
Nestlé's Comments on the verification report of the 2012 FTSE4Good Breast milk Substitute Marketing Assessment



We would first like to thank FTSE and PricewaterhouseCoopers (PwC) for the transparent manner in which they carried out the third-party evaluation of our company's Breast Milk Substitute Marketing (BMS) policies, procedures, and practices. We are once again proud of Nestlé's inclusion in the FTSE4Good Index.

The PwC Assessment Report on Nestlé, which forms part of the FTSE4Good's Index Breast Milk Substitutes Marketing Criteria Assessment, is being made public for the first time. Nestlé supports this important step forward by FTSE. The FTSE4Good inclusion process is a key building block of our commitment to transparency, compliance and good governance. It is our hope that the publication of Nestlé's FTSE4Good Index Assessment of Breast Milk Substitutes Marketing will set the foundation for a fact-based, constructive dialogue between all the concerned stakeholders.

FTSE4Good as part of our commitment to continuous improvement

Each year, we learn from the FTSE4Good process and take it as an opportunity to further improve our policies and procedures relating to the responsible marketing of BMS. Since our initial inclusion in the Index in 2011, the FTSE4Good Assessments have allowed us to improve our global business operations in the area of infant nutrition, notably to:

1. Enhance the transparency of our Compliance Management System;
2. Apply a more systematic approach to compliance with our policies and procedures relative to the responsible marketing of BMS;
3. Improve clarity regarding the application of the WHO Code in 152 higher-risk countries.

The FTSE4Good process has also led to significant improvements in our operations at the country level. Following the recommendations from the 2011 and 2012 assessments, we have put in place several key initiatives in higher-risk countries, including the following:

- (i) **We have amplified our communication regarding our policy concerning Code compliance with our distributors and customers, and we have encouraged them to share this information with their clients.** For example, all of our distributor contracts now include clauses specifying that third parties selling Nestlé BMS products should comply with the WHO Code or the national code, whichever is stricter, in higher-risk countries. In addition, we have developed guidelines on WHO Code compliance which are widely distributed to retailers.
- (ii) **We have improved the packaging of our products where appropriate to ensure they are adapted to local conditions.** This includes modifying the size of packages so that they can be conveniently purchased and safely stored. We are constantly revising our product packaging to ensure that the labels on all products legally commercialised by the company can be read in local languages in compliance with WHO Code and national regulations.

- (iii) **We have rolled out strict guidelines to ensure the appropriate use of display cabinets.** Notably, we are taking measures to ensure that all display cabinets are in line with our strict placement and signage guidelines and removing all those that do not conform. Furthermore in countries where there are no appointed Nestlé distributors or Nestlé operations, we have voluntarily removed all display cabinets.
- (iv) **We have strengthened our internal and external mechanisms for reporting concerns regarding our marketing of BMS,** to ensure that allegations of WHO Code violations can be raised with us directly, and that any allegations are promptly investigated, and addressed if need be. Notably, we are in the process of establishing Code Compliance Committees in all of our higher-risk countries. We are also actively working on the implementation of a stronger internal [Ombudsman](#) system. Furthermore, we frequently remind our employees that they are encouraged to raise any concerns in relation to the commercialisation of breast milk substitutes. In addition, external stakeholders are invited to [report any concerns](#) directly to our corporate headquarters.
- (v) **Compliance is the highest priority for our company.** Hence, we have strengthened our internal reporting mechanism between our markets and the corporate headquarters. The results of our internal compliance monitoring are now reported annually to our Board of Directors.

Nestlé operates in 194 countries worldwide and provides work to 339,000 people. With this come challenges in relation to the responsible marketing of BMS. These challenges include the complexities associated with the vast number of distribution points, which are often small outlets with whom we have no direct relationship, and the important obligation of complying with antitrust and commercial legislation. To address these challenges, we regularly train distributors and invest substantial amount of resources to make them fully aware of our policies and procedures.

We also encourage our consumers, employees and stakeholders to contact us directly should they have any questions or concerns regarding the commercialisation of our BMS products. For instance, we have strengthened our internal Ombudsman system so that our employees can, in an anonymous way, report concerns regarding possible irregularities in the application of our policies on the commercialisation of BMS. Clearly, the responsible marketing of BMS requires concerted efforts and we call upon open collaboration with retailers, governments and civil society to help the industry as a whole to achieve this.

Supporting optimal nutrition

Good nutrition during the first 1,000 days of life, that is, from conception until a child reaches two years of age is fundamental to ensuring that every child achieves its full physical and cognitive potential that will allow him/her to live a healthy, productive adult life. To contribute to the good health and nutrition of children during this critical period, we support good nutrition of mothers. Additionally, we promote exclusive breastfeeding for the first six months of life followed by the introduction of adequate nutritious complementary foods, along with sustained breastfeeding for up to two years and beyond as recommended by the WHO.

Unfortunately, there are still numerous barriers to breastfeeding, including lack of a supportive environment and inadequate maternity legislation. Hence, health care professionals play a key role in providing parents with objective nutrition advice for infants and young children. When, in consultation with their healthcare providers, mothers and families have determined that optimal breastfeeding is not possible, infant formula plays a vital role in providing essential nutrients to infants. It is the only suitable BMS recognised by the WHO.

The way forward: Embedding learnings, increasing collaboration

With the aim of further improving the FTSE4Good assessment process, we would like to take this opportunity to offer the following suggestions:

- ❖ **Ensure that the verification and assessment reports continue to include the learnings acquired throughout the process and seek to continuously improve it.** Notably:
 - The report should continue to include mention of on-going progress and a summary of actions taken by assessed companies in relation to areas of improvement.

- ❖ **Encourage the public sector, the private sector and civil society to collaborate and build on the FTSE4Good Breast Milk Substitutes Assessment to:**
 - Reach a consensus on the application as well as interpretation of the Code, while keeping the health of children at the centre of the discussion. This includes clarifying the definition of what constitutes a BMS and the definition of complementary foods. In a child's diet, complementary foods are an essential addition to breastmilk after six months of age.
 - Provide adequate training to all parties interested in the application of the Code.
 - Discuss how this process can become a platform to promote responsible conduct within the industry, and as a means to raise industry standards and to motivate other BMS manufacturers to seek inclusion in the FTSE4Good Index.
 - Establish a widely accepted and transparent process for the assessment of industry-wide commercialisation practices of breast milk substitutes.

Once again, we express our appreciation for the diligence and transparency with which PwC and FTSE have performed the assessment of our company. We are currently following up on the areas of improvement identified in the 2012 PwC report and are already taking actions to address them. Our progress can be measured through the Annual External Report which we publish on our website as well as the [verification reports](#) produced by Bureau Veritas and PwC. We invite all interested parties to consult these reports which we make public as evidence of our commitment to transparency and continuous improvement in our practices.