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## **A note on the new FTSE4Good Breast Milk Substitute (BMS) Marketing Criteria and its impact on the FTSE4Good March 2011 Review**

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The issue of BMS marketing has attracted significant attention over the years, due to the inappropriate marketing of infant formula and the resulting health impact on infants. This issue is of concern to a range of organisations, as well as investors, around the globe.

FTSE, together with the independent FTSE4Good BMS Marketing Committee, have developed detailed and specific criteria to assess companies in this sector. In September 2010, the FTSE4Good Policy Committee approved final revisions to the FTSE4Good Breast Milk Substitutes marketing inclusion criteria. These set requirements for company policies which cover lobbying, management systems, and reporting. The criteria build on the WHO International Code of Marketing of Breast-Milk Substitutes and subsequent World Health Assembly (WHA) resolutions ('The Code'). The revised criteria were drafted by FTSE and updated based on the outcomes of a consultation exercise with companies, investors and NGOs.

Given the higher risk of negative consequences from inappropriate marketing of breast milk substitutes in some countries, the criteria will prioritise countries that have the highest rates of child malnutrition and child mortality. 149 countries are currently identified by FTSE as 'higher-risk'. In these countries the index criteria thresholds applied are the toughest. Over time FTSE intends to include further attention to activities in lower risk countries too with an eventual aim of a single global approach.

### **Verification Assessment**

Once a BMS manufacturer meets the criteria and is included in the index, FTSE, together with third parties, will commission a verification assessment of the company's practices.

The independent verification is not a one-off assessment but an on-going annual requirement, following inclusion into the index, whereby BMS manufacturers need to demonstrate that the practices on the ground follow their policies.

This includes aspects such as whistle blowing procedures, senior executive responsibility, training of sales and marketing staff, internal monitoring, compliance mechanisms and responding to allegations.

The verification will take place in the following places:

- Global Headquarters
- Country operations in two 'higher-risk' countries
- Site visits to clinics, hospitals, and health centres and any other sites as appropriate, in the two 'higher-risk' countries.

This process aims to encourage improved practices and focuses on how companies can develop systems for continuous improvement.

The results will form the basis for positive engagement and dialogue with companies but would also inform committee decisions regarding a company's eligibility for deletion from the indices, if there is evidence they are no longer meeting the criteria and failing to take this issue seriously.

PricewaterhouseCoopers has been appointed as the assessor for the first cycle and the verification assessment will be commissioned in collaboration and consultation with a number of organisations.

### **The effect of the BMS marketing criteria at the March 2011 FTSE4Good review**

To date, none of the infant formula and food companies that have been in the assessment universe for the FTSE4Good Index Series have met the FTSE4Good BMS marketing criteria. The infant formula and food companies that are in the assessment universe include Abbott Laboratories, Danone, Heinz, Meiji Dairies and Nestle. Pfizer has recently been included in the assessment universe after their acquisition of Wyeth, an infant formula manufacturer. In order to remain in the FTSE4Good Index Series, Pfizer will now need to meet the FTSE4Good BMS criteria and be verified.

In the March 2011 review, Nestle was confirmed as the first company to have met the selection criteria, following them having made some important changes.

Nestle's policy commits them to refrain from promoting the following products; infant formula, follow-on formula for use by babies less than 12 months and complementary foods for babies under six months, in all of the 149 countries which FTSE and the FTSE4Good Committee have categorised as 'higher-risk'. The Nestle policy had taken this line in a number of countries previously but now explicitly covers all the high risk countries. In addition having public policies covering the above the company has also provided evidence of management systems covering whistle blowing procedures,

senior executive responsibility, training of sales and marketing staff, internal monitoring, investigating allegations and applying compliance mechanisms.

Nestle are now more public about both their policies (<http://www.babymilk.nestle.com/who-code-compliance/nestle-policy/Pages/default.aspx>) and where they have identified non-compliances (<http://www.babymilk.nestle.com/who-code-compliance/allegation-and-nestle-responses/Pages/default.aspx>).

The company had to demonstrate that they meet the criteria through providing information and evidence to the independent research provider EIRIS, which has then been reviewed by the FTSE4Good BMS Marketing Committee.

Following their inclusion in the FTSE4Good Index Series, Nestle now need to continue to demonstrate that they are meeting the criteria requirements through an independent verification process that will assess its practices on the ground. In the eventuality that the verification assessment finds poor performance and there is failure to improve, it would result in Nestle's removal from the index.

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For further information on the BMS marketing criteria please see;

[http://www.ftse.com/Indices/FTSE4Good\\_Index\\_Series/Downloads/F4G\\_BMS\\_Criteria.pdf](http://www.ftse.com/Indices/FTSE4Good_Index_Series/Downloads/F4G_BMS_Criteria.pdf)

For the press release issued by FTSE in February, concerning the BMS criteria and new verification process, please see;

[http://www.ftse.com/Media\\_Centre/Press\\_Releases/2011/20110210\\_FTSE\\_Group\\_leads\\_collaboration\\_to\\_improve\\_Breast\\_Milk\\_Substitute\\_marketing\\_practices.doc](http://www.ftse.com/Media_Centre/Press_Releases/2011/20110210_FTSE_Group_leads_collaboration_to_improve_Breast_Milk_Substitute_marketing_practices.doc)