



FTSE4Good BMS Criteria and the WHO Code

Background

An important component of FTSE's Environmental, Social and Governance (ESG) criteria, used to assess corporate practices and performance, are the Breast Milk Substitute (BMS) Marketing Criteria. These form part of the Customer Responsibility Theme in FTSE's ESG Ratings methodology and form a requirement for inclusion in the FTSE4Good Index Series. Companies which manufacture BMS products must meet these BMS Marketing Criteria in full in order to enter the index.

The FTSE4Good Breast Milk Substitutes (BMS) marketing inclusion criteria require company policies to align with the World Health Organization (WHO) International Code of Marketing of Breast Milk Substitutes and subsequent World Health Assembly (WHA) resolutions. This document sets out these requirements and aims to explain the application of the criteria in relation to the WHO Code.

A Phased Approach

As with all FTSE4Good criteria, the requirements for the FTSE4Good BMS Marketing Criteria will evolve over time. They take a phased approach, representing practical steps a company can take towards meeting the WHO Code. FTSE4Good Index Criteria are based on "challenging but achievable" requirements, that are based on international standards, and that are informed by consultation.

Higher Risk Countries

The criteria on the marketing of BMS focus on areas where there is the greatest risk to infants and young children by prioritizing countries that have the highest rates of child malnutrition and child mortality. There are 149 countries that have been identified on this basis as 'higher risk.' In these countries, alignment with the WHO Code is a minimum requirement. If countries have adopted policies and regulations more stringent than The Code, the FTSE4Good Criteria requires companies to comply with the applicable national policies.

Note that interpretations of the WHO Code and what constitutes BMS product varies considerably between organisations and therefore the FTSE4Good BMS Criteria aim to clearly articulate which products are covered. These products are defined as; infant formula, follow-on-formula products (for the use of infants under 12 months), complementary foods, or delivery products (teats and bottles).

All other countries beyond the 149 higher risk countries identified are considered 'lower risk,' which does not diminish the importance of appropriate marketing practices. This initial risk-based approach is different to the WHO Code which makes no distinction on risk between countries. In lower risk countries a company must currently follow national policies and regulations. Requirements for lower risk country operations will be reviewed by the FTSE4Good BMS Committee, with an aim to eventually align these with requirements for higher risk countries.

Complementing the Code

Firstly, in addition to requiring company policies to align with the WHO Code, company policies must align with national legislation or regulations implementing the Code if national policies are more demanding than the Code.

Secondly, the FTSE4Good criteria also go further by assessing how a company implements plans into practice by covering internal management system factors and practices such as:

- senior level accountability and responsibility;
- internal training systems;
- whistle blowing;
- on-going monitoring of practice against policies;
- investigating and responding to allegations;
- and public reporting on these matters.

Thirdly, the FTSE4Good BMS Marketing Criteria requirements also go beyond those for any other FTSE4Good environmental, social, or governance criteria. These are the only criteria that set out that, once a company meets the criteria and is included in the index, the company is then subject to an independently commissioned verification by a professional audit firm. It is made quite clear that this is a requirement of the criteria, and anything less will not result in inclusion in the index.

Finally, the criteria also make provision to identify companies that go beyond the initial requirements. An additional criteria that will be assessed as part of the FTSE ESG Ratings but that currently will not be a requirement of FTSE4Good Index entry is:

"Whether the company meets the criteria, as set out for Higher Risk Countries, in all countries it operates in". This indicator therefore assesses global application of the criteria.

FTSE's intent is that this document explains the approach of the FTSE4Good BMS Marketing Criteria in relation to the Code. FTSE has a transparent approach to criteria, and further details on the FTSE4Good Inclusion Criteria please see the website at <http://www.ftse.com/products/indices/F4G-BMS>. Any queries can be sent to FTSE4Good@ftserussell.com

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