

# *Breast Milk Substitutes marketing criteria assessment*

PwC verification assessment report

**FTSE4Good**

September 2017

# Nestlé

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# 1. Introduction and context

## 1.1. Introduction

In September 2010, the FTSE4Good Policy Committee of FTSE International Limited (FTSE) approved the addition of a FTSE4Good Breast Milk Substitutes (BMS) Marketing Inclusion Criteria (the Criteria) which set requirements for company policies, lobbying, management systems, reporting and verification in relation to the World Health Organization (WHO) International Code of Marketing of Breast Milk Substitutes (the Code) and subsequent World Health Assembly resolutions. Inclusion into this index is governed by an independent FTSE4Good Breast Milk Substitute Committee (the BMS Committee).

### 1.1.1. Overview of the criteria

There are differences between the Criteria and the Code in terms of geographical remit and scope. An overview of the Criteria and verification methodology is set out in FTSE Russell's context document; Providing Context to the 2017 FTSE4Good BMS Verification.

The products under the scope of the Criteria are infant formula for the use of infants under the age of 12 months, as well as delivery products (i.e. teats and bottles).

### 1.1.2. External verification

The requirements set out that Nestlé must be subject to an independent verification assessment in 2 higher risk countries, defined in terms of infant mortality and malnutrition, conducted by a professional audit firm.

The verification assessment reviews compliance with the Criteria. Therefore a large part of the assessment is examining whether Nestlé's policies align with the Criteria and have been implemented in the 2 countries selected for the verification.

There are cases where there are differences in interpretation of the Code, so it is important to note that the assessors do not act as a judge with regards to specific allegations but rather to assess whether Nestlé's practices are in line with the Criteria and their stated policies regarding implementation of the Criteria.

PricewaterhouseCoopers LLP (PwC) was engaged by FTSE Russell to perform a verification assessment of Nestlé's BMS marketing practices against the Criteria, using the FTSE4Good BMS Marketing Verification Tool (the Tool). The Tool provides a consistent basis to assess Nestlé's practices against a set of 104 principles which constitute the Criteria. In the 154 countries considered to be high risk by FTSE Russell, Nestlé follows the stricter of its global policy for implementation of the Code or in-country legislation or guidance over the implementation of the Code (National Code).

PwC has worked with FTSE Russell since 2011 to help develop an overall assessment process to meet the needs of the BMS Committee in making decisions on inclusion in the FTSE4Good Index Series under the Criteria.

The verification assessment forms part of FTSE Russell's overall assessment of Nestlé's BMS marketing practices against the Criteria. We have performed procedures agreed with and directed by FTSE Russell, using the Tool, at Nestlé's Corporate Head Office and in the 2 countries selected for the verification.

The 2 countries selected for site visits were Nigeria and Thailand, and were selected through FTSE Russell's risk assessment and selection process, supported by the risk assessment analysis set out in section 1.2.2. Nestlé was notified of our site visit 1 week in advance of arrival. The output of our work is this Verification Assessment Report.

Nestlé has provided us with access to its records, policies and procedures and staff. This is the fourth year that Nestlé's BMS marketing practices have been

assessed against the requirements of the Criteria. The verification included both the Nestlé and Wyeth Infant Nutrition businesses.

## *1.2. Scope of work performed*

The scope of our work was determined collaboratively in discussion with the Director of Environmental Social Governance at FTSE Russell, the Principle Advisor of Responsible Investment at FTSE Russell and the BMS Committee. It has also been codified in the procedures required under the Tool. The procedures we performed were agreed by FTSE Russell and consisted of:

- Providing a risk assessment analysis to support the BMS Committee's decision on country selection for site visits;
- Reviewing Company BMS policies and procedures through reviewing documentation at the Nestlé Corporate level;
- Conducting in-country site visits to Nigeria and Thailand to assess BMS marketing practices on the ground in these 2 countries;
- Performing desktop review procedures; and
- Reporting key factual findings.

The 2016/17 verification was extended to incorporate the Danone business, following its addition to the FTSE4Good Index Series in June 2016. The results of the Danone verification assessment are included in a separate report.

### *1.2.1. Revisions to the verification process*

The following changes in approach, from the third verification performed in 2014, were agreed in collaboration with FTSE Russell:

- The urban and rural areas selected in each country were divided into smaller geographical areas, e.g. local boroughs or districts (hereafter referred to as an Area). Healthcare facilities (HCFs) and retailer outlets were selected within each of these Areas to establish a more methodical and formalised sampling approach;
- The sample size was increased, with the aim of selecting 30 HCFs for each of the Nigeria and Thailand assessments; with 2 to 3 HCFs selected in each of

the Areas, and 2 to 3 Healthcare Professionals (HCPs) selected randomly in each HCF;

- Retailers were selected within 3km of the selected HCF;
- Additional time and resource was committed to each in-country visit, including 4 team members working for 3 weeks in Nigeria and 4 team members working for 3 weeks in Thailand; and
- Monitoring of various media was conducted during December 2016.

### *1.2.2. Risk assessment analysis*

The countries selected for site visits were selected through a risk assessment process. We developed a risk assessment matrix with FTSE Russell profiling the Higher Risk Countries per the Criteria, using objective, publicly available data. The Criteria includes the following risk factors which were consistent with the prior assessment:

- Child mortality;
- Malnutrition (including both stunting and wasting rates);
- HIV/AIDS;
- Corruption;
- Human development;
- Access to improved water;
- The incorporation of the Code in local legislation as per the 'State of the Code by Country' (IBFAN);
- Number of allegations made in the IBFAN Breaking the Rules, Stretching the Rules 2014 report; and
- Countries or territories without any recent assurance (internal group audit or external assurance provider) over Nestlé or Wyeth's BMS practices.

Data was gathered from a range of external sources including UNICEF, The United Nations Development Programme, WHO and Transparency International. Nestlé provided data on the recent assurance performed over their BMS practices.

Information regarding Nestlé’s scale of operations in the Higher Risk Countries, such as turnover, market share and number of staff for both the Nestlé and Wyeth businesses, were provided but ultimately not used in the FTSE Russell’s country selection decision. Particular weighting was given to the risk factor ‘the incorporation of the Code in local legislation as per the ‘State of the Code by Country (IBFAN)’ as this details the status of implementation of the Code into BMS-related regulation.

We populated the risk assessment matrix with a quartile scoring for the risk factors outlined above. This was then used by FTSE Russell and the BMS Committee in deciding which 2 countries to direct site visit procedures to for the 2016/17 verification assessment.

While the risk assessment matrix and the risk factors contribute to the country selection process, the ultimate decision was made by the BMS committee.

### 1.2.3. Evidence gathering methodology

Our evidence gathering procedures in the 2 countries selected for site visits are based on interviews and inspections. Where issues or items for further consideration emerged, we sought evidence to support the issues where possible. This is described in the factual findings (section 3).

Our assessment procedures are based on historical information and the projection of any information or conclusions in our report to any future periods would be inappropriate.

In the context of the procedures described below, the factual findings reported in this report are any statements made by a HCP, retailer or other third parties during interview, or any practices noted during retail outlet and HCF inspections.

Level	Evidence gathering activity
<b>Corporate Head office</b>	Reviewed Nestlé’s policies and procedures relating to the Criteria; Held a series of interviews with key individuals charged with responsibility for overseeing or implementing the relevant policies and

procedures that we reviewed at the Corporate Head Office in Vevey, Switzerland; and

Performed limited testing of evidence to corroborate the application of the Criteria.

#### **Local Head offices in Nigeria and Thailand**

Visited the offices of Nestlé Nigeria and Nestlé Thailand to perform procedures detailed in the Tool regarding the approach to implementing the requirements of the Criteria in those countries; and

Performed limited testing of evidence to corroborate the application of the Criteria.

#### **Country site visits in Nigeria and Thailand**

Interviewed 170 HCPs;

Inspected 67 HCFs (33 private, 25 public, 5 clinics, 3 NGO clinics and 1 state hospital);

Inspected 86 retailers (30 large supermarkets, 14 small stores, 27 walk-in stores or kiosks, 15 medical stores or pharmacies);

Interviewed 8 contractual distributors for Nestlé and/or Wyeth;

Interviewed 2 non-governmental organisations (NGO); and

Monitored various media for 30 days in 2 countries.

### 1.2.4. Sampling approach

1 urban and 1 rural location were selected for verification in each country. The urban location was selected as the most populous city in the country and the rural location was less than 40% populated in comparison to the urban area.

Locations selected for verification were divided into Areas, with the aim of selecting between 2 and 3 HCFs from each Area. This was to establish a more methodical and formalised sampling approach that resulted in an increased geographical coverage of each location (refer to Appendix 2). Between 2 and 3 HCPs were selected at each HCF.

HCFs were eligible if they served pregnant women or mothers of infants aged 12 months or less. Our interviews were with doctors, nurses, HCF managers and

administrative staff working in the HCF. We also visited at least 1 retailer, located within 3km of each HCF (refer to Appendix 1).

Country	Area type	Name	Areas	HCFs	HCPs	Retailers
<b>Nigeria</b>	Urban	Lagos	9	29	77	35
	Rural	Abeokuta	2	6	11	6
<b>Thailand</b>	Urban	Bangkok	8	24	60	30
	Rural	Phitsanulok	4	12	22	15

### 1.2.5. Media monitoring

PwC engaged Kantar Media to perform media monitoring services in both Thailand and Nigeria. For a 30 day period in December 2016, Kantar Media tracked advertising activity in an automated manner for local TV channels, radio stations, internet sites, outdoor mediums (i.e. billboards), print newspapers and magazines.

In addition to the media monitoring performed by Kantar, PwC obtained and inspected 3 daily newspapers in the most populous city for the same 30 day period. The total number of instances and the creatives (i.e. the actual advertisement) were provided, where possible.

### 1.2.6. Limitations

- We performed specific enquiries to assess practices against the Criteria, following up and requesting evidence for any claim or allegation made. Given the interview nature of our procedures, coupled with the often historical nature of the information being given, requests for evidence to support statements were often not fulfilled. We have noted such instances throughout this report; and

- HCPs were selected at random in each HCF, but they might not have been the most appropriate individual to interview in terms of questions regarding management decision making.

## 1.3. Purpose of this report

This report explains the procedures we performed and our factual findings. It is produced for the use of the FTSE4Good BMS Committee, but is being shared publicly as part of reporting on the overall assessment process in response to stakeholder feedback on the need for transparent reporting. The findings included in this report have been communicated to Nestlé and we understand Nestlé's responses to the findings will be included in the BMS section of FTSE Russell's website with other information relevant to the overall BMS marketing practices assessment of Nestlé.

Our findings are presented for the BMS Committee's consideration. It is the responsibility of FTSE Russell and the BMS Committee to decide on the appropriate course of action with regard to decisions on the inclusion of Nestlé in the FTSE4Good Index Series.

#### *1.4. Use and distribution of this report*

As noted above, the verification assessment forms part of FTSE Russell's overall assessment of Nestlé's BMS marketing practices against the Criteria. This report has been prepared solely for the use and benefit of our client, FTSE Russell, and its BMS Committee in accordance with the terms of our engagement letter, dated 28 June 2016, and subsequent variation letter dated 2 November 2016, and for no other purpose.

We consent to the publication of this report in conjunction with FTSE Russell's other documents and descriptions, to enable FTSE Russell to explain and demonstrate to stakeholders how they have performed their assessment of Nestlé's BMS marketing practices against the Criteria, without accepting or assuming any responsibility or liability on our part to anyone other than FTSE Russell save where expressly agreed by our prior consent in writing.

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## ***2. Executive summary***

Following its inclusion in the FTSE4Good index in 2011, Nestlé has been subject to its fourth FTSE4Good verification assessment. Corporate Head Office interviews were held in September 2016 via conference calls with the Nestlé Head Office in Vevey, followed by site visits to Nigeria in December 2016 and Thailand in January 2017.

The Corporate Head Office interviews demonstrated that suitable governance structures and a number of appropriate policies and procedure documents are in place that meet the requirements of the Criteria. The site visits also demonstrated awareness of the Criteria at the local in-country level and appropriate allocation of responsibilities. Additionally, we noted that policies and procedures in both countries visited are adapted for local requirements such as the National Code. However, we noted some inconsistencies in the application of the Criteria during our in-country site visits. We also noted that some of the factual findings raised in our previous verification remained relevant and open. These constituted findings on 8 out of a total of 27 criteria (refer to Appendix 3) some of which relates to interactions with third parties (e.g. retailers).

In our prior verification, we noted that Wyeth Infant Nutrition (WIN) had been integrated and aligned to Nestlé's Corporate Head Office policies and procedures in 2014. In the countries visited during this verification, it was apparent that although Wyeth products and Nestlé products are managed separately within the organisation using distinct corporate and sales teams as well as distributors, the overarching policies, as they relate to BMS, were consistent across the 2 parts of the business. Although the Wyeth business also manufactures mainstream products, we noted that there was a perception in the market that the Wyeth products were a more premium brand.

For ease of use of this report, summarised below are the key findings of our procedures, highlighted for the consideration of the BMS Committee in its review of inclusion of Nestlé in the FTSE4Good Index under the Criteria. All factual findings from the procedures performed are documented in section 3.

## 2.1. Findings split by key themes

### 2.1.1. Policies and procedures

Areas of good practice	<b>Presence of ‘Tell Us’:</b> Since being implemented in 2014 and as it continues to be rolled out across the markets, awareness of the system was apparent across key stakeholders, including contractual distributors in Thailand and Nigeria.
Key findings in 2016/17	<ol style="list-style-type: none"> <li><b>Procedures to ensure that stakeholders outside its boundaries of control (e.g. retailers or HCFs) are aware of the requirements of the company policy:</b> WHO code annual reminder letters and retailer ‘do’s and don’ts’ leaflets are not consistently provided to HCFs who sell or distribute BMS, or to retailers who purchase BMS through Nestlé’s contractual distributors, in Thailand and Nigeria.</li> </ol>
Update on open findings from prior reviews	<p><b>Inconsistent implementation of selected procedures across countries:</b> Documentation provided to distributors for internal use or distribution to retailers is not consistent between Angola and Malaysia:</p> <ul style="list-style-type: none"> <li>No formalised procedure document is available at the distributor sites in Malaysia to detail how the violations reporting process works. However, we noted through our interviews that distributor personnel were aware of this process;</li> </ul> <p>WHO code annual reminder letters and retailer “do’s and don’ts” leaflets are not provided to retailers who purchase in-scope products through distributors in Angola.</p> <p><b>Current year update:</b> <i>During our interviews with contractual distributors in Thailand and Nigeria, we found that the representatives we met with were fully aware of the procedures they must follow for reporting any Code violations. ‘Do’s and Don’ts’ posters were clearly on display with the ‘Tell Us’ contact number they can use to report any Code violations.</i></p> <p><i>HCFs or retailers who purchase BMS from third party distributors do not receive policy guidance documentation (refer to findings 4 and 7).</i></p>

### 2.1.2. Management systems and governance

Areas of good practice	<p><b>Knowledge of Code and awareness of reporting incidents of non-compliance by Distributors:</b> During our interviews with contractual distributors in Thailand and Nigeria, we noted that the representatives we met with were fully aware of the procedures they must follow for reporting any Code violations. 'Do's and Don'ts' posters were clearly on display with the 'Tell Us' contact number they can use to report any Code violations.</p>
Key findings in 2016/17	<ol style="list-style-type: none"> <li data-bbox="537 430 2085 574">2. <b>Payment relating to conferences:</b> Nestlé's policy states that sponsorship of health workers is limited to the payment of travel, meals, accommodation and registration fees and that no stand-alone entertainment or other leisure or social activities shall be provided or paid for. 3 out of 82 HCPs interviewed in Thailand stated their perception of an annual 2 day conference where travel, subsistence and personal entertainment expenses were paid for by Nestlé. We were unable to obtain confirmation of the nature of the expenses paid for by Nestlé.</li> <li data-bbox="537 574 2085 718">3. <b>Materials on display in public areas at HCFs:</b> At 5 of 35 HCFs visited in Nigeria, posters with the Nestlé Nutrition brand and message "Breastfeeding is best" were observed in rooms visible to the general public. While the Criteria permits material donated to a healthcare system to bear the company name or logo, the posters were labelled as 'information for Healthcare Professionals only.' We were unable to obtain any display instructions communicated to the HCF on receipt of the posters.</li> <li data-bbox="537 718 2085 861">4. <b>Distributor knowledge of company policy:</b> 3 HCPs at 3 out of 13 private HCFs visited in the urban areas of Bangkok stated that the HCF provides Wyeth BMS to all new mothers as part of their birthing package. Furthermore, Nestlé sells BMS directly to these facilities via a contractual distributor. We were unable to ascertain from the HCFs purchasing department whether Nestlé or the distributor provides any guidance in this regard.</li> </ol>
Update on open findings from prior reviews	<p><b>No findings were identified in the prior review.</b></p>

### 2.1.3. Interaction with HCPs

Areas of good practice	<b>Awareness of the code:</b> 95% of HCPs interviewed in Nigeria stated that BMS manufacturer representatives always stated ‘Breast is best’ prior to any interaction with the HCP. This knowledge was more prevalent across the urban areas in Lagos.
Key findings in 2016/17	<p><b>5. Distribution of free supplies to HCPs:</b> 5 out of 170 HCPs visited in Nigeria and Thailand, stated that free supplies of stage 1 and 2 BMS were given by Nestlé representatives.</p> <p><b>6. Training for medical delegates around contact with mothers:</b> Nestlé medical delegates undergo training prior to entering the field, which covers what is and is not permitted in the capacity of a medical delegate. 5 HCPs interviewed from different HCFs in Thailand and Nigeria stated that they observed demonstrations performed by Nestlé medical delegate at their HCF, where mothers were present. We were unable to obtain any evidence of this discount or that mothers were present at the demonstrations. Further, in Thailand, 1 HCP out of 82 interviewed stated that a Nestlé medical delegate had approached her, in her capacity as a mother at the HCF, to offer discounted BMS.</p>
Update on open findings from prior reviews	<p><b>Distribution of samples:</b> In Malaysia, 4 out of 20 HCPs stated that 2 or more years ago, samples of stage 1 and 2 products were given by Nestlé/WIN. However, they stated that this does not happen anymore. Furthermore, we were unable to obtain any evidence of these samples.</p> <p><b>Current year update:</b> <i>In Thailand, 1 HCP out of 82 interviewed stated they had received 12 boxes of "sample size" BMS from Nestlé. We were unable to obtain any evidence of these samples (refer to finding 5).</i></p>

### 2.1.4. Retail

Areas of good practice	<b>Provision of guidance to distributors and relevant Nestlé staff:</b> Detailed instructions, specific to how BMS should be displayed and priced, are provided to contractual distributors and Nestlé staff who are responsible for interactions with retailers. Instructions incorporate guidance in line with the Code, the National Code and Nestlé Policy.
Key findings in 2016/17	<p><b>7. Provision of guidance to third parties:</b> Retailers who purchase BMS from third party distributors do not receive:</p> <ul style="list-style-type: none"> <li>- Annual letters to acknowledge compliance with the WHO code; or</li> <li>- Illustrative 'Do's and Don'ts' leaflets.</li> </ul> <p>Retailers who purchase BMS directly from Nestlé receive the above documents.</p> <p><b>8. Parallel imports of BMS from lower-risk countries by third parties:</b> Independent parallel imports by third parties of products from lower-risk countries were seen in over half the total number of retailers visited. They are not NAFDAC approved. In the past, Nestlé has stated they have limited influence over how its BMS are commercialised, as this violation is by third parties with whom Nestlé has no commercial relationship. This matter was brought to our attention by Nestlé, and continues to be an issue.</p> <p><b>9. Inappropriate product promotion by retailers:</b> Retailers inappropriately promoted in-scope products:</p> <ul style="list-style-type: none"> <li>- In 1 retailer out of 41 visited in Nigeria, in-scope product was on sale for a lower price when compared to prices in other retailers. This was not labelled as a discount in-store;</li> <li>- In 1 retailer out of 41 in Nigeria, and 4 retailers out of 45 visited in Thailand, we observed the use of shelving strips with "Choose Quality Choose Nestlé" "Nestlé" or "Wyeth Nutrition" under the BMS products;</li> <li>- BMS are displayed at the front of the store, stacked on table-tops, in small stores and open market stalls across Lagos for Nestlé and other BMS manufacturers; and</li> <li>- BMS from a range of BMS manufacturers were pictured on a banner outside 1 independent retailer, out of 30 retailers visited, in Bangkok.</li> </ul>
Update on open findings from prior reviews	<p><b>Inappropriate product promotion by retailers:</b> Retailers inappropriately promoted in-scope products:</p> <ul style="list-style-type: none"> <li>- 4 retail outlets out of 61 visited in Malaysia and 1 out of 31 in Angola displayed in-scope product in the shop window;</li> <li>- In 1 retailer out of 61 in Malaysia, we were able to purchase in-scope product at a 2% discount after inquiring whether a discount on infant formula for infants over 12 months was available on in-scope products;</li> <li>- In a number of retailers in Malaysia, we observed the use of branded shelving strips with “Nestlé Good Food Good Life” or “Nestlé Nutrition” under the in-scope products.</li> </ul>

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- In-scope product was displayed at the end of an aisle in 1 retailer out of 31 in Angola.

**Current year update:** *Incidents or inappropriate product promotion attributable to retailers were noted in Thailand and Nigeria (refer to finding 9).*

**The trading and legislative environment in Angola affect how in-scope products are traded:** Independent parallel imports of products from lower-risk countries by third parties were seen.

**Current year update:** *Independent parallel imports of products from lower-risk countries by third parties were seen in Nigeria (refer to finding 8).*

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### 2.1.5. Media monitoring

Areas of good practice

**No instances of BMS marketing activity engaged by Nestlé:** No infant formula brands for the use of infants under the age of 12 months were advertised by Nestlé in the reviewed media channels in Nigeria and Thailand.

Key findings in 2016/17

**10. Marketing activity for out of scope products:** Advertising was noted in Thailand for milk powder products for use of infants over 12 months (stage 3 products). Adverts for stage 3 products are out of scope of the Code but are accompanied by the use of product logos that are associated with the product brands of stage 1 and 2 infant formula (i.e. 0-12 months).

Update on open findings from prior reviews

N/A. Media monitoring was not performed in prior reviews.

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## 3. *Factual findings*

The procedures contained in the Tool were used to perform the assessment of Nestlé's BMS marketing practices against the Criteria. During our work we also observed practices which are of note, but that do not correspond directly to the Criteria included in the Tool. These may represent an opportunity for Nestlé to enhance or strengthen an existing process and as such have been included as additional recommendations.

The findings have been grouped according to the key phases of the work: the review of Nestlé Corporate Head Office level documentation; and country visits to Nigeria and Thailand.

### 3.1. *Definitions*

Throughout these findings, to facilitate the reference to the different products covered by the scope of the Criteria and therefore verification process, the infant formula (0-12 months) and complementary foods for infants under 6 months of age encompassed by the FTSE4Good Criteria are referred to as 'BMS'.

Bottles and teats are not manufactured or sold by Nestlé in Nigeria and Thailand.

### 3.2. *Corporate policies and procedures review*

Interviews with staff from the Nestlé Corporate Head Office were performed in September 2016. The procedures entailed obtaining, from Nestlé, details of their procedures and interviews with the relevant staff to discuss the policies and procedures in place against the Criteria.

Procedures performed	Factual findings
<b>3.2.1. Approach to implementation of the criteria</b>	<ol style="list-style-type: none"> <li><b>Governance structure:</b> The Criteria and Nestlé Policy and Instructions for implementation of the Code are authorised and overseen by the Nestlé Head Office in Vevey. Where there is a National Code in a particular market, the local level market team will review the Criteria and the Nestlé Policy and Instructions to ensure that the implementation of the Code and the National Code to suggest where policies and procedures need to be amended.</li> <li><b>Knowledge of the Criteria:</b> Wide ranging interviews were performed with all Corporate and Local Head Office functions involved in Nestlé's application of the Criteria and relevant national legislations. Detailed Criteria knowledge was noted across the individuals interviewed (refer to Appendix 3).</li> <li><b>Implementation of BMS policies and procedures:</b> Detailed and widely communicated Corporate Head Office policies are in place regarding the implementation of the Criteria. The Nestlé Policy and Instructions for implementation of the Code is publically available on the Nestlé corporate website.</li> </ol>

Procedures performed	Factual findings
	<ol style="list-style-type: none"> <li>4. <b>Infant nutrition team:</b> Nestlé employs a dedicated, senior team experienced in infant nutrition to oversee the implementation of the Criteria as well as implementation and monitoring of the Nestlé Policy and Instructions for implementation of the Code.</li> <li>5. <b>Training and awareness:</b> Training and awareness of the Nestlé Policy and Instructions requirements is a mandatory part of every Nestlé Nutrition employee's induction. The training programme in each country is defined by the particular market.</li> <li>6. <b>Compliance:</b> Nestlé stated that any non-compliance with the Criteria is taken very seriously. The local team brought to our attention the fact that there had been an instance of non-compliance reported internally to the Nestlé Thailand WHO Code Ombudsman in 2016. A thorough investigation was carried out with corrective action implemented in a timely manner. We inspected the relevant documentation to confirm this.</li> <li>7. <b>Nestlé's support of public policy (Government lobbying):</b> Nestlé stated that it continues to support efforts by Governments to implement the Code.</li> </ol>
<p><b>3.2.2. Factual findings – Corporate policy and procedure</b></p>	<ol style="list-style-type: none"> <li>1. <b>Implementation of external grievance system:</b> The publically available, web-based, external reporting grievance system, 'Tell Us', was implemented in January 2014 and made available on the corporate website. Nestlé is gradually increasing communication about this system and as part of this is providing links to the system from local market websites. This system has been launched in 15 markets during 2014, and an additional 20 markets during 2015. By mid-March 2017, the link to 'Tell Us' was included in the webpages of all Nestlé higher-risk markets. 'Tell Us' went live on the Thai corporate website in October 2016 and was due to be communicated to distributors in Q1 2017. Prior to this date, the 'Contact Us' grievance system was in place in Thailand for distributors. <p>The 'Tell Us' system enables any external stakeholders to raise any allegation of non-compliance directly with Nestlé, including on WHO code related matters. It is externally managed and WHO code related issues raised through this system are reported to Global Public Affairs.</p> <p>When we searched for the 'Tell Us' link on the local country websites, we were able to find the link quickly and clearly on both the Nestlé Central West Africa Region and the Nestlé Thailand websites.</p> </li> <li>2. <b>Graphical representations on Nestlé products:</b> In-scope stage 1 and 2 Wyeth products in Thailand display the illustration of a baby lion that is crawling to one that is standing up, demonstrating a developmental milestone of a 6 month old child through the change in body position (refer to photos 19 and 20). In prior reviews, it was noted Nestlé had voluntarily amended the 'WIN lion' stylised graphic on some infant formula labels in Malaysia.</li> <li>3. <b>Opportunity to enhance Internal Audit procedures:</b> During the prior assessment review, it was noted HCP visits were not part of the Nestlé Market Internal Audit work plan. Nestlé has since updated its procedures and from August 2016, it is mandatory for all Nestlé Nutrition focused internal audit activities to include HCP interviews. This is to validate the conduct of their medical delegates, nutrition executives and nutrition specialists, including their interaction with HCPs. For the Nestlé in the market audits, where the Nestlé Nutrition business is included in the scope of the audit alongside other Nestlé businesses in the region, the decision as to whether to conduct such interviews with HCPs is based upon the internal auditor's risk assessment of the region when determining their scope of work.</li> </ol>

### 3.3. Country site visit 1 – Nigeria

The country site visit to Nigeria was performed in December 2016. The factual findings of the visit are provided in the table below.

The Code is implemented in Nigeria through the ‘Local Gazette’ and is the responsibility of the Food Safety and Applied Nutrition (FSAN) Directorate of the National Agency for Food and Drug Administration and Control (NAFDAC). Their aim is to ensure that food manufactured, imported, exported, distributed, sold and marketed in Nigeria meets the highest standard of Food Safety reasonably available.

Procedures performed	Factual findings
<b>3.3.1. Country background</b>	<p>1. <b>Awareness of the Code:</b> The government has a National Code over BMS marketing practices (the ‘Local Gazette’), and based on our interviews with HCPs in Lagos, there is a strong awareness of the National Code. We found this to be less prevalent in the rural area. The National Code in Nigeria is more stringent than the Code and applies to BMS (starter and follow up formula) and growing up milk for infant and young children (aged 0-36 months). Complementary foods are also included.</p> <p>Under the current local Gazette, last updated in 2005, where an individual or corporate body is found guilty of violating the regulations, the individual or management of the corporate body is subject to: a maximum 2 year imprisonment; or to a fine, maximum of NGN 50,000 for an individual or NGN 100,000 for the corporate.</p> <p>2. <b>Breastfeeding trends:</b> UNICEF data shows that the rate of exclusive breastfeeding in the first 6 months was 25% in 2014 (source: National Nutrition and Health Surveys, 2014), compared to 15% in 2011 (source: Multiple Indicator Cluster Surveys, 2011). HCPs stated that the decision to breastfeed or use BMS depended on a family’s economic position and generally noted that ‘poverty stricken’ mothers would breastfeed, whereas ‘middle class’ mothers in the more urbanised areas of Lagos would choose to give birth overseas (in ‘low risk’ countries such as the UK or US) and would opt to use BMS based on the influence of such ‘low risk’ countries. HCPs noted there is a perception that the use of BMS is a ‘western’ trend and therefore considered to be the ‘more developed’ and ‘elite’ lifestyle choice.</p> <p>3. <b>Sharing of insights and information:</b> In our initial local level meeting with Nestlé market personnel, it was brought to our attention that BMS which do not have the required NAFDAC approval are imported into the country via unauthorised channels. We were informed by Nestlé that, where they have been made aware of such instances, they have contacted the relevant retailer and have issued them with a letter stating that the sale of these BMS is in violation of the National Code. Nestlé provided an example of this communication from January 2016.</p>
<b>3.3.2. Local operating context</b>	<p>1. <b>Market share:</b> Nestlé and Wyeth collectively account for approximately 50% of the total infant formula market share (source: AC Nielsen Retail Audit JA Nov’16). We noted a perception in the market that Wyeth BMS products are a more premium brand, reflected by a typically higher retail price than Nestlé BMS products.</p> <p>2. <b>Channels to market:</b> BMS are sold to retailers and wholesalers in 2 ways; either directly by Nestlé or through third party distributors. Nestlé has 14 contractual distributors within the greater Lagos area. Products are sold to consumers through a range of different retail outlets, including supermarkets, large chains, independent stores, small retailers, table tops or open market stalls. In open market stalls and small</p>

Procedures performed	Factual findings
	stores, the retailers display their products in large stacks at the front of the store. Both Nestlé and Wyeth use the same contractual distributors and sales teams.
<b>3.3.3. Approach to implementation of the criteria</b>	<ol style="list-style-type: none"> <li data-bbox="517 357 2101 528">1. <b>Implementation of BMS policies and procedures:</b> The detailed BMS marketing policies and procedures produced and applied by Nestlé Nigeria are based on Nestlé Corporate Head Office policies and procedures, as implementation of the Criteria and adherence to the Code is centrally controlled by Nestlé Corporate Head Office. The policies and procedures produced and applied by Nestlé Nigeria have been updated to bring them into line with the National Code; however they remain similar in the level of detail and objectives to the Nestlé Corporate Head Office policies and procedures.</li> <li data-bbox="517 528 2101 667">2. <b>Knowledge of the Criteria:</b> Nestlé Nigeria employees interviewed (refer to Appendix 3) demonstrated knowledge of the Criteria and stated their commitment to adhering to the BMS marketing practices required by the Criteria. Nestlé's implementation of the Criteria at the market level is based on implementing the requirements of the Criteria, the National Code and the Nestlé Policy and Instructions for implementation of the Code.</li> <li data-bbox="517 667 2101 839">3. <b>Nestlé's support of public policy (Government lobbying):</b> In support of national legislation and to enable the industry to interact with Government, a national industry group, the Group of Infant Food Manufacturers and Marketers (IFMM), has been formed in Nigeria and is going through the process of registration. The industry group states its commitment to follow and comply with the WHO code and willingness to work with the government sector to develop and implement policies, rules and regulations that contribute towards reaching the government's stated infant nutrition target.</li> </ol>

Procedures performed	Factual findings
<p><b>3.3.4. Factual findings – Distributor interviews</b></p>	<ol style="list-style-type: none"> <li> <p><b>Provision of guidance and training:</b> Annual classroom training as well as 'Do's and Don'ts' posters and leaflets are provided to distributors to inform them of the requirements of the Code.</p> <p>During our interviews with distributors, we noted that the representatives we met with were fully aware of the procedures they must follow for reporting any Code violations. 'Do's and Don'ts' posters were clearly on display with the 'Tell Us' contact number they can use to report any Code violations.</p> <p>However, retailers who purchase BMS from third party distributors do not receive:</p> <ul style="list-style-type: none"> <li>Annual letters to acknowledge compliance with the WHO code; or</li> <li>Illustrative 'Do's and Don'ts' leaflets.</li> </ul> <p>Retailers who purchase BMS directly from Nestlé receive the above documents.</p> </li> <li> <p><b>Sales incentives:</b> During our interviews with distributors, sales staff confirmed that the volume of sales of BMS is not included in the calculation of bonuses.</p> </li> </ol>
<p><b>3.3.5. Factual findings – HCP interviews</b></p>	<ol style="list-style-type: none"> <li> <p><b>Distribution of free supplies:</b> 4 HCPs out of 88 interviewed stated that free supplies of stage 1 and 2 BMS were given by Nestlé representatives; 2 out of the 4 HCPs were able to produce the BMS they had referred to. We were unable to sight evidence of the products provided in the 2 remaining instances. These free supplies were noted in the rural area and at the NGO clinics in the urban area.</p> </li> <li> <p><b>Contact with mothers:</b> 5 HCPs out of 88 interviewed, from 5 out of 35 HCFs visited, stated that they had observed demonstrations performed by Nestlé medical delegates at the HCF, where mothers were present. Nestlé medical delegates demonstrated comparisons of breast milk to adult milk to demonstrate the impact it has on digestion. However, we were unable to obtain any evidence that mothers were present at the demonstrations. 2 further HCPs stated that Nestlé medical delegates left behind the materials for HCPs to later perform the demonstrations to mothers. We were unable to inspect these materials.</p> </li> <li> <p><b>Display of posters:</b> 1 rural HCF out of 6 visited had a Nestlé Cerelac (complementary food for infants over 6 months) poster on display (refer to photo 1), and 5 HCFs out of 35 visited (both in rural and urban locations) had Nestlé Nutrition posters (refer to photos 2 and 3) on display in the public waiting rooms, labelled as 'information for Healthcare Professionals only.' 1 further HCP stated that Nestlé representatives had visited the rural HCF in the previous 2 weeks to remove Nestlé branded posters.</p> </li> </ol>

Procedures performed	Factual findings
<p><b>3.3.6. Factual findings – Retail visits</b></p>	<p>1. <b>Parallel imports of BMS from lower-risk countries by third parties:</b> 26 out of 41 retailers visited sold infant formula and cereals that are designed for sale in 'low risk' countries (such as the UK or US) per the Criteria (refer to photos 4 and 5). These are imported through independent parallel import channels operated by third parties and do not comply with the Criteria in a high risk country given they are not NAFDAC approved. 2 retailers stated that customers had the perception that BMS from the UK or US were superior to local BMS.</p> <p>Nestlé's actions in respect of parallel imports are as follows:</p> <ul style="list-style-type: none"> <li>- Letters are sent on an ad-hoc basis to notify retailers of WHO Code violations, with the most recent example dated January 2016; and</li> <li>- A letter to NAFDAC dated May 2014 states products are "not distributed by us and therefore, Nestlé Nigeria does not take responsibility of them."</li> </ul> <p>2. <b>Inappropriate BMS promotion at retailers:</b></p> <ul style="list-style-type: none"> <li>- In 1 large, multi-store retailer, out of 12 visited in Lagos, SMA Pink (0-12 months) was on sale for 900 NGN (refer to photo 6). This was not labelled as a discount in-store, however we noted this product was on sale for between 2,400 and 3,400 NGN at other retailers. We were able to purchase the product at the price displayed;</li> <li>- In 1 retailer out of 41 visited, we observed the use of shelving strips with "Choose Quality Choose Nestlé" under the BMS (refer to photo 7); and</li> <li>- BMS are displayed at the front of the store, stacked on table-tops, in small stores and open market stalls across Lagos for Nestlé and other BMS manufacturers (refer to photo 8).</li> </ul>
<p><b>3.3.7. Factual findings – Media monitoring</b></p>	<p>1. <b>No instances of BMS marketing activity engaged by Nestlé:</b> Kantar Media confirmed that there had been no advertisement by Nestlé of infant formula brands, for the use of infants under the age of 12 months, during the month of December 2016, across a sample of TV, radio, magazines, cinema, newspaper, billboards and the internet.</p> <p>No products were advertised in the 3 daily newspapers inspected by PwC over the same period. Daily newspapers inspected were: The Guardian; The Vanguard; and The Punch.</p>

### 3.4. Country site visit 2 – Thailand

The country site visit to Thailand was performed in January 2017. The factual findings of the visit are provided in the table below.

There is currently no local legislation implementing the Code in Thailand. However, the Department of Health in Thailand is currently working to legislate a local Thai Milk Code.

Procedures performed	Factual findings
<b>3.4.1. Country background</b>	<ol style="list-style-type: none"> <li><b>National Code:</b> There is no National Code to specifically control marketing practices of BMS in Thailand. However, advertisement of BMS to the public is prohibited under the Food Act controlled by the Food and Drug Administration (FDA). Nestlé Thailand therefore aligns its practices to the Criteria, the Nestlé Policy and Instructions for implementation of the Code and the Food Act.</li> <li><b>Breastfeeding trends:</b> The most recent UNICEF data (Multiple Indicator Cluster Surveys, MICS, 2015-16) shows that the rate of exclusive breastfeeding in the first 6 months is 23%, compared to 12% in 2012 (MICS, 2012-13) and 5% in 2005 (MICS, 2005-06). HCPs stated that the decision to use BMS was most commonly as a result of the infant's intolerance to breast milk, or as a result of the mother's illness such as HIV.</li> <li><b>Sharing of insights and information:</b> In our initial local level meeting with Nestlé market personnel, it was brought to our attention that large promotional signs next to BMS have been observed at supermarket chains, however infant formula and follow on foods (i.e. in-scope BMS) are excluded from this promotion in the small print.</li> </ol>
<b>3.4.2. Local operating context</b>	<ol style="list-style-type: none"> <li><b>Market share:</b> Nestlé and Wyeth collectively account for approximately 33% of the total infant formula market share (source: AC Nielsen Retail Audit MAT November 2016). There was a perception in the market that Wyeth BMS products are a more premium brand, reflected by a higher retail price than Nestlé BMS products.</li> <li><b>Channels to market:</b> BMS are sold to retailers and wholesalers in 2 ways; either directly by Nestlé or through third party distributors. Nestlé Infant Nutrition has 13 contractual distributors in Bangkok and Northern provinces. Wyeth BMS are sold through a sole distributor. These BMS are sold to consumers through a range of different retail outlets, including supermarkets and large chains, independent stores or small retailers and pharmacies.</li> </ol>
<b>3.4.3. Approach to implementation of the criteria</b>	<ol style="list-style-type: none"> <li><b>Implementation of BMS policies and procedures:</b> The detailed BMS marketing policies and procedures produced and applied by Nestlé Thailand are based on Nestlé Corporate Head Office policies and procedures, as implementation of the Criteria and adherence to the Code is centrally controlled by Nestlé Corporate Head Office. The policies and procedures produced and applied by Nestlé Thailand are similar in the level of detail and objectives to the Nestlé Corporate Head Office policies and procedures.</li> <li><b>Knowledge of the Criteria:</b> Nestlé Thailand employees interviewed (refer to Appendix 3) demonstrated knowledge of the Criteria and stated their commitment to adhering to the BMS marketing practices required by the Criteria. Nestlé's implementation of the Criteria at the</li> </ol>

Procedures performed	Factual findings
	<p>market level is based on implementing the requirements of the Criteria and the Nestlé Policy and Instructions for implementation of the Code.</p> <p>3. <b>Nestlé’s support of public policy (Government lobbying):</b> In the absence of national legislation (a National Code), Nestlé is a member of a national industry association, PNMA (Paediatric Nutrition Manufacturer Association), which states its commitment to follow and comply with the WHO code and willingness to work with the government sector to develop and implement policies, rules and regulations that contribute towards reaching the government’s stated infant nutrition target. The association has been established since 1984 and as a group, launched its latest code of marketing in October 2016. PNMA members are responsible for monitoring their compliance with this code.</p>
<p><b>3.4.4. Factual findings – Distributor interviews</b></p>	<p>1. <b>Provision of guidance and training:</b> Annual training and 'Do's and Don'ts' posters and leaflets are provided to distributors to inform them of the requirements of the Code.</p> <p>During our interviews with distributors, we noted that the representatives we met with were fully aware of the procedures they must follow for reporting any Code violations.</p> <p>However, retailers who purchase BMS from third party distributors do not receive:</p> <ul style="list-style-type: none"> <li>- Annual letters to acknowledge compliance with the WHO code; or</li> <li>- Illustrative 'Do's and Don'ts' leaflets.</li> </ul> <p>Retailers who purchase BMS directly from Nestlé receive the above documents.</p> <p>2. <b>Sales incentives:</b> During our interviews with distributors, sales staff confirmed that the volume of sales of BMS is not included in the calculation of bonuses.</p> <p>3. <b>Channels to report non-compliance:</b> ‘Tell Us’ is due to be launched in Thailand later during the year. The channel ‘Contact Us’, an anonymous toll free number, is currently in operation. All 4 distributors interviewed stated they are aware of this channel and the process to follow. To report observed non-compliance at retailers, distributors stated they manually complete a code violation form to submit to the Nestlé Code Compliance Manager, electronically or by post, usually via their allocated Account Executive.</p>
<p><b>3.4.5. Factual findings – HCP interviews</b></p>	<p>1. <b>Distribution of free supplies:</b> 1 HCP out of 82 stated that they had received 12 boxes of "sample size" BMS from Nestlé. We were unable to obtain any evidence of these samples.</p> <p>2. <b>Paying for attendance at conferences:</b> 1 HCP out of 82 stated they had been on a 2 day conference in another state, where all travel, subsistence and personal entertainment expenses were paid for by Nestlé. 2 further HCPs in this HCF also stated their awareness of the fact that their colleague had been on such a trip. We were unable to sight confirmation of the nature of the expenses that were paid for by Nestlé.</p> <p>3. <b>Contact between Nestlé medical delegates and mothers:</b> 1 HCP out of 82 stated that Nestlé medical delegates had approached her, in her capacity as a mother, to offer discounted BMS. We were unable to obtain any evidence of this discount.</p>

Procedures performed	Factual findings
	<ol style="list-style-type: none"> <li>4. <b>Distribution of BMS:</b> 3 HCPs interviewed at 3 out of 13 urban, private HCFs visited stated that the HCF provides Wyeth BMS to all new mothers as part of their birthing package. Nestlé sells BMS directly to the HCFs in question via their contractual distributor. We were unable to ascertain from the HCF's purchasing department whether Nestlé or the distributor provides any guidance in this regard.</li> <li>5. <b>Promotional items:</b> 3 HCPs out of 82 interviewed had been provided with pens by Nestlé representatives. We were able to sight evidence of 1 of these pens, which was branded "S-26 Mom Gold." This is a maternity milk brand, which is out of scope.</li> </ol>
<p><b>3.4.6. Factual findings – Retail visits</b></p>	<ol style="list-style-type: none"> <li>1. <b>Inappropriate BMS promotion at retailers:</b> <ul style="list-style-type: none"> <li>- BMS from a range of BMS manufacturers were pictured on a banner outside 1 independent retailer, out of 30 retailers visited in the urban area, which was immediately opposite a HCF (refer to photo 11);</li> <li>- Both in-scope and out of scope S-26 products were displayed on prominent shelving (special display) at 1 retailer out of 15 visited in the rural area (refer to photo 12). The S-26 Progress Gold brand that is visible on the display relates to an out of scope product;</li> <li>- In 4 independent retailers out of 15 visited in the rural area, we observed the use of shelving strips with "Nestlé" or "Wyeth Nutrition" under BMS (refer to photos 13 and 14); and</li> <li>- Large promotional signs were observed at 4 out of 8 supermarket chains visited in the urban area (refer to photos 15, 16 and 17), in the same aisle as BMS. Infant formula and follow on foods (i.e. in-scope BMS) are excluded from this promotion in the small print. This promotion is undertaken by the retailer for both Nestlé and other brands.</li> </ul> </li> </ol>
<p><b>3.4.7. Factual findings – Media monitoring</b></p>	<ol style="list-style-type: none"> <li>1. <b>No instances of BMS marketing activity engaged by Nestlé for in-scope products:</b> Kantar Media confirmed that there had been no advertisement by Nestlé of infant formula brands, for the use of infants under the age of 12 months, during the month of December 2016, across a sample of TV, radio, magazines, cinema, newspaper, billboards and the internet. <p>Advertising activity by Nestlé for S26 Progress Gold Powder Milk was identified on an outdoor billboard. This product is for infants over 12 months and is out of scope of the Code. However, the adverts for stage 3 products are accompanied by the use of logos that are associated with brands of stage 1 and 2 infant formula (i.e. 0-12 months).</p> <p>No in-scope products were advertised in the 3 daily newspapers inspected by PwC over the same period. Daily newspapers inspected were: Thairath; Daily News; and Matichon.</p> </li> </ol>

### 3.5. Other findings

During fieldwork performed, various observations were made that were not directly related to the Criteria or in-scope products, but are highlighted below:

#### 3.5.1. Nigeria

##### Nestlé activities which could be regarded as promotional:

1. <b>Payment for online courses</b>	3 HCPs out of 88 interviewed stated that Nestlé had sponsored them to complete a 7 month, online, paediatric nutrition course with Boston University.
2. <b>Company branded giveaways</b>	19 HCPs out of 88 interviewed stated that they received Company branded (Nestlé or Wyeth Nutrition) giveaways (e.g. pens and jotters (refer to photo 9) including 2 HCPs who stated that they received Company (Nestlé Nutrition) branded scrubs (refer to photo 10).
3. <b>Payment for travel to local conferences</b>	37 HCPs out of 88 interviewed stated that they had attended educational conferences lead by Wyeth or Nestlé Nutrition, where lunch or travel was provided.
4. <b>Company donations</b>	1 HCP out of 88 interviewed stated that a donation was made by Nestlé Nutrition to the HCFs nutritional centre for educational purposes. We were unable to validate whether this was a monetary or BMS donation.

#### 3.5.2. Thailand

1. <b>Government initiatives</b>	There is a Government initiative to supply public hospitals with BMS for HIV positive mothers to prevent transmission of the virus, and Nestlé was successful in tendering for this contract with the Department of Health (DoH) for FY16/17. HCPs estimate the required quantity twice per year and request BMS directly from the DoH. 19 HCPs out of 39 interviewed at public hospitals stated they received Lactogen free of charge from the DoH and 5 of the 19 HCPs stated that any surplus BMS is distributed to non-HIV positive mothers free of charge. Further, multiple boxes of Lactogen were clearly visible in 1 waiting room out of 14 public HCFs visited (photo 18).
2. <b>Brand association in respect of out of scope products</b>	We observed promotions at retailers for stage 3 products that are applicable to infants over the age of 12 months. These products are out of scope with reference to the Code.  However, the adverts for these stage 3 products are prominent (for example, the use of special displays, gondolas and discount coupons) and accompanied by the use of logos that are associated with brands of stage 1 and 2 infant formula (i.e. 0-12 months) which are in-scope.

**Nestlé activities which could be regarded as promotional:**

- |                                     |   |
|-------------------------------------|---|
| 3. <b>Company branded giveaways</b> | 6 HCPs out of 82 interviewed stated they had received Company branded or S-26 branded giveaways. We were unable to obtain any evidence of these items, and whether the S-26 products related to S-26 SMA Gold stage 1 or S-26 Promil Gold stage 2 (in-scope) or S-26 Progress Gold or S-26 Mom Gold (out of scope). |
| 4. <b>Local conferences</b>         | 17 HCPs out of 82 interviewed stated they had attended a local conference on the topic of infant nutrition, where Nestlé representatives were present. HCPs were unsure whether the conference admittance fee was funded by the Government, the HCF or Nestlé.  |
| 5. <b>Monetary donation</b>         | 1 HCP out of 82 interviewed stated that they had requested a monetary donation directly from Nestlé and Nestlé granted THB 40,000, which was used to contribute towards purchasing medical equipment. We were able to confirm that the equipment purchased was unbranded.   |

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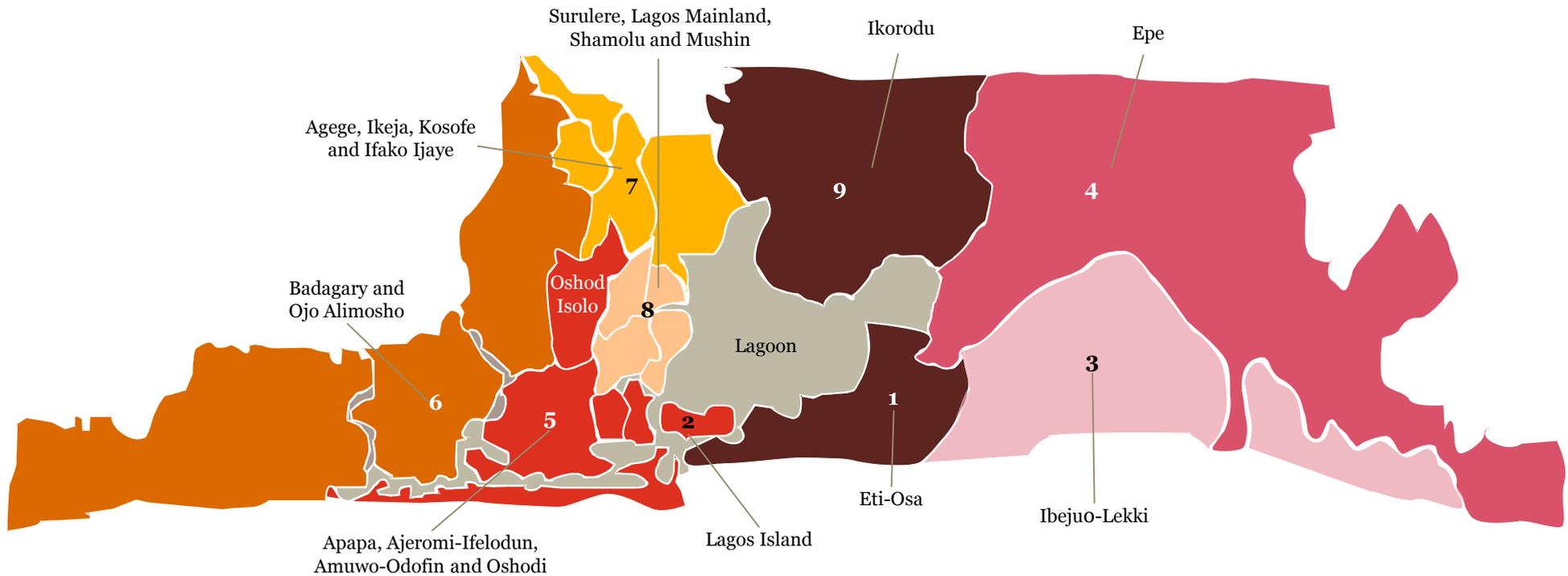
# *Appendices*

## Appendix 1 – Healthcare facility and retailer visits

Country:		Nigeria		Thailand		Total
Area type:		Urban	Rural	Urban	Rural	
Area Name:		Lagos	Abeokuta	Bangkok	Phitsanulok	
<b>Number of sub areas</b>		9	2	8	4	
<b>HCFs visited</b>	Public/ Federal	11	4	10	4	<b>29</b>
	Private/ Clinics	17	1	13	8	<b>39</b>
	NGO	1	1	1	0	<b>3</b>
<b>HCPs interviewed</b>		77	11	60	22	<b>170</b>
<b>Retailers inspected</b>	Large supermarket	12	1	8	3	<b>24</b>
	Small stores	8	2	5	5	<b>20</b>
	Walk in stores/ Kiosks	12	1	11	3	<b>27</b>
	Medical stores/ Pharmacies	3	2	6	4	<b>15</b>

# Appendix 2 – Geographical areas

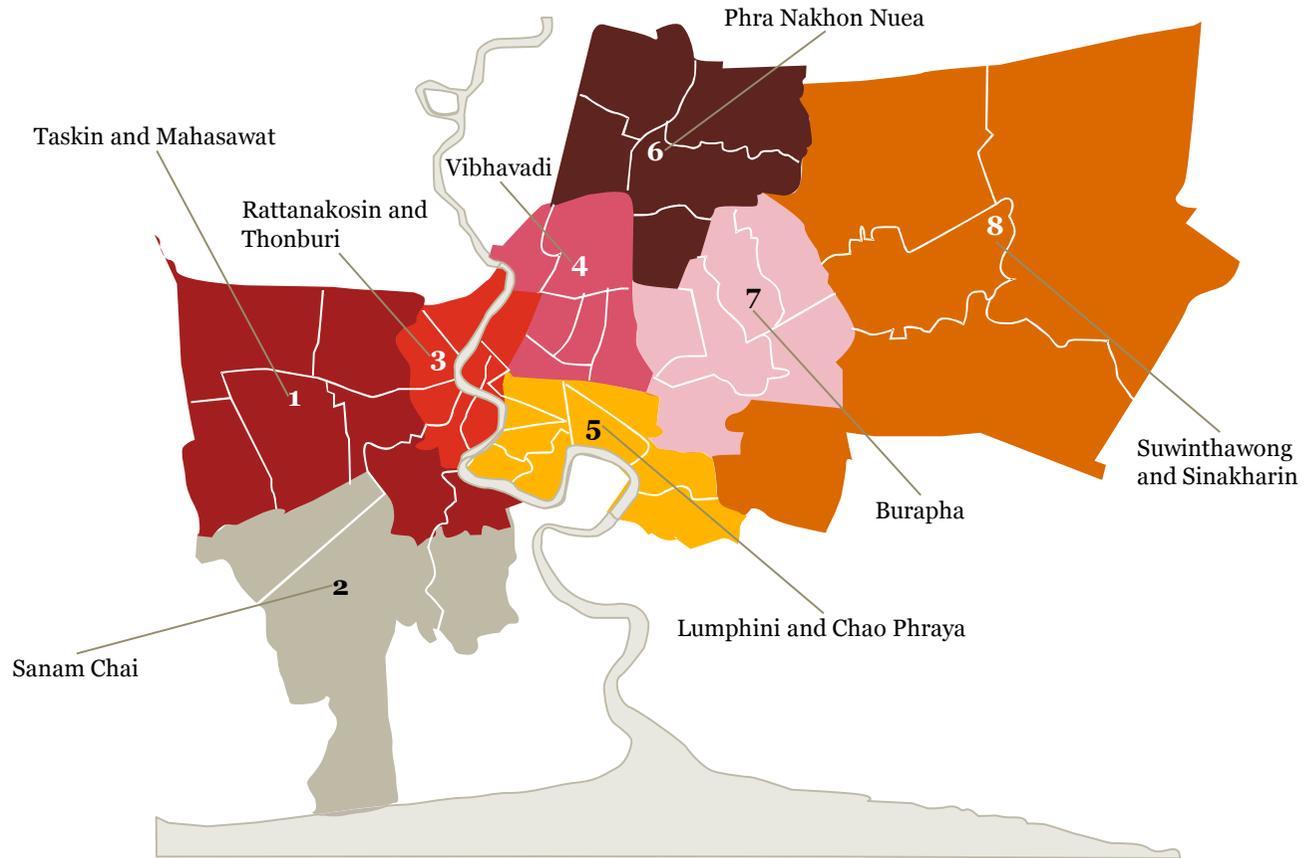
## a) Lagos, Nigeria



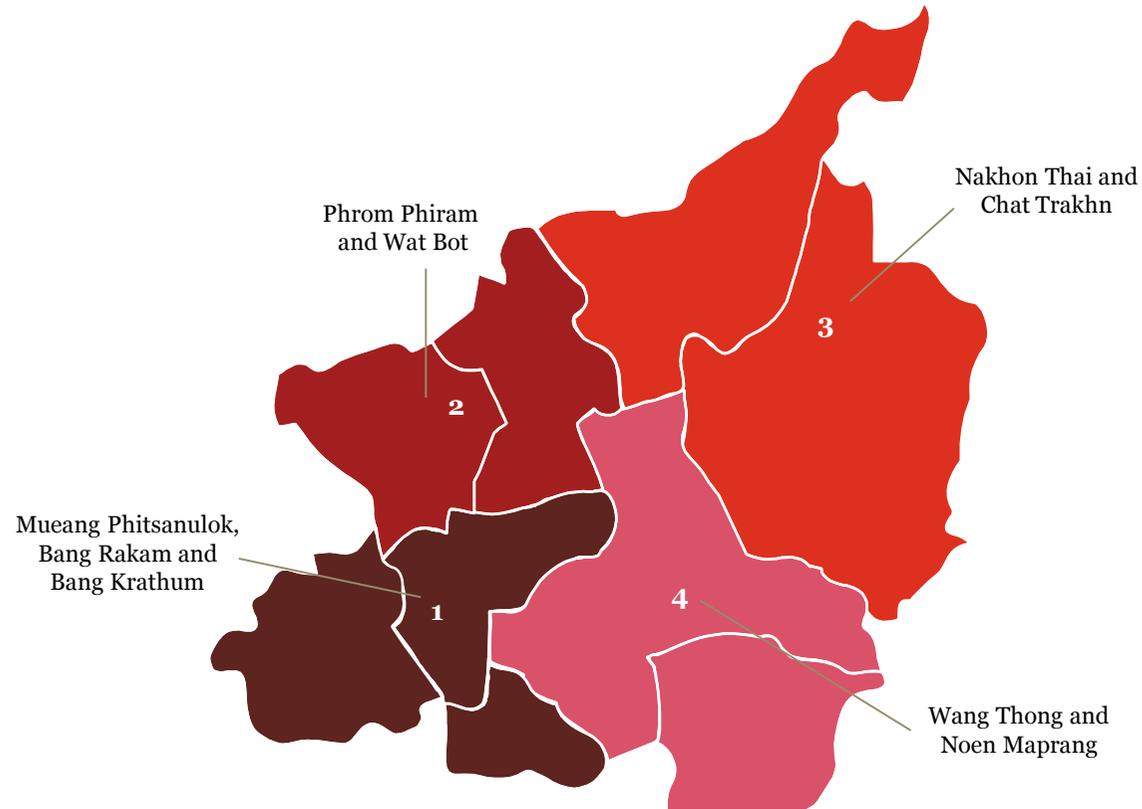
*b) Abeokuta, Nigeria*



*c) Bangkok, Thailand*



*d) Phitsanulok, Thailand*



## Appendix 3 – Interviews and meetings

Corporate Head Office	Nigeria Local Head Office	Thailand Local Head Office
Audit Manager	Category Manager – Nigeria, Nestlé Infant Nutrition	Country Business Manager, Nestlé Infant Nutrition
Business Compliance Manager Higher Risk Markets	Commercial Manager, Nestlé Nigeria PLC	General Manager, Wyeth Infant Nutrition
Business Compliance Manager, Lower Risk Markets	Company Secretary, Nestlé Nigeria PLC	Market Head, Indochina
Chief Compliance Officer & Head of Group Security	Compliance Manager, Nestlé Nutrition	National Field Operational Manager
General Counsel, Nestlé Nutrition	Corporate Counsel, Nestlé Nigeria PLC	Nestlé Indochina Corporate Affairs
Manager – Maternal, Infant and Young Child Nutrition (MIYCN) Policy	Country Business Manager – Africa Cluster, Wyeth Infant Nutrition	Regional Business Head
Senior Public Affairs Manager	Country Business Manager – Central West Africa Region, Nestlé Infant Nutrition	Regional Business Head – Wyeth Nutrition Asia & PR Region
Vice President, Global Head of Public Affairs	Country Manager, Nestlé Nigeria PLC	
WHO Code Ombudsman / EVP, Human Resources	General Manager – Central West Africa Region, Wyeth Infant Nutrition	
	Head of Finance and Control, Nestlé Nigeria PLC	
	Head of Human Resources, Nestlé Nigeria PLC	
	Public Affairs Manager, Nestlé S.A.	
	Regional Business Head – Sub-Saharan Africa, Nestlé Infant Nutrition	
	Regulatory Affairs Manager, Nestlé Nigeria PLC	
	WHO Code Compliance Manager – Central West Africa Region, Nestlé Infant Nutrition	
	WHO Code Compliance Manager, Nestlé Nigeria PLC	

# Appendix 4 – Photographic evidence

**Photo 1** – Nestlé Cerelac poster on display at HCF. Cerelac is an in-scope complementary food for the use of infants over 6 months. This is not permitted by NAFDAC. (Lagos State, Nigeria. December 2016)



**Photo 2** – Nestlé poster on display in the waiting room, labelled as “information for Healthcare Professionals only”. (Abeokuta, Nigeria. December 2016)



**Photo 3** – Nestlé poster on display in the waiting room, labelled as “information for Healthcare Professionals only”. (Abeokuta, Nigeria. December 2016)

**FOODS BABIES NEED FOR HEALTHY GROWTH**

FOOD ITEMS	MONTH 0-1	2	3	4	5	6	7	8	9	10	11	12 AND BEYOND
<b>BREAST FEEDING</b> 												
<b>ORANGE JUICE</b> 						From 6 months						
<b>CERELAC PAP</b> Rice, maize and Proso millet 						1-2 Tablespoons pureed	1 Tablespoon Mashed	1 Tablespoon Mashed	1 Tablespoon Mashed	1 Tablespoon Mashed		
<b>VEGETABLE</b> Carrot, green beans, vegetable 							Mashed	Finely sliced		Sliced	See size	
<b>FRUITS</b> Pawpaw, Mango, Banana 							1/4-1/2 Yolk	1 Whole Yolk			1 Whole Egg	
<b>EGG</b> Hard Boiled 							Mashed				Small Cubes	Target Food Item
<b>TUBERS</b> Yam and Potatoes 							Mashed and Soft boiled porridge			Mashed and Soft boiled porridge		
<b>BEANS, SOYA BEANS</b> 							1 Tbsp Flaked for or ground meat	2 Tbsp Ground meat or flaked fish			1-2 Tbsp finely sliced meat or fish	
<b>BEEF, CHICKEN, FISH</b> 												

\*Tbsp= Tablespoon Introduce single ingredient foods one at a time and continue for 4-5 days before introducing another food. This practice will help detect foods the child is allergic to.

Mothers should be encouraged to breastfeed for as long as possible. Highly nutritious and easily digested cereal porridge should be introduced from 6 months of the baby's age when breast milk alone or infant formula can no longer cover the growing energy needs. From 6 months onwards in addition to milk and cereals, it is appropriate to give the baby other foods like meat, fish, vegetable, etc

Breastfeeding provides the best nutrition and protection from illness, for your baby. Exclusive Breastfeeding is fundamental in the first 6 months. Many mothers continue to breastfeed after 6 months and then give as well. For advice on breastfeeding, consult your doctor or any other health professional or friend who has successfully breastfed. Frequent feeding is the best way to establish and maintain a good milk supply. A nutritionally adequate diet, both during pregnancy and after delivery, also helps sustain an adequate breast milk.

**HEALTHCARE PROFESSIONALS ONLY**

**Photo 4** – Examples of parallel imports of Nestlé BMS from lower-risk countries by third parties. Products are not NAFDAC approved. (Lagos State, Nigeria. December 2016)



**Photo 5** – Examples of parallel imports of Nestlé BMS from lower-risk countries by third parties. Products are not NAFDAC approved. (*Lagos State, Nigeria. December 2016*)



**Photo 6** – SMA Pink (0-12 months) for sale for 900 NGN. This was not labelled as a discount in-store, however we noted this product was on sale for between 2,400 –3,400 NGN at other retailers. (*Lagos State, Nigeria. December 2016*)



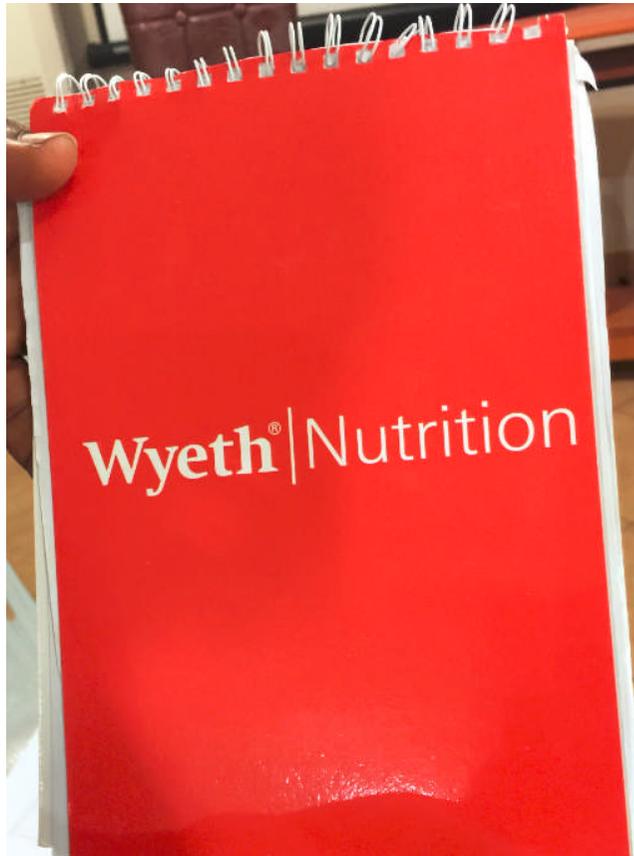
**Photo 7** – Shelving strips with “Choose Quality Choose Nestlé” under BMS. (Lagos State, Nigeria. December 2016)



**Photo 8** – BMS displayed at the front of the store, stacked on table-tops, in the open market and small stores across Lagos, for both Nestlé and other BMS manufacturers. (Lagos State, Nigeria. December 2016)



**Photo 9** – Example of Company branded giveaways received by HCPs at conferences (*other findings*). (Lagos State, Nigeria. December 2016)



**Photo 10** – Company branded scrubs received by HCPs (*other findings*). (Lagos State, Nigeria. December 2016)



**Photo 11** – In-scope and out of scope BMS from a range of BMS manufacturers (in-scope BMS for Nestlé) were on display on a banner outside 1 independent retailer in Bangkok, which was opposite a HCF. (Bangkok, Thailand. January 2017)



**Photo 12** – In-scope and out of scope S-26 products were displayed on prominent shelving (special display) at 1 retailer. The S-26 Progress Gold brand that is visible on the display relates to an out of scope product (for use by infants over 12 months). (Phitsanulok, Thailand. January 2017)



**Photo 13** – Use of shelving strips with “Nestlé” under the BMS. (Phitsanulok, Thailand. January 2017)



**Photo 14** – Use of shelving strips with “Wyeth Nutrition” under the BMS.  
(Phitsanulok, Thailand. January 2017)



**Photo 15**

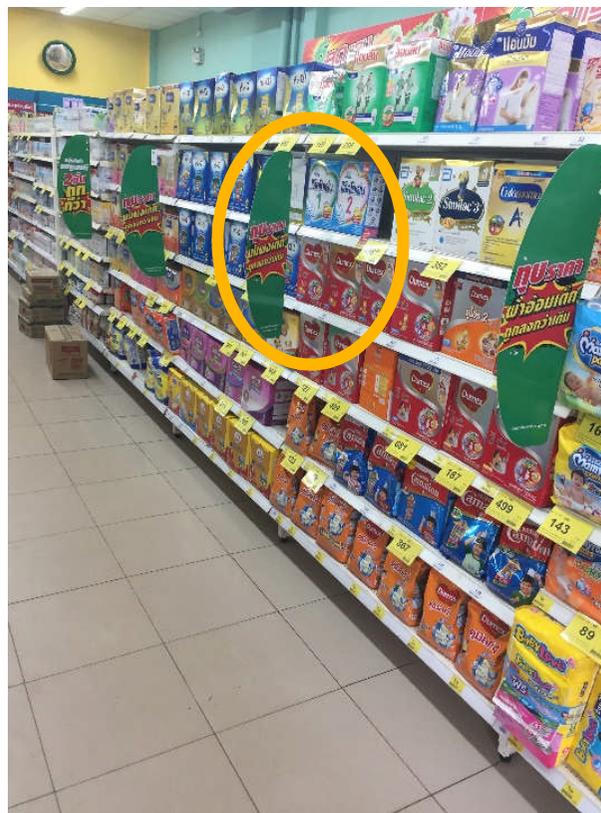
Large promotional signs at supermarket chains in Bangkok for Nestlé and other brands. Infant formula and follow on foods (IFFO) (i.e. in-scope BMS) are excluded from this promotion in the small print. *(Bangkok, Thailand. January 2017)*



**Translation:** “All BMS products at Big C!  
(excludes IFFO).

*Real Cheap! for mothers and families”*

**Photo 16**



**Translation:** “Sale! Cheaper BMS! (Only those in  
the campaign) (Excludes IFFO products).”

**Photo 17**



**Translation:** “All BMS on sale with up to 15%  
discount\* (excludes IFFO).

*\*from normal price”*

**Photo 18** – Multiple boxes of Lactogen, provided to the HCF by the Government for HIV+ mothers, were clearly visible in 1 waiting room. (Phitsanulok, Thailand. January 2017)



**Photos 19 and 20** - Graphical representations to show development between sequential Nestlé products. (Thailand. January 2017)



# Appendix 5 – Summary scoring

The table below provides an overview of our findings as they relate to the Tool Criteria.

Areas shaded in **grey** indicate the existence of new findings noted during the current year. Cells shaded in **orange** represent those areas where there are on-going observations. Cells shaded in **blue** are those areas where observations have been closed. Please note that some of our findings relate to more than one Criteria point.

Policy criteria						
Criteria	Assessment design			Assessment implementation		
	Corporate	Nigeria	Thailand	Corporate	Nigeria	Thailand
FTSE Criteria 1: Company policy should be publicly available and include acknowledgement of the importance of the International Code of Marketing of Breast-milk Substitutes, and subsequent relevant WHA resolutions, hereafter referred to as 'the Code'.						
FTSE Criteria 2: Naming the person responsible at Corporate Executive Board level or Executive Management level and at the individual country level for the implementation and monitoring of the policy.						
FTSE Criteria 3: Acknowledgment that, independently of any other measures taken by governments to implement the Code, manufacturers are responsible for monitoring their marketing practices according to the principles and aim of the Code, and for taking steps to ensure that their conduct at every level conforms to their policy in this regard.						3.3.4.1
FTSE Criteria 4: Acknowledgment that the adoption and adherence to the Code is a minimum requirement for these countries and where national legislation or regulations implementing the Code are more demanding than the Code, the company will follow the national measures in addition to the Code (Additional Policy Criteria with Regards to Company Operations in High Risk Countries <sup>1</sup> ).					3.3.6.1	

<sup>1</sup> The requirements for low risk country operations will be reviewed by the FTSE4Good BMS Committee within 5 years for revisions to bring them, over time, in-line with high risk requirements.

## Policy criteria

Criteria	Assessment design			Assessment implementation		
	Corporate	Nigeria	Thailand	Corporate	Nigeria	Thailand
FTSE Criteria 5: Explicit confirmation that there will be no advertising or promotion of infant formula, follow-on-formula products, or delivery products (i.e. teats and bottles) in these countries (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).						
FTSE Criteria 6: Explicit confirmation that complementary (weaning) foods and drinks will not be promoted for the use of infants under the age of six months in these countries (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).						
FTSE Criteria 7: Commitment to follow all national regulations in relation to the marketing and promotion of breast milk substitutes (Additional Policy Criteria with Regards to Company Operations in Low Risk Countries).						

## Corporate public policy and lobbying of regulators

Criteria	Assessment design			Assessment implementation		
	Corporate	Nigeria	Thailand	Corporate	Nigeria	Thailand
FTSE Criteria 1: Companies have a valid and important engagement role in the development of effective and appropriate legislation. They should have clear, openly-stated and enforceable policies on the objectives and practice of their political lobbying regarding government's implementation of the Code, and specifically companies must be open about their objectives, and make position papers publicly available to demonstrate consistency.						
FTSE Criteria 2: Seek to ensure that the trade associations and industry policy groups, to which they belong, operate to the same high standards with membership of such organisations being disclosed.						

<b>Management systems</b>						
<b>Criteria</b>	<b>Assessment design</b>			<b>Assessment implementation</b>		
	<b>Corporate</b>	<b>Nigeria</b>	<b>Thailand</b>	<b>Corporate</b>	<b>Nigeria</b>	<b>Thailand</b>
FTSE Criteria 1.1: Clear communication of the company policies, procedures for its implementation throughout the production and marketing processes, and provision of training in its application, to senior management and all relevant marketing staff operating in the high risk countries.					3.3.4.1	3.4.4.1
Additional Assessment Measures 1.2: Information and Education	3.2.2.2			3.2.2.2		
Additional Assessment Measures 1.3: General Public and Mothers					3.3.6.2	3.4.6.1
Additional Assessment Measures 1.4: Health Care Systems					3.3.5.1 3.3.5.2 3.3.5.3	3.4.5.1 3.4.5.2 3.4.5.3 3.4.5.4
Additional Assessment Measures 1.5: Health Workers						
Additional Assessment Measures 1.6: Persons Employed By Manufacturers and Distributors						
Additional Assessment Measures 1.7: Labelling				3.2.2.2	3.2.2.2	3.2.2.2
Additional Assessment Measures 1.8: Quality						
FTSE Criteria 2: Clear accountability and responsibility within the Company for the implementation of systems for compliance with policy at all levels.						
FTSE Criteria 3: Whistle-blowing procedures that allow employees to report outside their normal management reporting line potential non-compliance with company policy in a way that protects them from possible negative consequences of such reporting.						
FTSE Criteria 4.1: On-going systematic internal monitoring of compliance with policy.					3.2.2.3	3.2.2.3
Additional Assessment Measures 4.2: Implementation and Monitoring						

## Management systems

Criteria	Assessment design			Assessment implementation		
	Corporate	Nigeria	Thailand	Corporate	Nigeria	Thailand
FTSE Criteria 5: Systems for investigating and responding in a timely manner to alleged non-compliance reported by governmental bodies, professional groups, institutions, NGOs or other individuals from outside the Company.						
FTSE Criteria 6: Systems for taking, as well as tracking, corrective action on all non-compliance cases, both internally and externally reported.						
FTSE Criteria 7: Regular external verification to provide evidence of well-functioning Policy compliance management and monitoring systems, conducted by a suitably qualified external expert.						
FTSE Criteria 8: In addition to management reviews, the production of annual summary reports to the Board of Directors on internal monitoring, external reporting and corrective actions taken regarding non-compliance.						
FTSE Criteria 9: In addition for operations in high risk countries, companies must provide to the FTSE BMS Committee, on request, copies of any related marketing literature and product labelling and inform the Committee (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).						

## External reporting

Criteria	Assessment design			Assessment implementation		
	Corporate	Nigeria	Thailand	Corporate	Nigeria	Thailand
FTSE Criteria 1: Adequate Company reporting procedures should include making annual summary reports available on adherence to policy, non-compliance, and corrective action taken.						

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