



Nestlé SA

**Independent Assurance of Compliance with the WHO
International Code of Marketing of Breastmilk Substitutes
In Ukraine & Armenia (July 2012)**



Move Forward with Confidence



Independent Assurance Statement by Bureau Veritas

Introduction

Bureau Veritas has been commissioned by Nestlé S.A. to provide independent assurance of Nestlé Ukraine and Nestlé Caucasus compliance with the with the World Health Organisation (WHO) International Code of Marketing of Breast Milk Substitutes (1981) and subsequent World Health Assembly (WHA) resolutions as defined by the FTSE4Good inclusion criteria for the Marketing of Breastmilk Substitutes (BMS)¹ (herein referred to as the WHO Code) in Ukraine and Armenia respectively. This follows similar work previously conducted by Bureau Veritas for Nestlé SA in other global operations.

Scope of Work and Methodology

The assurance was conducted in 5 between 15 June 2012 by two assessors from Bureau Veritas UK Limited. The team has extensive experience of undertaking WHO Code compliance related work.

Preceding the assurance activities in Ukraine and Armenia, Bureau Veritas conducted the following activities:

- requested a list of Nestlé Nutrition employees with responsibilities for the sale of infant nutrition products in Ukraine and Armenia and details of local healthcare facilities, healthcare professionals, and distributors based in each of the two countries;
- identified other external stakeholders and local NGOs concerned with the protection, promotion and support of breastfeeding in Ukraine and Armenia; and
- independently determined a schedule of external stakeholder interviews and visual assessments to take place in Ukraine and Armenia between 5 and 15 June 2012.

During the assurance Bureau Veritas:

- selected 18 Nestlé employees for interview and review of their associated records, as part of its evaluation of Nestlé internal processes for managing compliance with the WHO Code in Ukraine and Armenia;
- undertook 43 interviews with a comprehensive range of key external stakeholders including Government, multilateral organisations, NGOs, distributors and healthcare professionals. In all but one of the meetings Nestlé was not disclosed as the client prior to the interview in order to avoid bias during interviews, neither was Nestlé informed in advance of who would be interviewed;
- selected and visited 19 healthcare facilities and 52 retail locations to visually assess compliance with the WHO Code, with particular reference to articles relating to the promotion of designated products and interactions with the general public and the healthcare system.

¹ FTSE4Good Inclusion Criteria for the Marketing of Breastmilk Substitutes explicitly prohibits promotion of complementary foods for infants under 6 months, and the promotion and advertisement of infant formula and follow-on formula products for infants under the age of 12 months in high risk countries.

Findings for the Ukraine Market

The following is a summary of findings from interviews and document review undertaken with a range of key stakeholders.

Nestlé Ukraine

All employees interviewed demonstrated a thorough understanding of the WHO Code, local legislative requirements and the Nestlé Instructions. Bureau Veritas is satisfied that the internal Policy Manual has been implemented across the Nestlé Ukraine operations, and that employees are operating in line with Nestlé Ukraine's procedures, and Nestlé SA's overall global approach to management of WHO Code compliance. No employee interviewed indicated that they were aware of any breaches of the WHO Code, and it was confirmed with the Ombudsman that there have been no incidences of non-compliance. Bureau Veritas identified some areas of improvement in relation to internal management procedures and documentation that have been provided to Nestlé Ukraine in a separate management report.

Distributors

Two representatives of Nestlé Ukraine's distributor were interviewed during the audit. Both demonstrated a sound understanding of the WHO Code and the Nestlé Instructions and the requirements it places upon their relationships with both Nestlé Ukraine and the trade. Interviews with the distributors confirmed that for BMS, no discounts are provided to retailers, no sales incentives are provided to the sales staff either by management or Nestlé, and no promotional point of sale materials are distributed to the trade.

Government

Despite best efforts, Bureau Veritas was unable to obtain a meeting with any government authorities with responsibilities pertaining to infant nutrition and the marketing of BMS in Ukraine.

Multilateral organisations/NGOs

Bureau Veritas met with a representative of an NGO based in Ukraine with an interest in infant nutrition and the promotion of breastfeeding. The interviewee stated a belief that samples of BMS are often provided to the mothers via the healthcare professionals. It was the opinion of the representative that Nestlé was generally supportive of the breastfeeding agenda in Ukraine, as they always discuss the superiority of breastfeeding. Advertising was considered by the interviewee to be one of the most common violations of the WHO Code; however the interviewee was unable to provide any documentation in support of the allegation.

Healthcare facilities and professionals

Bureau Veritas observed a Gerber (a Nestlé brand) branded prescription pad in the doctor's consulting room in one healthcare facility in Kiev. The pad contained pack shots of Gerber complementary products which are labelled as being suitable for infants from 4 months and above, and represents a promotion of complementary feeding for infants under 6 months old, a violation of Article 6.2 of the WHO Code. The item, which dealt with infant feeding and was intended for the

general public, also did not include the special mentions listed in Article 4.2 of the WHO Code. This was an isolated issue, as it was not observed in any other facility visited.

Retail

Throughout the audit, Bureau Veritas did not observe any intended promotional/marketing activities concerning products within the scope of the WCMS which had been implemented by Nestlé Ukraine. However, during a visit to one retail outlet in Kiev, the vinyl window artwork of the outlet was seen to contain a pack shot of Nestlé's infant formula NAN in the photograph. Whilst this artwork was developed by the retailer and is an isolated incident, it is considered to be in conflict with Article 5.3 of the WHO Code and the Nestlé Instructions, which prohibits the use of point of sale advertising of products within the scope of the WHO Code.

Findings for the Armenia Market

The following is a summary of findings from interviews and document review undertaken with a range of key stakeholders.

Nestlé Caucasus

All employees interviewed demonstrated a thorough understanding of the WHO Code and the Nestlé Instructions. Bureau Veritas is satisfied that the internal Policy Manual has been implemented across Nestlé Caucasus operations, and that employees are operating in line with Nestlé Caucasus' procedures, and Nestlé SA's overall global approach to management of WHO Code compliance. Bureau Veritas identified some areas of improvement in relation to internal management procedures and documentation that have been provided to Nestlé Caucasus in a separate management report.

Distributors

Two representatives of Nestlé Caucasus's distributor were interviewed during the audit. Both demonstrated a sound understanding of the WHO Code and the requirements it places upon their relationships with both Nestlé and the trade. Based on the evidence reviewed, Bureau Veritas is satisfied that for products covered by the WHO Code and the Nestlé Instructions, no discounts are provided to retailers, no sales incentives are provided to the sales staff either by management or Nestlé, and no promotional point of sale materials are distributed to the trade.

Government

Bureau Veritas interviewed one senior representative from the Ministry of Health during the audit. Although the Ministry of Health does not at present monitor the healthcare system for violations of the WHO Code, it is aware of many violations which occur in the healthcare system through the monitoring work conducted by a local health NGO. During the discussion with the interviewee regarding her personnel experience regarding the conduct of the infant formula manufacturers in Armenia, Nestlé was not identified by the interviewee as being responsible for the violations observed.

Multilateral organisations/NGOs

Bureau Veritas met with a senior representative of a health NGO based in Armenia with an interest in infant nutrition and the promotion of breastfeeding. The interviewee stated that the NGO is responsible for monitoring WHO Code violations, and publishes regular reports on promotional and marketing activities of BMS manufacturers. The last monitoring report was published in 2011. The interviewee acknowledged that Nestlé has a good understanding of the WHO Code, and was also the only manufacturer to have responded to the allegations made in the most recent monitoring report. However, it was felt by the interviewee that Nestlé had rescinded on some of the commitments made in its response to the monitoring report, with the interviewee highlighting the continued presence of complimentary foods labelled as suitable for infants aged 4 months and above in market. Bureau Veritas did not observe any complimentary foods labelled as suitable from 4 months during the audit.

Healthcare facilities and professionals

Evidence gathered through interviews with healthcare professionals and observations made in healthcare facilities indicate that Nestlé Caucasus is operating in line with the WHO Code. During a visit to a healthcare facility in Yerevan, a recent scientific information leaflet intended for healthcare professionals only concerning Nestlé's infant formula (NAN) was observed on the doctor's desk in view of the general public. Bureau Veritas enquired about the purpose of the document, to which the doctor confirm it was for medical professionals only. This observation was an isolated incident and was not observed in any other facility visited.

Retail

Visual observations in a range of retail establishments indicate there is promotion of BMS in Armenia through in-store advertisements or marketing, promotional pricing or any other promotional devices.

Bureau Veritas opinion

From our assurance activities, evidence or observations, it is Bureau Veritas opinion that:

- No significant evidence came to our attention to indicate that Nestlé Ukraine and Nestlé Caucasus are systematically or intentionally operating in contravention of the WHO Code, local legislative requirements or the Nestlé Instructions in Ukraine and Armenia respectively.
- Nestlé Ukraine has implemented the Nestlé Instructions promptly and effectively after Ukraine's re-classification as a high risk country following Nestlé S.A.'s inclusion in the FTSE4Good index.
- Both Nestlé Ukraine and Nestlé Caucasus have made considerable efforts to communicate its commitment to upholding the requirements of the WHO Code down the supply chain, through training of distributors and sub-distributors and communication by letter to retailers.

Bureau Veritas recommendations

Detailed findings and recommendations from our assurance activities have been provided to Nestlé S.A. as part of an internal Management Report. As a priority, Bureau Veritas suggests that Nestlé S.A. should ensure that:

- Nestlé Ukraine and Nestlé Caucasus implements the recommendations made in the Internal Management Report concerning the application and adherence to the WHO Code.

Limitations

- Due to time constraints, visual inspections of healthcare facilities and retail outlets and external stakeholder interviews were limited to the cities of Kiev (Ukraine) and Yerevan (Armenia).

This limited assurance is not intended to provide a definitive opinion as to whether or not Nestlé Ukraine and Nestlé Caucasus complies with the WHO Code in the Ukraine and Armenia respectively. Consequently, neither the limited assurance conducted by Bureau Veritas nor this statement constitutes a guarantee or assurance by Bureau Veritas that infringements against the WHO Code have not taken place.

Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in quality, health, safety, social and environmental management advice and compliance with 180 years of history in providing independent assurance services. Bureau Veritas has implemented a Code of Ethics across the organisation which ensures that all our staff maintains high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest. This assurance assignment did not raise any conflicts of interest.



Bureau Veritas UK Ltd

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