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## FTSE4Good BMS Criteria Verification Process

### Country Risk Assessment Matrix 2014

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### Introduction

The FTSE4Good Breast Milk Substitutes Marketing Criteria (BMS Criteria) require all companies in the infant formula and food business that are included in the FTSE4Good Index to obtain regular external verification to assess the adherence of the company to the FTSE4Good BMS Criteria. Part of the verification process necessitates two country assessment visits in situ. The Country Risk Assessment Matrix supports the FTSE4Good BMS Committee<sup>1</sup> in making its selection of countries for verification assessment visits, and is revised on a regular basis.

### Country Risk Assessment Matrix

A risk assessment matrix is used that ranks the Higher Risk Countries per the FTSE4Good BMS Criteria according to the risk of infant mortality and malnutrition together with the risk of marketing practices not being in line with the criteria. The matrix applies a structured and risk-based approach using best available data to support the ultimate decision on countries to visit. It was developed in collaboration with consultants, church investor groups, NGOs and other stakeholders, and the whole process is overseen by the FTSE4Good BMS Committee.

### Matrix Methodology and Country Selection: Overview

The process is outlined below, additional notes and data sources are listed in Appendix 1.



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<sup>1</sup> Now renamed the FTSE ESG BMS Marketing Advisory Group (the "BMS Committee")

# Country Selection Methodology: Detail

- Risk Factors:** Information is compiled on 9 factors related to infant health and nutrition, scale of company activities, and other varieties of external data are compiled from a range of established sources. Please see Table A for details.
- Scoring:** A total risk score is calculated for each country: created by adding up the scores for each country per factor, ranging from four for the highest quartile to one for the lowest quartile.
- Weighting:** A weighting is applied in relation to the state of regulation of the WHO Code per country. This creates a ranking of countries by risk.
- Selection:** A shortlist that takes into account practical issues such as in-country safety, minimum population size (countries with over five million people), not selecting countries previously verified, selecting two countries from different continents, urbanisation (countries with over 20% urban population).
- Approval:** The FTSE4Good BMS Committee reviews and approves the final two countries.

This matrix is the result of a number of years of collaboration and development. If there are any comments or suggestions in enhancing this further these can be forwarded to FTSE at [ftse4good@ftserussell.com](mailto:ftse4good@ftserussell.com)

**Table A: Risk Factors: Explanation of information and data sources used**

Risk Factor: data point in Risk Assessment Matrix	Data source	Rationale for using this data in the Country Risk Assessment Matrix
<b>External data</b>		
1. Child mortality rate quartile	UNICEF State of the World's Children Report	High child mortality rate indicates lower access to healthcare and may indicate higher risk of inappropriate BMS marketing practices. <i>NB: Data source based on the FTSE4Good BMS Criteria.</i>
2. Malnutrition rate quartiles	UNICEF State of the World's Children Report	High malnutrition rate indicates poorer diet and may indicate higher risk of inappropriate BMS marketing practices. <i>NB: Data source based on the FTSE4Good BMS Criteria.</i> This risk factor includes two sets of data relating to moderate and severe stunting and wasting.
3. HIV/AIDS	UNICEF State of the World's Children Report	This data can be important as it could influence both Orphan rates (which could then mean an increased number of children needing a breast milk substitute) and also that it could indicate a greater number of mothers who live with HIV, despite the low risk of transferral from mother to child through breast milk, may choose to feed their children with a breast milk substitute to lower the risk of transferral.
4. Corruption quartile	Transparency International Corruption Perceptions Index	Higher corruption could indicate higher risk of inappropriate BMS marketing practices.
5. Human development quartile	UNDP Human Development Index (HDI)	Lower human development could indicate higher vulnerability to inappropriate BMS practices, and therefore higher risk of inappropriate BMS marketing practices. The UNDP Human Development Index (HDI) was used as a measure of prosperity of the individual countries as it brings in three dimensions: health, education and living standards, all of which are considered to be relevant to the link between vulnerability and risk of inappropriate BMS marketing practices.
6. Access to improved water quartile	UNICEF State of the World's Children Report	Higher access to improved water sources could indicate less risk of BMS use with poor quality water, and therefore less risk of inappropriate BMS marketing practices.
7. State of the code by country	IBFAN State of the code by country Report	Countries with established legislation in place are less likely to be at risk of inappropriate BMS marketing practices.
8. No. of allegations made in the IBFAN 3 year report quartile	IBFAN 3 year report "Breaking the Rules, Stretching the Rules 2010"	Countries with more allegations in the IBFAN 3 year report quartile may be at higher risk of inappropriate BMS marketing practices.
<b>Internal data (information provided by the company)</b>		
9. Recent assurance (internal or external) over the company's BMS practices in the territories	Company	The recent assurance activity conducted in each country is used as an indicator of the company's recent focus on BMS practices in the particular country. This assurance could be internal (internal audit) or external (third party) for this. Recent assurance over the company's BMS practices is used as an indicator of potentially lower risk of inappropriate BMS marketing practices.

<b>APPENDIX 1 : Data Sources</b>			
Risk Factor	Source of data	Publication date	Date that data pertains to
Child rate mortality	<a href="http://www.unicef.org/sowc/index.html">http://www.unicef.org/sowc/index.html</a>	2013	2011
Malnutrition	<a href="http://www.unicef.org/sowc/index.html">http://www.unicef.org/sowc/index.html</a>	2013	2011
HIV	<a href="http://www.unicef.org/sowc/index.html">http://www.unicef.org/sowc/index.html</a>	2013	2011
Corruption	<a href="http://www.transparency.org.uk/corruption-data">http://www.transparency.org.uk/corruption-data</a>	2013	2013
Human development	<a href="http://hdr.undp.org/en/statistics/">http://hdr.undp.org/en/statistics/</a>	2013	2012
Access to improved drinking water	<a href="http://www.unicef.org/sowc/index.html">http://www.unicef.org/sowc/index.html</a>	2013	2011
State of the code by country ( <i>weighting factor</i> )	<a href="http://www.ibfan.org/code-publications.html">http://www.ibfan.org/code-publications.html</a>	2011	2011
No. of allegations made in the IBFAN 3yr report	<a href="http://ibfan.org/icdc/">http://ibfan.org/icdc/</a>	2014	2014
Recent assurance (internal or external) over BMS practices in the territories	Data provided by the company	2014	2013

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