
Nestlé's Comments on the verification report of the 2017 FTSE4Good Breast Milk Substitutes Marketing Assessment



We would like to thank FTSE Russell and PricewaterhouseCoopers (PwC) for the rigorous approach with which they carried out their fourth round of verification of our company's breast milk substitutes (BMS) marketing policies, procedures, and practices. We highly value these regular assessments, which have taken place since 2010, as they enable us to deliver on our commitment to "[support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast milk substitutes responsibly](#)" and fulfil our company purpose, to enhance quality of life and contribute to a healthier future.

Deciding to voluntarily restrict company policies and practices beyond what is required by law is a courageous step, particularly in a challenging economic and business context. We welcome Danone's decision in June last year to align its policies and practices with the 104 rigorous [FTSE4Good Breast Milk Substitutes \(BMS\) marketing criteria](#). Now that two of the largest BMS manufacturers have adopted this criteria, we hope others will follow. Concerned stakeholders should encourage all breastmilk substitutes manufacturers to apply the FTSE4Good BMS Criteria as a minimum standard of practice.

I. Context of the 2017 verification of the FTSE4Good BMS Criteria

PwC's in-country assessment of our practices in Nigeria and Thailand: two different contexts

Nigeria has in place some of the strictest measures for implementing the WHO Code in the world. Nestlé follows the 2005 National Agency for Food and Drug Administration and Control (NAFDAC) Regulations in this regard, which cover formula for infants 0-12 months and complementary foods from 6 months onwards (including growing-up milks for children 12-36 months). NAFDAC approves and strictly enforces the registration of BMS products and labels in Nigeria, regulates interactions with Health Care Providers (HCPs), including sponsorships, informational and educational material and governs donations of BMS to social welfare institutions.

Both Nestlé Infant Nutrition (NIN) and Wyeth Infant Nutrition (WIN) products are sold in Nigeria through 12 direct key accounts and a network of 86 third-party distributors who, in turn, sell Nestlé products to around 290,000 points of sale (out of over 420,000 outlets in the country). Market shares for infant formula (0-12 months) are as follows: Nestlé Nutrition¹ = 64.4%; Danone = 4.9%. Parallel imports of infant products from Europe (lower-risk countries) is a major issue we face in the country. Nestlé works closely with the Government to address this problem, but enforcement is challenging and little progress has been made to date.

¹ Nestlé Nutrition comprises both Nestlé Infant Nutrition and Wyeth Infant Nutrition.

Thailand: The Thai Department of Health is expected to translate the WHO Code into a national regulation by the end of 2017. In the absence of a local code, Nestlé voluntarily applies its [Policy & Instructions for the implementation the WHO Code](#).

Thailand has a broad and highly developed retail market in which all major international BMS manufacturers are present. It is also experiencing a rapid development of e-commerce channels. Market shares for infant formula (0-12 months) are as follows: Nestlé Nutrition = 28.8%; Danone = 30.6%. Wyeth Infant Nutrition (WIN) commercialises its range through a sole third party distributor. Nestlé Infant Nutrition (NIN) commercialises its product through the Nestlé distribution system of 37 third-party distributors that serve a wide range of wholesalers and outlets, and over 6000 direct customers ranging from supermarkets, cash & carry, convenience stores, traditional outlets and pharmacies. The presence of parallel imports in Thailand is less noticeable than in Nigeria.

II. Comments on the 2017 PwC Verification Report

Following the first verification carried out in 2011, we have constantly strived to improve our practices and address the areas of improvement identified through extensive internal and external monitoring mechanisms², including those provided by PwC. We thank PwC for recognising both our efforts and the substantial resources invested to ensure we maintain industry leading practices, particularly:

- ✓ The effectiveness of our WHO Code training system as demonstrated by our distributors' knowledge level;
- ✓ The extensive implementation of our external grievance mechanism "Tell Us" as confirmed by the level of awareness amongst our key stakeholders; and,
- ✓ Our commitment not to advertise products covered by national legislation and our policy, as confirmed by third party media monitoring.

We also acknowledge PwC's efforts to build its verification on a solid methodology and some of the limitations it faces, notably "*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*". Where such information gaps have been pointed out, we would like to clarify the following:

- ✗ Nestlé does NOT pay or reimburse HCPs for personal "entertainment expenses", as stated in our HCP sponsorships guidelines;
- ✗ Nestlé does NOT provide free BMS products to new mothers or support Health Care Institutions to do so; and,
- ✗ Our medical reps with the responsibility of detailing our BMS products to HCPs are NOT allowed to be in direct contact with pregnant women or new mothers.

Should stakeholders have evidence that Nestlé is not complying with local legislation implementing the WHO Code, the Nestlé Policy or the FTSE4Good BMS Criteria, we encourage them to report this to us

² Details on p.52-55 of the report [Nestlé in society – Creating Shared Value and meeting our commitments 2016](#)

through our [Tell Us](#) system or by any other means. We will investigate and take corrective actions, including disciplinary measures, as relevant.

III. Improvements made by Nestlé since the 2014 verification

We have acted on all the areas of improvement identified in the four previous verification reports and have reported on our progress every six months to the FTSE4Good BMS Expert Committee. Over the years, we have continued to build our compliance system. Below are some additional measures we have taken to further reduce the areas of concern:

- **Global implementation of our internal and external and grievance mechanisms**
 - **Our internal WHO Code Ombudsperson system** allows employees to seek advice or raise concerns regarding potential WHO Code related violations in an anonymous and confidential way, outside of their line management structure.
 - **External “Tell Us”**: enables external stakeholders to report concerns regarding compliance with the Nestlé Corporate Business Principles or applicable laws, including WHO Code related matters. It is available on our global corporate website and on 68 of our markets corporate websites including all higher-risk countries. It will be available for the remaining markets websites by the end of 2017. “Tell Us” operates through a certified external channel with confidentiality and it provides information in more than 60 local languages.

- **Increased transparency of our HCP sponsorship process**: the Nestlé Nutrition Guidelines for Sponsorship of Health Workers and Institutions for Professional Development and Scientific Research apply to all HCP sponsorship activities in all countries. The aim of this document is to increase the transparency of our sponsorship process and to align our practices around the globe.

- **Enhanced internal audit procedures to include interviews with HCPs**: We developed a standard methodology for our internal audit groups when visiting hospitals and clinics and for interviewing HCPs. The objective is to assess whether our activities within health care institutions (HCIs) as well as the interaction between medical delegates and HCPs comply with the Nestlé Policy and Instructions for Implementation of the WHO Code, and local regulations.

- **Global instructions on donations or low-cost supply of infant products for use in emergencies**: In line with the [WHO Guiding Principles for Feeding Infants and Young Children during Emergencies](#), we have put in place a clear framework and a rigorous management system to respond to requests for infant formula and Formula for Special Medical Purposes for Infants (FSMPs) in emergency situations. These guidelines are mandatory for all Nestlé businesses and in all countries. The Company will NOT donate infant formula and/or FSMPs for use in emergencies unless key conditions are met.

IV. Challenges we face in the responsible marketing of breast-milk substitutes

As we underlined in our response to the 2014 FTSE4Good verification, we face two main challenges, namely:

- the multitude of different country regulations implementing the WHO Code and;

- our limited influence on businesses with no contractual relationship with Nestlé, while respecting the limitations set by local regulations and anti-trust laws (e.g. retailers).

V. Accelerating progress to improve infant health and nutrition: three proposed actions

1. Help mothers breastfeed

Unquestionably, breastfeeding is the natural way to feed an infant. Though breastfeeding rates have steadily increased over the past few decades and most mothers initiate breastfeeding, only slightly more than a third of infants are exclusively breastfed up to the age of six months. Women returning to work is the leading cause for early cessation³ and numerous women state that they do not receive sufficient support to continue to breastfeed. We believe women need a conducive environment to breastfeed, including maternity protection and paid leave, widely available breastfeeding rooms and counselling as well as access to fact-based information adapted to their individual context.

2. Support countries as they translate the recommendations of the WHO Code into national regulations

More than 35 years after its adoption, only 39 countries have implemented all the recommendations of the WHO Code. To rapidly accelerate progress, all countries that are yet to do so could pass regulations aligned with the minimum standards set by the FTSE4Good BMS Criteria, taking into account their specific national context. The FTSE4Good BMS Criteria has been adopted by two of the largest BMS manufacturers and has been effective in improving company marketing practices. Focusing resources on creating a world-wide level playing field would be a decisive step toward global efforts to protect breastfeeding which could be followed by incremental progress on other child nutrition issues requiring attention.

3. Promote healthy diets for women and children

Parents and caregivers need support and easy-to-understand information to guide them on breastfeeding and what constitutes a healthy diet for the each member of the family. As well, improving the diets of adolescent girls and new mothers deserve more consideration. Along with nutrition education and support, families require access to safe, affordable, adequate, nutritious, tasty and convenient foods and beverages. Governments lack resources for nutritional interventions, so there is an opportunity for all concerned stakeholders to join forces and enable families to enjoy healthy diets.

VI. Going forward

Securing healthy and prosperous futures for mothers and children around the world is an aspiration that unites all concerned stakeholders, including Nestlé. Achieving this will require constructive involvement and collaboration by all parties. We will continue to lead the industry towards higher responsible marketing standards. In addition, we are ready to take a lead role within a “coalition of the willing” to support governments in carrying out the actions needed to benefit future generations.

³ The Lancet, [Breastfeeding series](#), 30 January 2016.