

## **FTSE4Good BMS Verification Workshop: Meeting Summary**

### **1. Background**

In September 2010 the FTSE4Good Policy Committee approved the new FTSE4Good Breast Milk Substitutes Marketing Inclusion Criteria which set requirements for company policies, lobbying, management systems, reporting and verification. Nestlé was the first company to meet these Criteria and was added to the FTSE4Good Index at the March 2011 review. A key requirement of the criteria following inclusion in the index is third party verification. PricewaterhouseCoopers (PwC) carried out a verification of the company commissioned by FTSE and GAIN. The key findings were then published in a letter (linked below) from Mark Makepeace, FTSE's Chief Executive to Mr Paul Bulcke, Nestlé's CEO, Please also find a link to Mr. Bulcke's response.

[Letter from Mr Mark Makepeace, FTSE Chief Executive to Nestlé - 14 November 2011](#)

[Reply letter from Mr Paul Bulcke, Nestlé CEO - 18 November 2011](#)

Subsequently a workshop was held to review the results and the process itself. The meeting was held under Chatham House Rules, so the comments below have not been attributed to particular individuals or organisations, however all participants agreed that it was important for the discussion at the meeting to be recorded. This report summarises the findings.

### **2. Agenda and Participation**

There has been an ongoing dialogue about the FTSE4Good BMS Criteria and verification process with a variety of stakeholders and NGOs. Groups that had previously provided advice in the development of the criteria and verification tool were invited to discuss and provide feedback on the results of the first verification and next steps. FTSE first provided an overview of the FTSE4Good Indices and background. Then PwC presented on the verification process and findings. Expert participants came from charities, ethical investor groups, NGOs and the FTSE4Good BMS Marketing Committee. Nestlé was also present and there was a discussion of improvements that could be made both in terms of Nestlé's practices and the verification process.

### **3. Key Discussion Points**

#### **Nestlé's Assessment**

Nestlé's agreement to third party verification was acknowledged to be an important step in building trust. The Verification Tool itself was considered to be a strong basis for the assessments with a recognition that it had been "road tested" in 2011 and would continue to evolve over the years ahead. There was discussion of the points raised in the letters between Mark Makepeace and Paul Bulcke (published on FTSE's website) regarding improvements that Nestlé was encouraged to make, and how they are responding. Nestlé was working on each of the points and also noted that they would welcome guidance and case studies as they look to benchmark themselves against best practices in other industries. Overall, Nestlé was considered to be largely in compliance with the FTSE4Good BMS Criteria, and would remain in the FTSE4Good Index while following up on the areas for improvement.

#### **Balance between Lead Time and Unannounced Visits**

PwC was responsible for arranging visits, within the guidance of the tool, of Nestlé's operations in India and Zambia. There was discussion regarding striking the right balance between providing some

warning of an assessment of a particular country to ensure key company personnel area available, and providing an element of surprise. Since the assessment is about the extent to which the companies internal systems (such as training, whistle blowing and compliance systems) were working in practice it was crucial to ensure that relevant staff would be available for interviews and meetings with the assessors. PwC had provided Nestlé with around 4 weeks' notice before the visits to India and Zambia and when in country had organised unannounced visits to retailers, health care facilities and NGOs.

#### The inclusion of Mothers in the Verification Process

There was also discussion on the extent to which the assessment should include direct meetings with new mothers. It was felt that an effective evaluation of mother experiences would require a different kind of assessment which would involve much greater time and resources spent in country with local language expertise and the need to interview a large number of mothers in order to achieve a meaningful sample. Complementary assessments organised by other groups could be useful in this area.

#### Third Party Verification

It was strongly felt by participants that external verification was an essential part of building trust between industry and the NGO community and that FTSE as an independent intermediary was helpful in achieving this. FTSE made it clear that while it was pleased to facilitate this process, and would continue to do so for a few years, increasingly other groups would need to get involved. FTSE was putting significant resources into an issue that only affected six companies from a universe of 2400 companies that were being assessed on a variety of environmental, social and governance performance areas. At the right point FTSE was keen to return to a "measuring" rather than "facilitating" function.

#### Broader Meeting

There was considerable support for the organisation of broader meetings with more companies and NGOs in order to address important issues around BMS marketing. For example, while companies need to play their part in influencing 3<sup>rd</sup> parties including suppliers, there may be limits in their ability to achieve this alone. Some participants felt this and other issues could be addressed through better collaboration between parties. The organisation of a broader meeting may be outside of FTSE's direct facilitation but if the agenda relates to its criteria and verification process FTSE signalled that it would be ready to be involved.

### **4. Recommendations for the BMS Committee**

#### Country Selection for Visits is Extremely Important

A comprehensive risk assessment was carried out in order to select the countries visited. However, following feedback from a specialist NGO, it was acknowledged that the risk assessment process could be enhanced and greater consideration and weighting be given to the state of regulation within individual countries, and its implementation.

#### NGO and Governmental Meetings as part of Verification Assessments

The participants welcomed the NGO and government input in Zambia but felt that more of these meetings could have been achieved in India. PwC explained that government meetings in India are difficult and time consuming to organise and had not prioritised NGO meetings in India. Following feedback from FTSE and the BMS Committee they had carried out more NGO visits in the second country visit (Zambia) as well as the government meeting. The participants felt that these meetings

were crucial and should be carried out at the start of country assessments to allow information to be used in other follow up visits and meetings.

#### Making the Assessment findings Public

There was discussion regarding how to ensure transparency of the process. It was regarded as essential for the assessment findings to be made public. The participants welcomed the public letter from FTSE that summarised the findings and recommended that the findings from all verification assessments are also made public, either in a similar manner or preferably through a summary report. It was also suggested that a workshop such as this one should also be organised after other assessments of Nestlé or other companies.

#### **5. Next Steps**

- Other meeting participants will consider the organisation of a broader multi-stakeholder meeting.
- The FTSE4Good BMS Committee will review the suggestions made from the workshop in making enhancements to the BMS Verification tool.
- FTSE will look to identify additional independent sources of funding for the verification assessments.
- Another verification assessment of Nestlé will be carried out.
- If another BMS manufacturer enters the FTSE4Good Index a verification assessment will also be organised for them.