

NESTLÉ S.A.

PAUL BULCKE
CHIEF EXECUTIVE OFFICER

Mr. M. Makepeace
Chief Executive
FTSE Group
12th Floor - 10 Upper Bank Street
Canary Wharf
London
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United Kingdom

Vevey, November 18th, 2011

Dear Mr. Makepeace,

We have appreciated the opportunity to work with FTSE in the process of your evaluation of our Breast Milk Substitute Marketing policies, procedures and practices for inclusion in the FTSE4Good Index. This has enabled us to do further diligent review and reinforce our policy and systems for management of our compliance with the WHO Code.

Further, we are pleased to be the first and only breast milk substitute manufacturer which has been included in the FTSE4Good Index so far. We also appreciate the transparency with which FTSE has approached the evaluation and reporting. We would like to thank you for this and for allowing us to respond to your remarks identifying areas for improvement, which will be a helpful contribution to our continuing efforts to improve.

Influencing Third Parties

We recognize that third parties, or those even further removed from our direct distributors, sometimes carry out acts which are not consistent with our policies relative to the WHO Code of Marketing of Breast Milk Substitutes, and this is an area of concern. We certainly want to find ways to bring to bear positive influence on those third parties at all levels, but want to point out that this is a highly complex area.

We make every effort to ensure that the distributors, importers, agents and retailers who are appointed by us and who buy our infant nutrition products are informed about the requirements of the WHO Code. Our policies and procedures provide that our written contracts with them in higher-risk countries include specific provisions about our WHO Code compliance policy. We provide them with information on what is and what is not allowed. When non-compliant point-of-sale activities are found,

we contact the third party to remind him of the relevant requirements of the WHO Code and the national Code (where there is one).

While we ensure that our customers are informed of the provisions of the WHO Code and our policies, there are other parties with whom we have no direct relationships who retail our products and can be a number of steps removed from us in the distribution chain. This distancing from our direct control dilutes the influence we can bring. Additionally, the sheer numbers of these outlets, numbering in the hundreds of thousands in some countries, makes the scale of the effort to learn about problems and to take appropriate action a formidable task.

One of the challenges we also face is that we are often constrained by national laws. We are subject to antitrust and commercial legislation with which we need to comply, and in many cases, this limits or prohibits our ability to influence the commercial policies of our customers and distributors.

Nevertheless, we recognize that the action of the whole distribution chain is an extremely important point that, when inappropriate, brings the whole of the industry into disrepute. In addition to our present actions in this regard, we continue to work on steps to improve awareness of the restrictions applicable to the sale of BMS products by third parties. Given the scope and complexity of the issue, we believe that the effectiveness of any measures that Nestlé can take unilaterally will always remain limited. This is why we believe that the only way to tackle this is to engage with other concerned stakeholders to discuss the best way to disseminate knowledge of the WHO Code and to enable reporting of inappropriate actions. Indeed, the WHO Code requests that the different stakeholders call the attention of manufacturers and of distributors to business practices which are incompatible with the principles and aim of the WHO Code, so that appropriate action can be taken. Currently we receive information that is often too out-of-date or too vague even to follow up. If NGOs and other concerned stakeholders could let us know of these acts of non-compliance in a timely and sufficiently informative manner, we could take the appropriate action.

We believe that it is by working together that the situation will be optimized and would strongly welcome an opportunity to engage with FTSE and with other stakeholders on this subject.

Nestlé activities that may be regarded as promotional

The question of what is and what is not promotional is a discussion that has been ongoing since the WHO Code was adopted in 1981, and we agree that there are grey areas. Nestlé has extensively described what we think is appropriate/not appropriate and shared this with the EIRIS, the FTSE Committees and posted it in the public domain. Whilst we feel that our approach takes a clear and strong position on promotional activities, we look forward to entering into discussions with you to see if there is any further action we can take to clarify our policies and procedures in this respect.

Concerning our support for conferences and sponsoring professional attendance at them, the goal is to provide for dissemination of technical/scientific information by manufacturers to the health care profession. We carry out these activities in accordance with the WHO Code which specifically allows companies to “donate fellowships, study tours, research grants, attendance at professional conferences or the like”, as long as the institution to which the professional is affiliated is informed. Again we would be happy to discuss this further with you.

Board Reporting


We acknowledge the issue and will ensure that the Board of Directors reviews this report each year. This procedure is underway this year.

Transparency and whistle blowing

We regret that FTSE has experienced some difficulty in finding key documents related to our WHO Code compliance and we will take steps to ensure that the documents referred to are more easily accessible. We understand your comments on our Ombudsman system. This system is intended to be a purely internal system for our own employees, in addition to other mechanisms in place to discover and invite information from external sources. We will share again our procedures for working with these internal and external systems and on that basis, we look forward to input from the FTSE Policy and BMS committees in order to better reinforce our own system.

Once again, we would like to express our appreciation for the diligence and transparency with which you have worked in your evaluation and verification of us in this complex area. We look forward to following up with you on the points you have identified and determining ways to make the effectiveness of our WHO Code compliance management systems even more robust.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Bulcke". The signature is fluid and cursive, with a large initial "P" and "B".

Paul Bulcke