2011 Nestlé WHO Code Compliance
Record

Annual External Report
1. Introduction

Nestlé supports the best start in life for babies. This means protecting and promoting breastfeeding and ensuring that, when alternatives are needed, these are of the highest quality and are marketed responsibly and in line with the International Code of Marketing of Breast-milk Substitutes (WHO Code).

Nestlé recognizes that the WHO Code and subsequent World Health Assembly (WHA) Resolutions together make an important instrument for the protection of infant health, in particular in countries where public health concerns are heightened. Nestlé is committed to making sure that each employee operates in compliance with the WHO Code as implemented by national governments and in a way consistent with the Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes. These give detailed implementing instructions to align our marketing practices with the WHO Code.

In the 152 countries, classified as ‘higher-risk’ because of high mortality and malnutrition rates of children under 5, Nestlé commits to following the WHO Code as a minimum requirement and to apply national legislation when this is stricter than the Code. In all other countries (classified as ‘lower-risk’), Nestlé follows national regulations and/or other measures implementing the WHO Code, such as the EU Directive 2006/141/EC. For further information, please visit: http://www.nestle.com/csv/Compliance/baby-milk

This report, intended for interested stakeholders, describes the results for 2011 of Nestlé’s compliance with the WHO Code and our policy for the implementation of the Code. It is a summary prepared for reporting purposes and is not intended to give any enforceable rights to third parties. An annual report on WHO Code compliance is also submitted to the Audit Committee of our Board of Directors.

Information in this report comes from several sources, both internal and external. Internal sources are the corporate audit reports and our Internal WHO Code Ombudsman system. External sources are independent audits carried out by an external global leader in conformity assessment and certification services as well as external stakeholders (including NGOs and consumers).

2. Summary of our 2011 compliance record and correction action taken

Internal and external monitoring of Nestlé’s adherence to the WHO Code in 2011 showed the following:

- No evidence of systematic contravention of the WHO Code was found.
- 34 contraventions to our infant food marketing policy requiring remediation were raised:
  - 21 contraventions were directly attributable to Nestlé.
  - 13 contraventions were initiated by third parties (distributors and retailers).
- Of these 34 contraventions, 10 were carried out in Latin America, 6 in Africa, 6 in Asia, 6 in Eurasia, 4 in Europe, and 2 in the Middle East.
- Of the 21 contraventions directly attributable to Nestlé, 9 contravened our labeling requirements of milk products not adapted for infant feeding.
- One contravention initiated by a Nestlé employee resulted in disciplinary action taken: one employee was dismissed and two received warning letters.
- All contraventions requiring remediation have been corrected or correction is currently underway.
3. Summary of findings

3.1 Reported by internal sources

- **Internal audits**
  In 2011, Nestlé operations in 22 countries were audited by corporate auditors for WHO Code compliance, including 16 higher-risk countries. These found a total of 20 contraventions to the Nestlé Policy and Instructions requiring remediation, of which three contraventions initiated by third parties.

  Of the 17 contraventions directly attributable to Nestlé, 16 were carried out in higher-risk countries. In addition, eight of these 17 contraventions related to non-compliance with our mandatory labelling requirements.

- **Internal WHO Code Ombudsman System**
  Each Nestlé market operating in higher-risk countries has a designated Ombudsman to whom suspicions of WHO Code breaches can be reported by employees in a confidential manner, outside of line management.

  Reports from those WHO Code Ombudsmen pointed to seven concerns having been raised in 2011 through this internal whistle-blowing procedure. Out of those seven concerns, four were found to be contraventions to our policies and required corrective action, including three promotions at point-of-sale initiated by third parties.

  One of these contraventions was initiated by a Nestlé employee and resulted in disciplinary action (one dismissal and two warning letters). This concerned a promotion of infant nutrition products at point-of-sale.

3.2 Reported by external sources

- **External stakeholders**
  Eight concerns about our infant food marketing practices were raised by external stakeholders directly with us. Out of these, one led to Nestlé commissioning an independent audit of our practices in one country and one led to an internal investigation (see below). The other concerns either related to practices allowed by national legislation in lower-risk countries or concerns already raised and responded to in the past.

  The independent audit was carried out in Laos after a group of NGOs working in Laos raised a number of non specific concerns about our infant food marketing practices in the country, including advertisement and promotion of breast-milk substitutes to the public and in health care facilities, labels of infant formula not translated in the local language, and incentives to health care professionals. In addition to the independent audit that we commissioned there, we are in correspondence with these organisations to better understand their concerns.

  The internal investigation found that a planned activity directed at health care professionals would have been in contravention with our policies. As a result of a timely and welcome communication from the concerned stakeholder, this activity was cancelled before it took place.

- **External audits by Bureau Veritas**
In 2011, we commissioned Bureau Veritas, an external audit firm, to conduct three external audits on our WHO Code compliance in higher-risk countries. These were carried out in Laos, Cameroon and Jamaica.

These audits found a total of nine contraventions to the Nestlé Policy and Instructions requiring remediation, two of which were directly attributable to Nestlé. The other seven contraventions all related to promotions at point-of-sale initiated by third parties. The summary of these external audits are available on our website [http://www.nestle.com/csv/Compliance/baby-milk/Reporting-compliance/Pages/Reporting-compliance.aspx](http://www.nestle.com/csv/Compliance/baby-milk/Reporting-compliance/Pages/Reporting-compliance.aspx).

- **FTSE4Good Verification Assessment**

  In March 2011, Nestlé became the first infant formula manufacturer to be included in FTSE4Good, FTSE Group’s responsible investment index, after demonstrating that we met the [FTSE4Good Breast-Milk Substitutes Criteria](http://www.nestle.com/csv/Compliance/baby-milk/Reporting-compliance/Pages/Reporting-compliance.aspx), along with five other social and environmental criteria.

  Following inclusion in the index, FTSE commissioned PricewaterhouseCoopers (PwC) to undertake a series of independent assessments of our operations against the BMS criteria.

  The assessments were carried out by PwC between May and July 2011 at our headquarters and at our operations in India and Zambia. On the basis of these, the FTSE4Good Breast-Milk Substitutes Marketing Committee concluded that Nestlé was making “good and reasonable efforts” to implement the criteria in the two countries visited.

  Four areas for improvement were also identified by the Committee: influencing third parties, activities that may be regarded as promotional, board reporting, and transparency and whistle blowing. We started working in improving our processes in these areas in 2011 and will make further improvements in 2012.


4. **Conclusion**

In order to continually improve our practices, we call on our stakeholders and the general public to directly communicate to us in detail any concern or allegation of non-compliance with our commitments. We commit to investigate and respond to all concerns raised by external stakeholders directly with us, provided that we receive enough information to carry out an investigation. For more information on how to raise a concern, please visit: [http://www.nestle.com/csv/Compliance/baby-milk/Raising-a-concern/Pages/Raising-a-concern.aspx](http://www.nestle.com/csv/Compliance/baby-milk/Raising-a-concern/Pages/Raising-a-concern.aspx)

This interaction with our external stakeholders helps us improve our monitoring of our WHO Code compliance, and through this external report we aim at providing to those stakeholders a feedback on their concerns, as well as giving to the general public better insights into our Code compliance record.