



## Shareholder Proposal

### Google, Inc. Tax Policy Principles

#### *Co-filed proposal*

#### *Lead filer – Domini Social Investments (U.S.)*

---

Chairman Eric Schmidt wrote: "At a time when families are having to tighten their belts... corporation tax is rightly a hot topic. And as a company that has always aspired to do the right thing, we understand why Google is at the centre of that debate." (*The Guardian*, 5/18/13)

Google's tax practices have come under scrutiny in the United Kingdom and France, leading to regulatory pressures and reputational damage.

"Google cuts billions off its tax bill each year by sending profits through Ireland to a mailbox in Bermuda." (*Bloomberg*, 10/27/13) Although most Google engineers are U.S.-based, where much of product development takes place, Google's intellectual property is held in Bermuda, which does not levy corporate taxes.

"Tax haven" jurisdictions are characterized by low tax rates, financial secrecy and light regulation. Tax havens facilitate financial opacity and illegal activities including tax evasion and money laundering.

When multinational corporations exploit differences in national tax codes to reduce their taxes, they undermine democracy and rule of law. Corporations and investors depend upon government services funded by tax revenues, including law enforcement, market regulation, judicial systems, infrastructure maintenance, public education, poverty alleviation, environmental protection, national defense and scientific research. These services cannot be funded by corporate philanthropy or a rise in share price. Economist Joseph Stiglitz believes corporate tax avoidance threatens the wellspring of "future innovation and growth."

Large-scale corporate tax avoidance exacerbates systemic risks to local and national economies around the world. It costs U.S. taxpayers an estimated \$90 billion annually, and burdens working families and small businesses. In 1952, 32% of U.S. federal tax revenues came from corporations and 9.7% from individuals. In 2012, 40% came from individuals and only 8.9% from corporations.

Google's complex tax arrangements may result in misallocations of capital and mask the true sources of long-term value. World leaders have endorsed an action plan to address the tax challenges of the digital economy, which could radically alter

NEI INVESTMENTS

T: 604.633.0615 F: 604.633.0619

NEIinvestments.com Toll Free: 1.888.809.3333

505 - 1111 West Georgia Street Vancouver, British Columbia V6E 4M3

Northwest & Ethical Investments L.P. acting through its general partner Northwest & Ethical Investments Inc.



the financial position of companies that rely on aggressive tax strategies. A set of principles to address misalignments between Google's tax strategies and its commitments to employees, communities, shareholders and the environment would help protect long-term corporate value.

**RESOLVED:** Shareholders request the Board of Directors adopt a set of principles to address the impact of Google's tax strategies on society, with particular focus on Google's employees, customers and suppliers. In addition, the board should publish annual reports to shareholders, at reasonable cost, omitting proprietary information, discussing implementation of these principles, beginning December 2014.

**Supporting Statement:**

Proponents recommend that tax principles include:

- A commitment to pay Google's fair share of taxes (*Johnson & Johnson Credo*).
- Avoidance of transactions that would not be fully justifiable should they become public (*Vodafone Tax Code of Conduct*)
- Consideration of any misalignment between tax strategies and Google's stated objectives and policies regarding social and environmental sustainability
- Consideration of impact of tax strategies on reputation and brand value (*Vodafone Code*).