

***FTSE4Good Breast Milk  
Substitutes Marketing  
Criteria Assessment***  
PwC Verification Assessment Report

January 2013

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# *1. Introduction, purpose and scope*

## *Introduction and context*

In September 2010, the FTSE4Good Policy Committee of FTSE International Limited (FTSE) approved the introduction of a FTSE4Good Breast Milk Substitutes (BMS) Marketing Criteria (the Criteria) which set requirements for company policies, lobbying, management systems, reporting and verification in relation to the World Health Organisation (WHO) International Code of Marketing of Breast-Milk Substitutes (the Code) and subsequent World Health Assembly resolutions.

PricewaterhouseCoopers LLP (PwC) was engaged by FTSE to perform a verification assessment of Nestlé's BMS marketing practices against the Criteria, using the FTSE4Good BMS Marketing Verification Tool (the Tool). We have worked with FTSE through 2011 and 2012 to help develop an overall assessment process to meet the needs of the FTSE4Good Breast Milk Substitutes Committee (the BMS Committee) in making decisions on inclusion in the FTSE4Good Index under the Criteria.

The verification assessment forms part of FTSE's overall assessment of Nestlé's BMS marketing practices against the Criteria. We have performed procedures agreed with and directed by FTSE, using the Tool, at Nestlé Corporate head office and in country in Morocco and Laos. The countries selected for site visits were selected through FTSE's risk assessment and selection process, supported by the risk assessment analysis. The output of our work is this Verification Assessment Report. Nestlé has provided us with access to its records, policies and procedures and staff. This is the second year that Nestlé has submitted its BMS marketing practices to be assessed against the requirements of the Criteria.

## *Scope*

The scope of our work was determined collaboratively in discussion with the Director of Environmental, Social and Governance at FTSE, the Principal Advisor of Responsible Investment at FTSE and the FTSE BMS Committee, and codified in the procedures required under the Tool. The procedures we performed were agreed by FTSE and consisted of:

- providing a risk assessment analysis to support FTSE's decision on country selection for site visits;
- reviewing Nestlé's BMS policies and procedures through reviewing documentation at the Nestlé Corporate level;
- country site visits to Morocco and Laos to assess BMS marketing practices on the ground in these two countries;
- desktop review procedures; and
- reporting the findings.

## *Report structure*

Through performing the procedures described below we have completed the procedures required by the Tool. All of the findings are presented in this report. The findings are grouped by key themes in the Executive Summary (Section 2), all of the findings are then presented from the corporate policies and procedures review and the two country site visits (Section 3). Finally, we have cross referenced the findings and points for improvement against the elements of the Criteria to demonstrate how the findings map back to the Criteria and the Tool (Section 5), which builds out the Criteria into further detail, so readers can see how the Tool has driven the procedures and findings.

## *Risk assessment analysis*

The countries selected for site visits are selected through a risk assessment process. We developed a risk assessment matrix with FTSE, profiling the Higher Risk Countries per the Criteria, using objective and publicly available data including:

- External risk factors such as child mortality rate, incidence of breastfeeding, access to antenatal care and a range of other data from external sources including UNICEF, The United Nations Development Programme, WHO and Transparency International.
- Audits performed on Nestlé BMS marketing practices in the Higher Risk countries, either by Bureau Veritas (Nestlé's external BMS auditor) or by Nestlé Group Audit (Nestlé's internal audit department).
- BMS regulation and enforcement, such as publicly available information on the status of implementation of the Code and whether the Higher Risk Country had its own BMS-related regulation to enforce the Code.

The risk assessment matrix was populated with quartile scoring for the risk factors noted above, for FTSE and the BMS Committee's use in deciding which two countries to direct site visit procedures to for the 2012 verification assessment.

Information regarding the scale of Nestlé's operations in the Higher Risk Countries (as defined in the Criteria), such as turnover or number of staff, was provided but ultimately not used in the FTSE and BMS Committee's country selection decision. Particular weighting was given by FTSE and the BMS Committee to the final element of the risk assessment matrix described above regarding the status of implementation of the Code into BMS-related regulation.

## *Policies and procedures review at Nestlé corporate head office level*

We reviewed Nestlé's policies and procedures relating to the Criteria and the Code at the corporate head office level, and performed a series of interviews with key individuals charged with responsibility for overseeing or implementing the relevant policies and procedures we reviewed.

During the 2012 assessment, selected detailed testing was performed over the documents supporting the policies and procedures.

## *Nestlé country site visits*

The country site visits performed in Morocco and Laos consisted of:

- visiting the offices of Nestlé Maghreb SA (Nestlé Maroc) and Nestlé (Thailand) Ltd (Nestlé Thailand) to perform procedures in the Tool regarding the approach to implementing the requirements of the Criteria; and
- meeting with 54 healthcare professionals (HCPs), 44 retailers, 1 distributor, 1 wholesaler, 1 non-governmental organisation (NGO), and 2 country government officials to get an independent perspective of Nestlé's BMS marketing practices in Morocco and Laos (further breakdown of interviews held is provided below and in Section 3).

Nestlé has a Head Office for the entire IndoChina region, based in Bangkok, Thailand, named Nestlé Thailand. In Laos, the distribution and sale of BMS products and the recruitment and employment of the Medical Delegates is operated by a third party distributor.

## *Evidence gathering methodology*

Our work with the HCPs, retailers, distributors, NGOs and country government officials was conducted through interviews. Where issues or items for further consideration emerged we sought evidence to support the issues where possible, described in the factual findings section below. Our assessment procedures have been based on historical information and the projection of any information or conclusions in our report to any future periods would be inappropriate.

Our evidence gathering procedures in the countries selected for country site visits are based on interviews and retail outlet inspections. We performed specific enquiries to assess practices against the Criteria, following up and requesting evidence for any claim or allegation made. Given the interview nature of our procedures, coupled with the often historical nature of the information being given, requests for evidence to support statements were often not fulfilled. We have noted such instances throughout this report. In the context of the procedures described above, the factual findings reported in this report are any statements made by an HCP, retailer or other third parties during interview, or any practices noted during retail outlet inspections. We visited the following numbers of HCPs and retailers during our country site visits to Morocco and Laos:

Evidence gathering activities	Procedures performed – Morocco	Procedures performed – Laos
<b>HCP interviews</b>	18 HCP interviews: nurses, midwives, doctors, professors, hospital directors and one hospital pharmacy stockist.	36 HCP interviews: Nurses, paediatricians, a triage doctor and one medical assistant.
<b>Retail visits</b>	21: 18 pharmacies, two superstores and one small shop.	23: 11 ‘wet’ market stalls, five family owned shops, three pharmacies and four mini-marts.
<b>Other interviews and procedures</b>	<ul style="list-style-type: none"> <li>• Interview at UNICEF Maroc.</li> <li>• Interview with a pharmacy wholesaler.</li> </ul>	<ul style="list-style-type: none"> <li>• Interview at Nestlé’s main distributor in Laos.</li> <li>• Interview with two officials from the Lao People’s Democratic Republic (PDR) Ministry of Health.</li> </ul>

## *Purpose of this report*

This report explains the procedures we performed and the factual findings. It is produced for the use of the FTSE4Good BMS Committee, but is being shared publicly as part of reporting on the overall assessment process, responding to stakeholder feedback on the need for transparent reporting on the assessment process. The findings included in this report have been communicated to Nestlé and we understand Nestlé’s responses to the findings will be included in the BMS section of FTSE’s website with other information relevant to FTSE’s overall BMS marketing practices assessment of Nestlé.

The findings are presented for the BMS Committee’s consideration. It is the responsibility of FTSE and its BMS Committee to decide on the appropriate course of action with regard to decisions on inclusion of Nestlé in the FTSE4Good Index.

## *Use and distribution of this report*

As noted above the verification assessment forms part of FTSE’s overall assessment of Nestlé’s BMS marketing practices against the Criteria. This report has been prepared solely for the use and benefit of our client FTSE and its BMS Committee in accordance with the terms of our engagement letter dated 4 September 2012 and for no other purpose.

We consent to the publication of this report in conjunction with FTSE’s wider reporting explaining and demonstrating to stakeholders its assessment of Nestlé’s BMS marketing practices against the Criteria, without accepting or assuming any responsibility or liability on our part to any parties other than FTSE save where expressly agreed by our prior consent in writing.

## 2. Executive summary

For ease of use of this report, summarised below are the key findings of our procedures, highlighted for the consideration of the BMS Committee in its review of inclusion in the FTSE4Good Index under the Criteria. All factual findings from the procedures performed are documented in Section 3.

### Key findings – Split by themes

	Policies and procedures	Interactions with healthcare professionals (HCPs)	Retail	Management systems and governance
<b>Areas of good practice</b>	Detailed BMS policies, procedures and training materials were made available and reviewed for each element of the Criteria.	Detailed training is provided to medical delegates on the Code and its requirements regarding interactions with HCPs.	Detailed instruction is provided to distributors and Nestlé staff responsible for interaction with retailers on the Code and its requirements specific to how BMS products are displayed and priced.	We found evidence of detailed training and awareness programmes run with in-country medical delegates and wider Nestlé staff during the country site visits to Morocco and Laos, including Nestlé Thailand head office staff.
<b>2012 key findings</b>	None noted.	<ul style="list-style-type: none"> <li>Two HCPs interviewed in Morocco said Nestlé had left samples of BMS products or that they felt able to request samples. We requested but were not able to find or see examples.</li> <li>In Laos, two HCPs noted that they collaborate with Nestlé on studies or research. This is a potential grey area which could raise the risk of inappropriate interaction between Nestlé and HCPs which could be interpreted by some as promotional.</li> </ul>	<ul style="list-style-type: none"> <li>In Laos we noted that part of the Lao language label was not affixed securely to product imported from Thailand, raising the risk of information not being available to Lao consumers.</li> <li>Related to the point above, Nestlé noted that in Laos some product is sold by retailers per the half box, in an unlabelled sachet. Nestlé advised it is taking actions to address this issue.</li> </ul>	It was noted during the Laos site visit that procedures for allowing third parties to report items to Nestlé's ombudsman could be improved, even if this was just a case of making other distributor staff aware of how they could raise an issue.

**Key findings – Split by themes**

	<b>Policies and procedures</b>	<b>Interactions with healthcare professionals (HCPs)</b>	<b>Retail</b>	<b>Management systems and governance</b>
<b>Follow up on 2011 key findings</b>	<p><b>(a) Transparency</b> We noted updated procedures being implemented to cover the issues raised in 2011, for example the clarity of the Nestlé website.</p> <p><b>(b) Whistle blowing</b> Nestlé staff were aware of procedures for internal whistle blowing during site visits. Nestlé is also now implementing an external grievance mechanism using a third party provider to address the issue raised in 2011. There have been no further findings in 2012.</p>	<p><b>(a) Nestlé activities which could be regarded as promotional – paying for attendance at conferences and seminars</b> During HCP interviews in India in 2011, they noted they believed there was some communication or influence used by infant nutrition companies with the Indian Government or the Indian Association of Paediatricians. No specific examples or evidence could be provided. <b>2012 update:</b> This issue was noted again in Morocco and Laos. It appears to require greater clarity in interpretation and implementation.</p> <p><b>(b) Contact between Nestlé medical delegates and mothers</b> In 2011 some Indian HCPs claimed Nestlé medical delegates demonstrate infant feeding to HCPs if asked. The Criteria prevents such demonstrations, however it does not state if the intent is to prevent this to HCPs, mothers or both. <b>2012 update:</b> We asked about this during all HCP interviews; one HCP in Morocco claimed that a Nestlé medical delegate was breaching the Code by having direct contact with patients and nurses and offering gifts. However, this was noted as being 2-3 years ago and no evidence, for example records of the complaint from the HCP or Nestlé, could be provided.</p>	<p><b>(a) Nestlé activities which could be regarded as promotional – branded retail display cabinets</b> In 2011 we noted a Nestlé Nutrition branded display cabinet being used to sell BMS products. We recommended the BMS Committee should consider whether this was a special display. The issue was then raised between FTSE and Nestlé. <b>2012 update:</b></p> <ul style="list-style-type: none"> <li>We noted some branded display items during country site visits in Morocco and Laos, indicating continued focus is required on training for those dealing with BMS products at the point of sale.</li> <li>We note ongoing discussions between FTSE and Nestlé regarding policy reform in this area.</li> </ul> <p><b>(b) Nestlé activities which could be regarded as promotional – price flashes used to highlight price of BMS products by retailers</b> This was not noted during 2012 retail visits. We noted Nestlé has included clauses in its distributor contracts in Morocco and Laos as part of a Group-wide initiative to include BMS marketing clauses with third parties selling Nestlé products on its behalf.</p> <p><b>(c) Product labelling</b> In 2011 we noted the majority of the infant formula products observed stated that ‘Breast feeding is best for babies’ in large printed type on the front of the product. One product we saw, Lactose Free Nan, did not have this message on the front of the packaging, but instead in smaller print on the reverse of the packaging. Lactose Free Nan is food for special medical purposes available over the counter. <b>2012 update:</b> This was not noted during 2012 retail visits. Nestlé informed us the product in question is for lactose intolerant children who would typically have the product prescribed for them by an HCP, and as such would only be likely to receive the product under these circumstances rather than purchasing it off the shelf.</p>	<p><b>(a) Board reporting</b> The 2011 assessment highlighted that annual reports on internal monitoring and compliance issues produced by Nestlé had not been shared at Board level. <b>2012 update:</b> We noted the equivalent 2012 reports had been shared at Board level.</p> <p><b>(b) Influencing third parties</b> In 2011 we noted challenges in the extent to which Nestlé can influence third parties selling their BMS products (e.g. distributors) or making policy statements (e.g. trade associations); and the conflict between the Criteria requirements and local operating conditions and/or anti-trust law. <b>2012 update:</b> We did not note any further specific instances of this during our 2012 work. Nestlé has altered its management systems by changing its contract clauses with third parties to include further requirements regarding the sale of its BMS products. Nestlé state that all third party contracts now contain a clause in regards to the WHO Code compliance.</p>



## 3. *Factual findings*

The procedures contained in the Tool were used to perform the assessment of Nestlé's BMS marketing practices against the Criteria. During our work we also observed practices which are of note, but that do not correspond directly to the Criteria included in the Tool. To produce a balanced report, the findings include these points as well as all of the factual findings relating directly to the assessment. The findings have been grouped according to the key phases of the work – the review of Nestlé Corporate level documentation and country site visits to Morocco and Laos.

The findings presented in this section are the results of the procedures performed during 2012. We have followed up and provided specific comments against 2011 key findings in the Executive Summary.

Throughout these findings, the infant formula, follow on formula products (for use of infants under the age of twelve months) and complementary foods (those promoted for the use by infants under six months) encompassed by the FTSE4Good Criteria are referred to as BMS. Where other, non-manufactured BMS are referred to, these have been noted as 'home made BMS'.

### 3.1 *Nestlé corporate policies and procedures review*

Interviews with ten staff from Nestlé Headquarters were performed in the week commencing 15 October 2012. We obtained from Nestlé details of any changes to procedures since the 2011 verification and held interviews with relevant staff to discuss these changes. The key 2012 challenges noted are consistent with those noted in 2011. The factual findings are provided in the tables below.

Procedures performed	Factual findings
<b>Approach to implementation of the Criteria</b>	<ul style="list-style-type: none"> <li>• Wide ranging interviews were performed with all corporate functions involved in Nestlé's application of the Code and relevant national legislation. Detailed knowledge of the Code was noted at each corporate function interviewed.</li> <li>• Training and awareness of the Code requirements is a part of every Nestlé Nutrition employee's induction.</li> <li>• Nestlé stated that any non-compliance with the Code is taken very seriously. No such issues were brought to our attention or identified during testing.</li> <li>• Highly detailed and widely communicated corporate policies are in place regarding implementation of the Code.</li> <li>• Nestlé employs a dedicated, senior team experienced in infant nutrition to oversee the implementation and monitoring of the Criteria and the Code.</li> <li>• Nestlé noted that it is active in lobbying governments in recommending implementation of the Code in national legislation. Nestlé believes effective introduction and implementation of BMS marketing legislation is necessary to provide a level competitive environment for all infant formula manufacturers in each operating market.</li> </ul>

Procedures performed	Factual findings
<b>Key challenges noted regarding the consistent application of the requirements of the Criteria and the Code</b>	<ul style="list-style-type: none"> <li>• <i>Challenge: The boundaries of Nestlé's responsibility to adhere to the Criteria and the Code beyond their own employees was raised during many of the Nestlé interviews.</i> <ul style="list-style-type: none"> <li>- During the procedures performed in 2012, the interviews held with third party wholesalers and distributors confirmed that Nestlé do train third party staff on the Code.</li> </ul> </li> <li>• <i>Challenge: The conflict between local law and Criteria implementation.</i> <ul style="list-style-type: none"> <li>- During the procedures performed in Morocco in 2012, this same challenge around local anti-trust law, which prescribes that companies are unable to set a fixed price for a product, and the Code which prescribes that product price may not be discounted by retailers.</li> </ul> </li> <li>• <i>Challenge: The spheres of influence of the implementation of the Criteria.</i> <ul style="list-style-type: none"> <li>- Whilst the spheres of influence remain a challenge, we have had the following updates from Nestlé during the 2012 procedures: <ul style="list-style-type: none"> <li>○ Higher-risk markets have been requested to include specific provisions about WHO Code compliance policy in all written agreements and contracts with third parties, including, when allowed by anti-trust laws and national legislation, a clause stating that systematic breaches of the Nestlé Policy and Instructions or national legislation may lead to the termination of the agreement.</li> <li>○ Inclusion of an 'Important reminder to the trade' as part of all contracts signed with third parties in the infant nutrition marketing and sales areas.</li> <li>○ Wider training for all appointed distributors and merchandisers with whom Nestlé have a written contractual relationship.</li> </ul> </li> </ul> </li> </ul>
<b>Points for further consideration</b>	<ul style="list-style-type: none"> <li>• During interviews regarding the Integrity Reporting System (Nestlé internal reporting system) it was noted that the onus to report to group head office rests with the markets. This could increase the risk of incomplete reporting of issues related to compliance with the Code if there are no follow up checks or certification from the markets that they have reported all issues.</li> <li>• The Bureau Veritas audits are designed around compliance with the Code, rather than the Criteria, as required by Management Systems Criteria 7.4 within the Criteria.</li> </ul>

### 3.2 Country site visit 1 – Morocco

A summary of the procedures performed during the Morocco site visit are set out below:

Evidence gathering activity	Procedures performed
<b>Documentation reviewed and interviews performed at Nestlé Maroc</b>	<ul style="list-style-type: none"> <li>Interviews with 12 BMS personnel, and access to all policies and procedures relating to application of the Code.</li> <li>Limited testing of selected evidence to corroborate application of Nestlé Maroc procedures where deemed necessary to support the control procedures in place.</li> </ul>
<b>HCP interviews</b>	18 HCP interviews: nurses, midwives, doctors, professors, hospital directors and one hospital pharmacy stockist.
<b>Retail visits</b>	21 retail visits: 18 pharmacies, two superstores and one small shop.
<b>Other interviews and procedures</b>	<ul style="list-style-type: none"> <li>Interview at UNICEF Maroc.</li> <li>Interview with a pharmacy wholesaler.</li> </ul>

The country site visit to Morocco was performed in the week commencing 29 October 2012. The factual findings of the visit are provided in the table below.

Procedures performed	Factual findings
<b>Country background and local operating context</b>	<ul style="list-style-type: none"> <li>The government has adopted the Code and has processes in place to address its implementation, however there is no Morocco specific BMS code.</li> <li>All multinational manufacturers' products are imported, a licence is required to do this.</li> <li>All BMS products for 0-12 months are sold through pharmacies. We understood through interviews with Nestlé and pharmacy owners that pharmacies have little incentive to reduce prices on BMS products; they would lose their licence to operate if a violation was noted by the authorities.</li> <li>Information from Nestlé suggests that the rates of exclusive breast feeding under six months are relatively low. Use of BMS is similarly low. Home made BMS such as tea and bread account for much infant nutrition.</li> <li>Nestlé Maroc noted that there have been no allegations against Nestlé Maroc by BMS NGOs in the country.</li> </ul>

Procedures performed	Factual findings
<b>Approach to implementation of the Criteria</b>	<ul style="list-style-type: none"> <li>The detailed BMS marketing policies and procedures produced and applied by Nestlé Maroc are based on Nestlé Corporate Headquarters policies and procedures, as implementation of the Criteria and adherence to the Code is centrally controlled by Nestlé Headquarters. The policies and procedures produced and applied by Nestlé Maroc are similar in the level of detail and objectives to the Nestlé Corporate Headquarters policies and procedures.</li> <li>Nestlé Maroc employees demonstrated knowledge of the Code and stated their commitment to adhering to the BMS marketing practices required by the Code and the Criteria. Nestlé implementation of the Criteria at the market level is based on implementing the requirements of the Code, with procedures modified to also bring in the requirements of the Criteria.</li> <li>The country policy and procedures for Morocco state the role rather than the name of the individual responsible at the individual country level for the implementation and monitoring of the policy. This is to allow for staff changes, but is raised as it does not meet the Criteria.</li> </ul>
<b>Points for further consideration – third party interview</b>	<ul style="list-style-type: none"> <li>One wholesaler interviewed stated that no training is provided by Nestlé for interactions with the pharmacies, nor do Nestlé ask the wholesaler to provide the pharmacies with any WHO code information.</li> <li>Nestlé confirmed that, as all BMS is sold through pharmacies in Morocco, Nestlé's procedures do not include training of wholesaler staff and rather require direct training of pharmacy staff.</li> </ul>
<b>Points for further consideration – HCP interviews</b>	<ul style="list-style-type: none"> <li>One HCP interviewed claimed that a Nestlé medical delegate was breaching the Code by having direct contact with patients and nurses and offering gifts 2-3 years ago. They claimed to have reported this infringement to Nestlé headquarters. Evidence was sought from Nestlé during follow up procedures; however there was no record of this complaint being made either at Nestlé Corporate Headquarters or Nestlé Maroc.</li> <li>Two HCPs stated they felt they could request items and products from supply companies including Nestlé, and sometimes these requests would be fulfilled. Two further HCPs stated that this was the case four or five years ago, but not in the recent past. When requested, examples of items requested could not be provided. Items include gifts (such as a cafetiere), or samples of BMS for personal use, or use with families who could not afford the product themselves. Sample sizes would be small. When requested to provide examples of samples, none were available.</li> <li>Three HCPs stated that they have been invited to conferences, these can often be abroad and would be inclusive of travel and accommodation costs.</li> </ul>
<b>Points for further consideration – retail visits</b>	<ul style="list-style-type: none"> <li>BMS products were only noted as being available in pharmacies.</li> <li>No promotional signage, price reduction or discounts/discount coupons were seen.</li> <li>In two pharmacies, Nestlé branded display cabinets were used to display BMS products and these were positioned in prominent positions just behind the counter. One of the pharmacists concerned noted that 'Nestlé told us to display the product discreetly.' See photos 1 and 2 in Section 4.</li> </ul>

### 3.3 Country site visit 2 – Laos

A summary of the procedures performed during the Laos site visit are set out below:

Evidence gathering activity	Procedures performed
<b>Documentation reviewed and interviews performed at Nestlé Thailand</b>	<ul style="list-style-type: none"> <li>Nestlé has a Head Office for the entire IndoChina region, based in Bangkok, Thailand, named Nestlé Thailand. In Laos, the distribution and sale of BMS products and the recruitment and employment of the Medical Delegates is operated by a third party distributor.</li> <li>Interviews with 11 BMS personnel, and access to all policies and procedures relating to application of the Code at Nestlé Thailand.</li> <li>Limited testing of selected evidence to corroborate application of Nestlé Maroc procedures where deemed necessary to support the control procedures in place.</li> </ul>
<b>HCP interviews</b>	36 HCP interviews: Nurses, paediatricians, triage doctor and one medical assistant in Laos.
<b>Retail visits</b>	23 retail visits: 11 'wet' market stalls, five family owned shops, three pharmacies and four mini-marts in Laos.
<b>Other interviews and procedures</b>	<ul style="list-style-type: none"> <li>Interview at the main distributor in Laos – responsible for employment of medical delegates, distribution, sales and marketing of all Nestlé products. Nestlé performs the training of medical delegates in Laos.</li> <li>Interview with two officials from the Lao People's Democratic Republic (PDR) Ministry of Health.</li> <li>The government has a 'Lao PDR Agreement' that promotes breast feeding up until the age 2 years. This is in addition to the Code. As the Criteria requires adherence to both the Code and any local legislation (if stricter than the Code), the procedures were designed to incorporate the requirements of both.</li> </ul>

The country site visit to Laos was performed in the week commencing 12 November 2012. Interviews of Nestlé staff were performed at the Nestlé Thailand Head Office in Bangkok. The factual findings of the visit are provided in the table below:

Laos	
<b>Country background and local operating context</b>	<ul style="list-style-type: none"> <li>• In 2004 the Lao Ministry of Health released a decree entitled ‘Regulations on Infant and Child Food Product Control’ (Document title noted from IBFAN website). In 2007 it issued an agreement entitled ‘Agreement on Infant and Child Food Products Control in Lao PDR’ (copy made available by Nestlé). This promotes breast feeding up until two years of age.</li> <li>• Information from HCPs suggests that breast feeding is the primary source of feeding infants under six months of age.</li> <li>• Nestlé and some HCPs stated that the primary home made BMS are sticky rice and water.</li> <li>• Beyond six months, some HCPs recommend supplements such as home made substitutes; fruit, vegetables, rice, meats. These are recommended by some HCPs in favour of complementary foods or follow-on formula.</li> <li>• Retail outlets for BMS are: ‘wet’ markets (the main retail outlets in Laos), family owned shops, pharmacies and mini-marts (of which there are very few in the country).</li> <li>• Nestlé BMS products sold in Laos use Thai packaging, with additional Laos language labels affixed to the packaging.</li> <li>• Nestlé noted that there has been BMS NGO activity regarding their presence in Laos. Two items were brought to our attention: <ul style="list-style-type: none"> <li>- A British Medical Journal article about a Bear Brand sweetened milk which had an image that could be identified as being a mother bear feeding a baby bear. The article claimed that the image encouraged the sweetened milk to be used as a BMS. Nestlé has since changed the image used on the logo to a single seated bear, drinking.</li> <li>- A letter dated 24 May 2011 from 18 NGOs directly to Paul Bulcke (Nestlé CEO), explaining that they would not be applying for the ‘Creating Shared Value’ Prize and detailing a number of alleged Code violations by Nestlé within Laos.</li> </ul> </li> </ul>
<b>Approach to implementation of the Criteria</b>	<ul style="list-style-type: none"> <li>• The detailed BMS marketing policies and procedures produced and applied by Nestlé IndoChina are based on Nestlé Corporate Headquarters policies and procedures, as implementation of the Criteria and adherence to the Code is centrally controlled by Nestlé Headquarters. The policies and procedures produced and applied by Nestlé IndoChina are similar in the level of detail and objectives to the Nestlé Corporate Headquarters policies and procedures.</li> <li>• Nestlé IndoChina employees demonstrated knowledge of the Code and stated their commitment to adhering to the BMS marketing practices required by the Code and the Criteria. Nestlé’s implementation of the Criteria at the market level is based on implementing the requirements of the Code and relevant national legislation, with procedures altered to also bring in the requirements of the Criteria.</li> <li>• The use of a third party distributor in Laos creates distance between Nestlé and the consumer.</li> <li>• The country policy and procedures for IndoChina state the rather than the name of the individual responsible at the individual country level for the implementation and monitoring of the policy. This is to allow for staff changes, but is raised as it does not meet the Criteria.</li> </ul>

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**Laos**


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**Points for further consideration – third party interviews**

- During the interviews, the medical delegate from the third party distributor stated that there were four reasons for providing professional evaluation samples; these are when there is a new product; a new formulation; a new HCP; or new packaging. After the formal interview, the point was raised with a Nestlé member of staff. They requested that the question be re-asked in their presence, and the medical delegate reiterated that there were four reasons, but could no longer recall the fourth reason.
  - Processes for reporting non-compliance are in place, though there is a clearer route to reporting to the ombudsman for employees in Thailand than there is for those at the third party. The third party distributor employees interviewed were not aware that they could whistleblow directly to the ombudsman, but only through the third party distributor and then via the Nestlé Cambodia/Laos/Myanmar Manager to the ombudsman.
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**Points for further consideration – HCP interviews**

- One HCP explained a study they run in conjunction with Nestlé Thailand on babies born with nutritional deficiencies. They stated that they receive product from Nestlé Thailand for feeding babies in conjunction with breast milk, and they study the effects of the introduction of Lactogen 1 to the diet. The HCP stated their last delivery of Lactogen 1 was 20 boxes, and they have to sign for the delivery and that the product comes directly from Nestlé Thailand. The HCP stated that they report the study findings back to Nestlé Thailand.
  - An HCP explained a study whereby a hospital organised the health check for children from six months to five years in a kindergarten. The HCP stated that Nestlé requested to collect information from the study and in addition they also donated some infant formula (Lactogen 2) to children who have certain nutritional deficiencies. Nestlé subsequently provided photographic evidence showing activity in a kindergarten with milk product, Bear Brand 3+, materials present, stating that this was the study noted by the HCP.
  - Three HCPs stated that at conferences there were quizzes with small prizes (such as stationery), and that the quiz content was product and not nutritional information.
  - In one healthcare institution, a Nestlé ‘Start healthy Stay healthy’ height measure was on display. This was provided approximately five years ago. See photo 8 in Section 4.
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**Points for further consideration – retail visits**

- In one retail outlet, Lactogen was sold from a shelf with the former Bear Brand logo sticker (a large bear holding a small bear in a reclining position) along the shelf. See photo 7 in Section 4.
  - At various retail outlets, the Lao language label on the Lactogen product was relatively easy to remove, causing no damage to the Thai language box beneath. This test was performed only on the side of the product.
  - Related to the point above, Nestlé noted that product is sold by retailers per the half box, in an unlabelled sachet (no warnings or preparation instructions). Nestlé is in the process of implementing actions to address this including creating a single sachet and a letter to retailers on point of sale policy.
  - No promotional signage, price reduction or discounts/discount coupons were noted in retail outlets.
  - In one retail outlet, Lactogen and Nan AL110 were clearly visible in the shop window. See photos 3 and 4 in Section 4.
  - In one retail outlet the product available was labelled in the Thai language. The packaging was in poor condition. See photos 5 and 6 in Section 4.
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## 4. Photographic evidence

**Photo 1** Nestlé infant formula product on branded shelving



**Photo 2** Nestlé infant formula product on branded shelving





**Photo 3** Nestlé infant formula visible in a pharmacy window



**Photo 4** Nestlé infant formula visible in a pharmacy window





**Photo 5** Nestlé infant formula with Thai language label



**Photo 6** Nestlé infant formula packaging in poor condition





**Photo 7** Former Bear brand logo shelf sticker



**Photo 8** Nestlé branded height chart in a healthcare institution



## 5. Cross reference of findings to the Criteria

The table below provides a cross reference of the findings against each of the Criteria presented in the Tool. Its purpose is to highlight areas of the Tool where findings indicating areas for potential improvement were noted. A factual finding is raised for each of these areas in Section 3.

**Key:** Potential improvement possibility noted in this area.

Policy criteria						
Criteria	Assessment design			Assessment implementation		
	Corporate	Morocco	Laos	Corporate	Morocco	Laos
FTSE Criteria 1: Company policy should be publicly available and include acknowledgement of the importance of the International Code of Marketing of Breast-milk Substitutes, and subsequent relevant WHA resolutions, hereafter referred to as ‘the Code’.						
FTSE Criteria 2: Naming the person responsible at Corporate Executive Board level or Executive Management level and at the individual country level for the implementation and monitoring of the policy.						
FTSE Criteria 3: Acknowledgement that, independently of any other measures taken by governments to implement the Code, manufacturers are responsible for monitoring their marketing practices according to the principles and aim of the Code, and for taking steps to ensure that their conduct at every level conforms to their policy in this regard.						
FTSE Criteria 4: Acknowledgment that the adoption and adherence to the Code is a minimum requirement for these countries and where national legislation or regulations implementing the Code are more demanding than the Code, the company will follow the national measures in addition to the Code (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).						

## Policy criteria

Criteria	Assessment design			Assessment implementation		
	Corporate	Morocco	Laos	Corporate	Morocco	Laos
FTSE Criteria 5: Explicit confirmation that there will be no advertising or promotion of infant formula, follow-on-formula products, or delivery products (i.e. teats and bottles) in these countries (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).						
FTSE Criteria 6: Explicit confirmation that complementary (weaning) foods and drinks will not be promoted for the use of infants under the age of six months in these countries (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).						
FTSE Criteria 7: Commitment to follow all national regulations in relation to the marketing and promotion of breast milk substitutes (Additional Policy Criteria with Regards to Company Operations in Low Risk Countries).						

## Corporate public policy and lobbying of regulators

FTSE Criteria 1: Companies have a valid and important engagement role in the development of effective and appropriate legislation. They should have clear, openly-stated and enforceable policies on the objectives and practice of their political lobbying regarding government's implementation of the Code, and specifically companies must be open about their objectives, and make position papers publicly available to demonstrate consistency.

FTSE Criteria 2: Seek to ensure that the trade associations and industry policy groups, to which they belong, operate to the same high standards with membership of such organisations being disclosed.

## Management systems

FTSE Criteria 1.1: Clear communication of the company policies, procedures for its implementation throughout the production and marketing processes, and provision of training in its application, to senior management and all relevant marketing staff operating in the high risk countries.

Policy criteria						
Criteria	Assessment design			Assessment implementation		
	Corporate	Morocco	Laos	Corporate	Morocco	Laos
Additional Assessment Measures 1.2: Information and Education						
Additional Assessment Measures 1.3: General Public and Mothers						
Additional Assessment Measures 1.4: Health Care Systems						
Additional Assessment Measures 1.5: Health Workers						
Additional Assessment Measures 1.6: Persons Employed By Manufacturers and Distributors						
Additional Assessment Measures 1.7: Labelling						
Additional Assessment Measures 1.8: Quality						
FTSE Criteria 2: Clear accountability and responsibility within the Company for the implementation of systems for compliance with policy at all levels						
FTSE Criteria 3: Whistle-blowing procedures that allow employees to report outside their normal management reporting line potential non-compliance with company policy in a way that protects them from possible negative consequences of such reporting.						
FTSE Criteria 4.1: On-going systematic internal monitoring of compliance with policy.						
Additional Assessment Measures 4.2: Implementation and Monitoring						
FTSE Criteria 5: Systems for investigating and responding in a timely manner to alleged non-compliance reported by governmental bodies, professional groups, institutions, NGOs or other individuals from outside the Company.						
FTSE Criteria 6: Systems for taking, as well as tracking, corrective action on all non-compliance cases, both internally and externally reported.						

## Policy criteria

Criteria	Assessment design			Assessment implementation		
	Corporate	Morocco	Laos	Corporate	Morocco	Laos
FTSE Criteria 7: Regular external verification to provide evidence of well functioning Policy compliance management and monitoring systems, conducted by a suitably qualified external expert.						
FTSE Criteria 8: In addition to management reviews, the production of annual summary reports to the Board of Directors on internal monitoring, external reporting and corrective actions taken regarding non-compliance.						
FTSE Criteria 9: In addition for operations in high risk countries, companies must provide to the FTSE BMS Committee, on request, copies of any related marketing literature and product labelling and inform the Committee (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).						

## External reporting

FTSE Criteria 1: Adequate company reporting procedures should include making annual summary reports available on adherence to policy, non-compliance, and corrective action taken.



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