This is an ongoing case initiated by Nestlé questioning the exclusive contract between Pakistan Railways and Classic Needs for bottled water sales in the railway. As of today the Supreme Court has disposed off the petition in favour of Nestlé Milkpak and has remanded the case to the Sessions Court for conclusion.

Globally:

Bottled water production, sustainability and water access:

Water is a natural resource that is indispensable for life. Nestlé recognises that the responsible management of worldwide water resources is an absolute necessity. Preserving both the quantity and the quality of water is not only an environmental challenge, but also one that spans economic, political, social, cultural and emotional considerations.

Although not engaged in public water distribution ourselves, we believe the water challenge has to be addressed in a collaborative manner with all water users taking a responsibility for their water use. Governments have to take a lead role through their fundamental duty to see that basic services, such as food, water, sewerage, and energy, are provided to their people.

We do recognize our responsibility as a water user: To help assure a long-term, high-quality, adequate water supply, Nestlé supports the sustainable use of water, strictly controls its utilisation in the Company's activities and strives for continuous improvement in the management of water. The commitment and need to preserve the water resources and manage as well as possible our water consumption is a key part of what we are about. We always operate in accordance with applicable laws and regulations, whether local or international, as well as with internal Nestlé standards and policies, as the Nestlé Corporate Business Principles.

Nestlé Waters is also engaged in different community investment projects to improve water conservation / management: One main example is the support of Nestlé Waters for the Project WET (Water Education for Teachers), an initiative promoting water education for teachers and children around the world.

Business relations

In terms of Nestlé and relations with business partners and government authorities we would like to refer to our Corporate Business Principles: "Nestlé's business relations are based on the principle of mutual trust, fairness and professionalism in the context of a free-market economy". "Nestlé supports ongoing dialogue between all industry sectors in which it is active and the appropriate government and regulatory authorities at both national and international levels, in order to promote and implement relevant legislation, regulation and / or agreements which protect the rights of the consumer while ensuring an healthy, competitive environment."

Nestlé and the UN Global Compact

Finally a comment regarding Nestlé and the Global Compact: Nestlé is a participant in the UN's Global Compact and has submitted examples to the Global Compact website. For more information on this or the Nestlé Corporate Business Principles, please visit our website: www.nestle.com