



Nestlé SA

Independent Assurance of Compliance with the WHO

International Code of Marketing of Breastmilk Substitutes

In Pakistan (July 2013)



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 Pakistan's compliance 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 Substitutes¹ (herein referred to as the 'WHO Code') and the Protection of Breast Feeding and Child Nutrition Ordinance 2002 and Protection of Breast Feeding Rules 2009 (herein referred to as the "Local Code") in Pakistan. 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 Pakistan between 2 and 12 July 2013 by two assessors from Bureau Veritas UK Limited, supported by two assessors from Bureau Veritas Pakistan. The team has extensive experience of undertaking WHO Code compliance related work.

Preceding the assurance activities in Pakistan, Bureau Veritas conducted the following activities:

- completed a gap analysis of the WHO Code and Local Code to consider where the scope of Local Code differed from the WHO Code;
- requested a list of Nestlé Nutrition employees with responsibilities for the sale of infant nutrition products in Pakistan and details of local healthcare facilities, healthcare professionals, and business partners in the country;
- identified other external stakeholders and local NGOs concerned with the protection, promotion and support of breastfeeding in Pakistan; and
- independently determined a schedule of external stakeholder interviews and visual assessments to take place in Pakistan between 2 and 12 July 2013.

During the assurance Bureau Veritas:

- selected 21 Nestlé employees for interview and review of their associated records, as part of its evaluation of Nestlé Pakistan's internal processes for managing compliance with the WHO Code in Pakistan;
- undertook 47 interviews with a comprehensive range of key external stakeholders including NGOs, business partners and healthcare professionals. In all meetings Nestlé was not disclosed as the client prior to the interview in order to avoid bias during interviews, neither was Nestlé Pakistan informed in advance of who would be interviewed;
- selected and visited 27 healthcare facilities and 75 retail locations to visually assess compliance with the WHO Code, with particular reference to articles relating to the

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.



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promotion of designated products and interactions with the general public and the healthcare system.

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

Nestlé Pakistan

In line with its Procedure 14 (Training) Nestlé Pakistan provides annual refresher training to all its third parties commercial partners including distributors, merchandisers, marketing agencies and research agencies on the requirements of the WHO and Local Code. However, on request of the records, to verify that induction training is provided to new employees of third parties such as distributors, Nestlé Pakistan was unable to provide the training attendance records. This represents a non-conformance with Procedure 14 which requires Nestlé Pakistan to maintain training records for all training delivered.

The Field Sales and Medical teams are instructed to monitor and report any observed violations concerning both Nestlé products using the Code Monitoring Form, as mandated by its own Procedure 13 (Monitoring and Reporting). On review of the completed monitoring forms, it was noted that reports of violations concerning Nestlé products observed in small independent retail outlets are not reported to the Sales Code Compliance Manager, as they are usually resolved immediately by the Field Sales team and no further action (such as reporting) was considered necessary. This represents a non-conformance with Procedure 13 (Monitoring and Reporting) which requires field sales staff, including third parties, to record all observed violations of the Local Code and report to the designated person within the Sales Division.

The Local Code requires that a '*Label of a designated product shall be designed so as not to discourage breast-feeding and shall provide the necessary information in Urdu language about the appropriate use of such product and the age before which a designated product should not be used*'. On review of the labels for formula products currently available on the market, it was noted that the feeding table on the back of the label of AL110, which provides guidance to users as to the quantity of product and water is required to feed an infant of a particular age, does not contain the Urdu translation for the infant age categories. The label was approved internally in May 2011. This observation represents a non-compliance with Chapter III (8 - 2) of the Local Code which mandates that the label should contain all the necessary information in Urdu language about the appropriate use of such product.

Business Partners of Nestlé Pakistan

Bureau Veritas met with one of Nestlé's distributors based in Lahore. Commercial terms and conditions relating to the distribution of infant formula products were reviewed to be in accordance with WHO/ Local code requirements. Induction training on the WHO and Local Code is provided and the distributor had a positive attitude to code compliance. However, opportunities were identified to revisit training material, to address the level of understanding and awareness of the



Nestlé requirements for code compliance, to incorporate clear responsibilities in job descriptions for all staff, and to reinforce the need to monitor and report any violations observed in the trade. No non-conformances with the WHO/ Local code were identified and these issues were raised as opportunities for an improved approach to ensure on going compliance and consistency.

Government

Bureau Veritas was not able to meet with any government representatives during the audit.

Multilateral organisations/NGOs

Bureau Veritas was able to meet with representatives of two non-governmental organisations in Pakistan and was made aware of research in areas of product labelling and national and provincial code implementation and monitoring, and other areas.

There was an inference that infant formula companies' involvement in the development of rules relating to the local code had led to delays in the drafting process. There was also an allegation that Nestlé had, against its internal Code Policy, provided infant formula supplies to one emergency relief camp in the event of a natural disaster although no further information or evidence was made available in support of these issues.

Other specific issues that were mentioned in relation to infant formula and code compliance included labelling of products and imported products – labelling issues were identified during the audit but Bureau Veritas did not identify any Nestlé products that had been imported.

Healthcare facilities and professionals

The following general observations concerning Nestlé interaction with the healthcare system in Pakistan:

- 1) No promotional materials concerning Nestlé's products covered by the scope of the Local Code were observed in the healthcare facilities visited.
- 2) No samples of any Nestlé products (including products covered by the scope of the Local Code) were observed in the healthcare facilities visited.
- 3) No allegations were made of Nestlé Medical Delegates having direct contact with mothers.

There were allegations made by healthcare professionals relating to the giving of infant formula samples, professional utility materials and also sponsorships:

- 1) Three healthcare professional claimed that all manufacturers offer infant formula samples, however the healthcare professional was unable to provide specific details regarding samples, including the name of the company, name of the product, date received, quantity of samples or frequency.
- 2) Three healthcare professional stated that Nestlé gives samples of infant formula however they were unable to provide any specific details about product names, dates, quantities and frequency. Later in the conversation, one healthcare professional clarified that it had received single use sachets of complementary food. Another healthcare professional stated that it had received samples of Nestlé's growing up milk.



3) One healthcare professional stated that all companies provide unbranded professional utility materials, but the healthcare professional was unable to provide specific details about the material.

4) One healthcare professional also stated that all companies give branded gifts (writing pads) but was unable to offer specific information as to which company provided the materials.

5) One health care professional claimed that Nestlé has previously provided inducements to healthcare professionals working in one public hospital, but was unable to offer any more information.

6) Healthcare professionals at one hospital claimed that they have received offers of sponsorship for events and small items of professional materials from infant formula companies, one of which, it was stated was branded with an infant formula product. However, each interviewee stated that they declined and were unable to identify which companies were making such offers.

Alleged claims were followed through at the Nestlé Head Office, by reviewing the marketing budget for infant formula, the MDMS to verify what materials (such as samples and items of professional utility have been distributed) and the PFME accounting system to look at spending made by Nestlé Nutrition. No objective evidence was found in support of the HCP's claims.

Retail

Nestlé branded shelf strips, with the messages '*Choose Quality. Choose Nestlé*' and '*Good life. Good food*' was observed in four retail outlets, placed under or around Nestlé's infant formula products. The positioning of the strips draws the attention of the consumer towards the Nestlé products and is considered to be a form of point of sale display and therefore in violation of Article 5.3 of the WHO Code. A revised planogram was issued to the sales team in 2013 prohibiting this practice.

Discounts were offered on Nestlé's infant formula products in twelve retail outlets visited. The discounts were offered by the small independent general and some pharmacy chains; promotional price tags were not used in store to promote the discounts. Bureau Veritas observed the use of a promotional price tag in one store which promoted the lower price of Nestlé's infant formula. Discounting represents a non-conformance against Article 5.3 of the WHO Code, which prohibits any activities at the point of sale, such as discounting to induce a sale of infant formula. , Bureau Veritas reviewed at the head office of Nestlé Pakistan the current pricing policy, distribution agreements and letters to the trade on Code compliance, which demonstrate that Nestlé does not allow retailers to discount its infant formula products. Based on the documentation reviewed, it is Bureau Veritas' opinion that the non-conformances observed in the retail outlets are the result of the action of retailers.

Nestlé's infant formula products were observed on a special display intended for its complementary food products in two retail outlets visited. The special display carries the slogan '*Big nutrition for small tummies*'. Whilst not intended for displaying infant formula, these displays represent a non-conformance against Article 5.3 of the WHO Code, which prohibits the use of special displays to induce the sale of infant formula to consumers.

In one retail outlet visited, Nestlé's infant formula products were observed to be displayed separately from other brands of infant formula in a shop front display. The retailer noted that this display has been requested by Nestlé. This display of Nestlé infant formula products represents a non-conformance against Article 5.3 of the WHO Code, which prohibits the use of special displays to induce the sale of infant formula to consumers. Nestlé Pakistan should rectify the non-conformance and provide additional guidance to the field sales team and merchandisers regarding the correct display of infant formula products.

Bureau Veritas opinion

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

- The omission of Urdu translation of the infant age categories in the feeding table on the label of AL110 represents a non-compliance with Chapter III (8 - 2) of the Local Code.
- The display of Nestlé branded shelf strips, with the messages '*Choose Quality. Choose Nestlé*' and '*Good life. Good food*' with Nestlé's infant formula products is a form of point of sale display and therefore in violation of Article 5.3 of the WHO Code.
- Discounts offered on Nestlé's infant formula represent a non-conformance against Article 5.3 of the WHO Code, which prohibits any activities at the point of sale, such as discounting to induce a sale of infant formula.
- The display of Nestlé's infant formula products on a special display intended for its complementary food products, with the slogan '*Big nutrition for small tummies*' represents a non-conformance against Article 5.3 of the WHO Code, which prohibits the use of special displays to induce the sale of infant formula to consumers.
- In one retail outlet visited, Nestlé's infant formula products were observed to be displayed separately from other brands of infant formula in a shop front display. The retailer noted that this display has been requested by Nestlé. This display represents a non-conformance against Article 5.3 of the WHO Code.
- No other evidence (other than that described above) came to our attention to indicate that Nestlé Pakistan is operating in contravention of the WHO Code or the Local Code.

Bureau Veritas recommendations

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

- Take immediate action to address the non-conformance raised regarding the label of AL110 to ensure all information detailed on the label is available in Urdu.
- Take immediate action to correct the non-conformances identified in the retail outlets, and conduct an investigation into the root cause of the issues and implement appropriate corrective action.
- Update its internal policy and procedures documents to ensure that they accurately reflect the observations and recommendations made in our Management Report.



Limitations

Visual inspections of healthcare facilities and retail outlets and external stakeholder interviews were limited to the cities of Islamabad and Rawalpindi, Pakistan.

This limited assurance is not intended to provide a definitive opinion as to whether or not Nestlé Pakistan complies with the WHO Code in Pakistan. 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, environmental, health, safety and social accountability with over 180 years history in providing independent assurance services.

Bureau Veritas has implemented a Code of Ethics across its business 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.

Bureau Veritas has a number of existing commercial contracts with Nestlé. Our assurance team does not have any involvement in any other projects with Nestlé outside those of an independent assurance scope and we do not consider there to be a conflict between the other services provided by Bureau Veritas and that of our assurance team.

Our team completing the work for Nestlé has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information and systems, and through its combined experience in this field, an excellent understanding of good practice in corporate responsibility, assurance and the WHO Code. The work has been led and reviewed by lead assurers.



Bureau Veritas UK Ltd

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