1.0 Background

1.1 Objectives

This was the third BMS verification workshop hosted by FTSE. It was organised as a follow-up to the previous workshop, and to present the findings of the third verification assessment of Nestle against the FTSE4Good Breast Milk Substitutes Marketing Inclusion Criteria to the multi-stakeholder group assembled. As in the previous workshop, three reports were provided to participants pending publication on FTSE’s website: (i) a context paper from FTSE (ii) the PwC Verification Findings Report and (iii) a Nestle response paper. In addition to reviewing the results, the workshop was held to review the methodology and process in order for FTSE to obtain feedback so as to be able to consider improvements. Furthermore the workshop aimed to provide participants the opportunity to explore areas for joint learning and collaboration.

1.2 Proceedings

FTSE initiated proceedings with a re-cap on the FTSE4Good Indices and background. Then PwC presented their report on the verification process and findings. With Nestle present, there was then a discussion of improvements that could be made to both Nestle’s practices and the verification process. This was followed with a general discussion and following the departure of PwC and Nestle there was more discussion on collaboration and next steps.
1.3 Participants

Groups that had attended the previous verification workshops were invited back to discuss and provide feedback on the results of the third verification and next steps. In addition, new attendees were welcomed to the gathering. The number of attendee organisations had grown significantly since the last workshop. Expert participants came from charities, ethical investor groups, NGOs, health and children's organisations, inter-governmental organisations as well as members of the FTSE4Good BMS Marketing Committee¹. The meeting was held under the Chatham House Rule, and this document summarises the workshop and findings as participants agreed that it was important the discussion be recorded and published in the interests of transparency.

Please note that these notes should be read alongside the referenced reports.

2.0 Introduction

2.1 Welcome

Participants were welcomed. It was noted that the growing representation over successive workshops was not only evidence of the resonance and importance of protecting breast feeding in the protection of infant health, but potentially a testament to an increasing desire for collaboration in order to make progress on this global health issue. For FTSE, BMS marketing still remained the most controversial subject covered by the FTSE4Good Index since launch in 2001, and FTSE remained as committed as it did at the outset to infant health and to championing change in corporate practices.

2.2 FTSE4Good Index

By way of context it was explained that the principles of the Index were to include companies that had better ESG practices as identified by the criteria, and to continuously increase the standards over time through successive criteria enhancements. Academic studies by Edinburgh University had found that up to 75% of companies moved to meet the criteria, depending on the Theme, and Nottingham University had found that corporate engagement with FTSE resulted in ESG issues getting onto corporate Board agendas and being addressed. The background on the BMS criteria was also outlined.

It was agreed that government action to implement the WHO Code and to enforce it was of critical importance. However given the absence of appropriate legislation and enforcement in many markets there was a role for companies to demonstrate leadership through going above and beyond legal requirements.

3.0 Follow-up from Previous Workshop Recommendations

3.1 Prioritise and Reduce Factors for Country Selection

The last workshop considered that while the quality of risk factors in the country risk assessment matrix had been improved, there were too many factors that led to the more important ones becoming obscured. It was therefore recommended that FTSE and PwC prioritise and reduce the number of factors to focus on a more critical sub-set. The risk factors were subsequently reviewed following external expert feedback and reduced to focus on those considered to be most critical. This refinement was considered an improvement by participants. There was a commitment from FTSE to publish the updated country selection methodology.

3.2 Consider Elements from the IGBM Protocol

¹ Now renamed the FTSE ESG BMS Marketing Advisory Group (the “BMS Committee”)
There was discussion about the IGBM (Interagency Group on Breastfeeding Monitoring) monitoring tool. The workshop attendees had suggested that there may be useful elements that could be introduced to enhance the FTSE4Good Verification Tool. The IGBM protocol had subsequently been considered and the verification methodology updated to include quantified targets set for Health Care Practitioner interviews and retail visits.

3.3 Extending In-Country Verification

At the previous workshop there had been a discussion that the visit schedule of the two selected countries per verification cycle would ideally be extended in length and deepened in coverage and content, if there was budget to achieve this. It was reported that a budget had been generously granted by the Bill and Melinda Gates Foundation which had allowed for extended verifications within the two countries providing more time and resource for deeper in country assessments.

3.4 Collaboration with ATNI (Access To Nutrition Index)

FTSE and ATNI were working on similar initiatives and attendees suggested alignment and collaboration where feasible. Meetings between the two organisations had taken place and progress had been made.

4.0 Key Discussion Points on the Latest Verification

4.1 Nestlé’s Assessment

The factual findings of the PwC verification report on the assessment of Nestlé, including the acquired Wyeth Nutrition business, were discussed along with the suggested enhancements and how the company was responding. Although there were areas that needed to be addressed Nestlé was regarded, on balance, to be following the FTSE4Good criteria, based on the evidence found through the verification. The progress the company was making on previous enhancement areas was discussed as was current and future work to address findings from the latest verification.

There was a wide ranging discussion and ranging from concerns and scepticism over certain aspects of Nestle’s marketing approach through to appreciation that Nestle was actively engaging stakeholders and making progress to improve practices. Some participants expressed frustration that more progress could not be made with respect to lower risk developed markets, and going beyond 12 months.

4.2 Sampling Methodology

The sampling methodology used to identify the external third parties to include in the verification process was discussed; this included interviews conducted with government and with health care professionals (HCPs), and visits to hospitals and retailers. The challenges of sufficient sample sizes to achieve statistically representative numbers over a wide enough geographical area within the time and travel constraints were discussed, including the balance between urban and rural activities. Although there would inevitably be some inconsistencies in scope, assessment criteria and process, there appeared to be interest in sharing monitoring work between parties to inform the assessment of company in-country performance.

4.3 New Mothers

There was a general desire for including interviews or feedback directly with new mothers to inform in-country monitoring. However after some discussion there was an acceptance that engaging mothers directly can be difficult to do appropriately and to make it work there would be a need for a different type of assessment. Instead participants felt there might be the potential for
FTSE’s verification providers to consider the results of other monitoring initiatives that do cover mothers.

4.4 Distribution Chain and Influence over Retailers

This topic regarding a company's sphere of influence had been previously discussed. It was acknowledged that for companies ensuring non-promotion of products through the chain of distributors, agents, importers, and retailers was challenging to control. The approach Nestle was taking to train and contractually require non-promotion was outlined. Potential barriers were debated including how competition law in certain markets prevented manufacturers from setting prices which could give retailers legal ability to challenge pricing restrictions and to apply discounts. This again highlighted the importance for regulator action.

5.0 New Recommendations

5.1 Verification Report Details

The participants suggested that the verification reports could provide additional detail regarding assessment implementation. This included; approach to selecting samples in terms of site visits and interviews; targets set for different geographical areas type of institution; the split of government and private healthcare; doctor and nurses by institution; and adding dates and locations to photographs.

5.2 Reviewing Promotion in the Media

The meeting noted that the media could be very influential in mothers' decisions regarding feeding and purchase choice for their infants, sometimes more than in-store promotion. Therefore it was suggested that the sampling methodology should explicitly consider adding a review of in-country media including television, radio and poster advertising.

5.3 Explanation and Overview Summary for In-Country Stakeholders

It was suggested that FTSE develop materials providing a simple overview of its BMS work to use with in-country stakeholders. This would enable better understanding and involvement of such groups.

6.0 Working Together

Although all parties were working in different ways towards improving infant and child nutrition the approaches and initiatives being undertaken were different and diverse. In some cases there would be direct opportunities to work together, or build on one others' initiatives. In other cases there were learnings that could be applied, or where alignment could be possible. There was also recognition that there were different views and positions on how to most effectively engage industry, and therefore different organisations would continue to take different policy approaches.

Where there were opportunities to work together or learn from one another, the organisations agreed to explore these further.

7.0 Looking Forward from FTSE's Chief Executive

7.1 Global Verification

Mark Makepeace thanked participants for their attendance and involvement. He emphasised FTSE’s commitment to playing a role in catalysing improvements in corporate practices that affect infant health and nutrition and cited the FTSE4Good BMS Criteria and verification process as the
beginning of a journey. The journey was towards FTSE’s vision of a model whereby trust would be built so that civil society groups and companies would collaborate to oversee verifications. Ultimately this would have positive impacts on infant health and would allow FTSE to step back from needing to commission verifications itself. He thanked everyone for their commitment to getting this far, and in advance for their on-going support and collaboration which would be critical to making progress on the shared vision, and to future progress with additional companies and continual enhancements to the methodology.
About FTSE Russell

FTSE Russell is a leading global provider of benchmarking, analytics and data solutions for investors, giving them a precise view of the market relevant to their investment process. A comprehensive range of reliable and accurate indexes provides investors worldwide with the tools they require to measure and benchmark markets across asset classes, styles or strategies.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

FTSE Russell is focused on applying the highest industry standards in index design and governance, employing transparent rules-based methodology informed by independent committees of leading market participants. FTSE Russell fully embraces the IOSCO Principles and its Statement of Compliance has received independent assurance. Index innovation is driven by client needs and customer partnerships, allowing FTSE Russell to continually enhance the breadth, depth and reach of its offering.

FTSE Russell is wholly owned by London Stock Exchange Group.

For more information, visit www.ftserussell.com.

To learn more, visit www.ftserussell.com; email index@russell.com, info@ftse.com; or call your regional Client Service Team office:

<table>
<thead>
<tr>
<th>EMEA</th>
<th>North America</th>
<th>Asia-Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>+44 (0) 20 7866 1810</td>
<td>+1 877 503 6437</td>
<td>Hong Kong +852 2164 3333</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tokyo +81 3 3581 2764</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sydney +61 (0) 2 8823 3521</td>
</tr>
</tbody>
</table>