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# Providing optimal nutrition, responsibly

Optimal nutrition for mothers and babies during the first 1,000 days of life helps lay the foundation for a healthier future. A crucial part of this journey is breastfeeding, which provides the best start in life. We are committed to promoting, protecting and supporting breastfeeding, and we recognize that when breast milk is not available, infant formula is the only suitable alternative, according to the World Health Organization (WHO).

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Our aim is to provide optimal nutrition to all infants and young children.

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We have implemented industry-leading policies and systems to market breast milk substitutes, or infant formula, responsibly, and in accordance with the recommendations of the WHO International Code of Marketing of Breast-milk Substitutes (WHO Code). Compliance with the WHO Code, national legislation and our own strict policies and procedures is important to us and brings to life Nestlé's values, which are rooted in respect.

# About this report

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Nestlé's WHO Code Management System, aligned with the FTSE4Good criteria, is designed to safeguard the trust of our consumers and other stakeholders by ensuring we market and sell breast milk substitutes responsibly.

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Transparency is a key pillar of our WHO Code Management System, and this report describes our efforts to hold ourselves accountable and be open and honest with our stakeholders.

This report represents our 2019 WHO Code compliance record, which encompasses instances of non-compliance detected through our internal and external systems, as well as the root causes we identified and the corrective actions we implemented in response. When we find examples of non-compliance, we take immediate action to cease activities and use that information to improve our responsible marketing approach, practices and efforts.

The scope of our reporting includes instances of non-compliance attributed to Nestlé and to third parties in a direct contractual relationship with Nestlé. This is our sphere of influence.





# Executive summary

In 2019, Nestlé reported 107 instances of non-compliance with the Nestlé Policies and Procedures implementing the WHO Code worldwide.

Instances in 2019 were detected through different elements of our WHO Code compliance framework: internal monitoring (50%), Nestlé Internal Audit (21%), external allegations (18%), external verifications (7%) and internal and external grievance mechanisms (4%).

The Nestlé WHO Code compliance framework is effective, detecting 78% of the reported cases. Twenty-two percent of cases were reported through external sources (e.g., external allegations or by whistleblowers using our grievance mechanisms).

Thirty-nine percent of the reported cases were attributable to Nestlé. Nestlé was mainly responsible for gaps in compliance management processes, as well as cases related to Healthcare Systems and Healthcare Workers, such as sponsorships.

Sixty-one percent of the reported cases were attributable to distributors in a direct contractual relationship with Nestlé. These distributors' instances of non-compliance were related to The General Public and Mothers, such as promotions or special displays.

To date, all cases have been corrected. Corrective actions for Nestlé cases mainly consisted of strengthening processes or re-training employees. For distributors, the main causes were lack of awareness of Nestlé's rules and poor enforcement by local legislation, which can be addressed by ongoing staff training and re-training. Given Nestlé's ability to control distributor conduct is limited by competition law, clear implementation of the WHO Code into national law could allow for a significant reduction in such cases.

No systemic instance of non-compliance (involving a deliberate breach scheme throughout the organization) was identified in 2019. However, nine employees received disciplinary sanctions (three dismissals, six warning letters).

WHO Code compliance requires constant attention in a very competitive environment. Our 2019 findings are an opportunity to continuously improve our WHO Code Management System. We will continue engaging with external stakeholders on WHO Code compliance so they can better understand our compliance systems and practices and trust Nestlé and our efforts.



# The WHO Code: The foundation for Nestlé's Policy and Procedures

The WHO Code was published in 1981. In 1982, Nestlé became the first company to voluntarily implement the WHO Code by publishing our own policy on responsible marketing of breast milk substitutes, applicable to the Nestlé group and third-party contracted partners.

Today, about 40 years after the WHO Code was adopted, only 35 countries have implemented all of its recommendations. We support countries as they translate the WHO Code recommendations into national legislation, and we advocate for clear rules on the marketing of breast milk substitutes to enable optimal nutrition for mothers and babies.

The FTSE4Good Index proposes a practical, phased approach for companies to meet the WHO Code recommendations for United Nations Member States. These criteria are based on “challenging but achievable” requirements and international standards and are shaped in consultation with stakeholders.

Nestlé's Policy and Procedures have evolved over time. In 2011, they were updated to reflect the FTSE4Good Breast Milk Substitute (BMS) Marketing Criteria. We were the first—and for many years, the only—company to meet FTSE4Good's rigorous standards.

Countries are classified as higher-risk if they meet either of the following criteria in **children under 5 years of age**:

- Mortality rate of **more than 10 per 1000**
- Acute malnutrition (moderate and severe wasting) of **more than 2%**

The FTSE4Good BMS Marketing Criteria focus on countries with the highest rates of child malnutrition and child mortality. The principles applied daily to our marketing of breast milk substitutes are based on the following criteria:

**Higher-risk** countries are defined according to infant mortality and malnutrition and comprise 80% of all countries. In higher-risk countries, we:

- Abide by the specific rules of our Policy and Procedures when they are stricter than local legislation
- Do not promote infant or follow-on formulas for children under 12 months of age

In **lower-risk** countries, we abide by local regulation and legislation on the marketing of breast milk substitutes.

Nestlé actively applies FTSE4Good criteria, while most other companies apply less strict standards or only follow applicable laws. In the absence of clear industry standards, FTSE4Good criteria could fill this gap by establishing uniform rules applied by all companies of all sizes. We are proud of our inclusion in the FTSE4Good Index, as well as some of our competitors who followed our path and of our contributions to improving industry standards.

# External monitoring

We voluntarily submit our practices for external verification to ensure compliance with our Policy and Procedures, as well as all local measures implementing the WHO Code, regardless of whether a governmental monitoring system is in place. The FTSE4Good Index and Access to Nutrition Initiative (ATNI) measure performance against competitors and help identify areas for improvement. These processes are instrumental to the credibility of our WHO Code compliance framework.

In 2019, FTSE4Good and ATNI made an announcement regarding their verification processes. A more efficient joint approach optimizes engagement with companies, reducing the number of interactions for determining their assessments. Ultimately, each organization will produce its respective output based on its own methodology. FTSE4Good will continue assessing the marketing of breast milk substitutes designed for babies between 0 and 12 months of age for the three companies measured against the FTSE4Good criteria. ATNI will conduct its assessment of marketing practices of all foods designed for infants and young children up to 36 months of age for the ten largest baby food manufacturers worldwide.

	FTSE4Good	ATNI
What will be assessed	Marketing of breast milk substitutes for infants 0 to 12 months	Marketing of all foods designed for infants and young children up to 36 months
Who will be assessed	3 companies: Nestlé, Danone, RB/Mead Johnson; FrieslandCampina voluntarily applies the criteria without being part of the index	10 largest baby food manufacturers worldwide: Nestlé, Danone, RB/Mead Johnson Nutrition, FrieslandCampina, Abbott, Kraft Heinz, PepsiCo, China Mengniu Dairy, Inner Mongolia Yili Industrial Group and Feihe International

We actively participate in both processes to externally verify our WHO Code Management System and be included in the industry benchmark, helping stakeholders better understand the business and marketing complexities.



# Our compliance framework

## Policy and Procedures

Nestlé's Policy and Procedures highlight our efforts to promote, protect and support breastfeeding across our company and within our sphere of influence. Since 1982, these tools have reflected our recognition of the importance of the WHO Code to protect infant health, particularly in countries with poor sanitary, economic and social conditions.

Our commitment to promote, protect and support breastfeeding by continuing to implement an industry-leading policy to market breast milk substitutes responsibly is driven by five key principles, including Compliance, Good Governance, Transparency, Constructive Engagement and Continuous Improvement. For each article of Nestlé's Policy and Procedures (corresponding to each article of the WHO Code), we illustrate how Nestlé practically applies the recommendations in our daily sales and marketing activities. Over time, we created a WHO Code Management System, which now includes specific compliance mechanisms on topics, such as product displays at point-of-sale, relationships with distributors and retailers and training sessions for healthcare professionals. In particular, we have implemented the following restrictions:

- No free supplies of infant formula for hospitals
- No free samples of infant formula for mothers
- No incentives to healthcare professionals for the purpose of promoting infant formula
- No incentives to Nestlé and direct distributors' staff based on infant formula sales
- Infant formula/follow-on formula (IFFO) sales and marketing staff are not allowed to seek direct contact with mothers

As part of Nestlé's 2017 Policy and Procedures update, we improved our transparency, releasing a public description of our complete compliance framework, which also defines management responsibility. This evolution is part of our continuous enhancement—as no matter how effective our systems become, there is always room to improve.





## The Code Room

The Code Room is Nestlé's unique web-based platform to oversee WHO Code compliance. Each Nestlé market has appointed a WHO Code Compliance Manager, who reports information related to local legislation and instances of non-compliance. Conference calls are held regularly to encourage sharing and learning across markets.

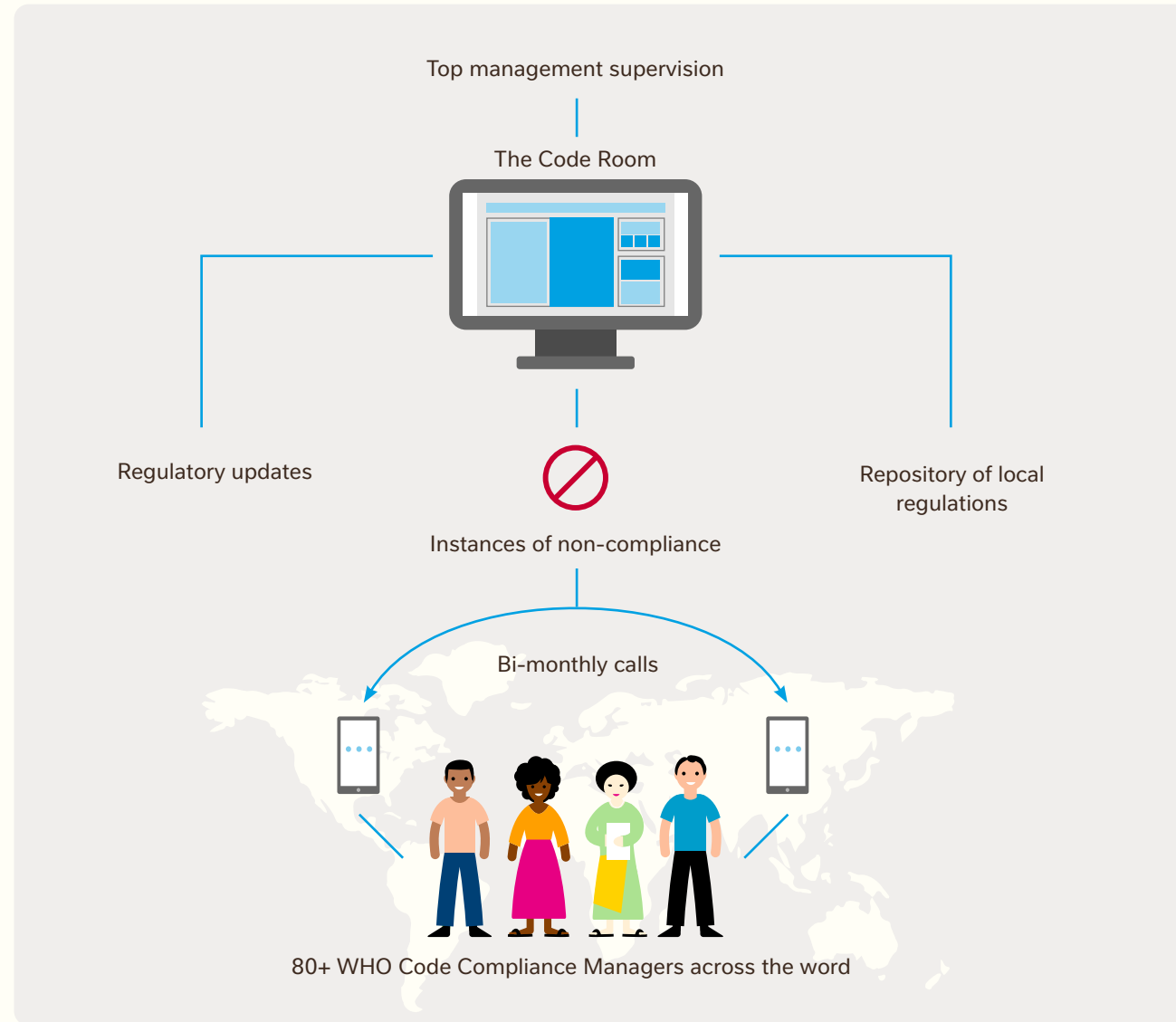
## Tell us

Our Compliance Reporting System, [Tell us](#), gives our stakeholders a voice, providing an anonymous communication channel for reporting potential instances of non-compliance with our Corporate Business Principles, including WHO Code-related matters. It is available on our global and local corporate websites worldwide, 24 hours a day, seven days a week. External stakeholders may file a report through a web form or by calling a toll-free number, and messengers may choose to remain anonymous.

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We encourage anyone who observes a non-compliant marketing practice to report it to us, anonymously or not.

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## Healthcare professionals engagement code

Healthcare professionals (HCP) and healthcare institutions (HCI) play an essential role in improving the nutrition of infants and young children. They guide and influence feeding practices when providing the latest objective, science-based advice about breastfeeding, weaning and appropriate nutrition.

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Accurately informed healthcare workers can help parents understand what is best for their individual situation and their baby's nutritional needs if their baby is not breastfed.

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HCPs should be informed of nutritional science and research. However, not all public health administration, medical society or healthcare professionals have the resources to attend educational conferences and congresses. The private sector provides important support by offering them science-based nutrition information. With clear guidelines and policies in place to ensure transparency and eliminate conflicts of interest, healthcare professionals can stay up-to-date on maternal, infant and young child nutrition research, which in turn can benefit the health and nutrition of their patients.

In 2019, we released the [Code of Interaction with Healthcare Professionals and Institutions for Nestlé Nutrition Business Units \(HCP Code\)](#), which was approved by our WHO Code Compliance Committee (which includes two members of the Executive Board; see our [Nestlé Policy and Procedures](#)). The HCP Code focuses on the principles and policies that guide our company in all interactions with HCPs and HCIs.



# Why this matters: Perspective from Leanne Geale



Every child, everywhere across the globe, deserves the best possible nutrition. At Nestlé, we have a unique and privileged opportunity to provide safe, high quality formulas and foods for infants and young children.

I am honored to be a part of this effort, having joined Nestlé less than one year ago. For 30 years, I have been working in legal and compliance, helping companies achieve their business objectives and adhere to external rules and internal controls. To me, compliance and law are two sides of the same coin—a duty to uphold and protect the core values of our business and operate ethically. At Nestlé, this includes supporting our markets in complying with the WHO Code and ensuring adherence to our own infant formula marketing standards, which are often more stringent than those of local governments.

Nestlé emphasizes the importance of breastfeeding, which we believe provides the best start in life. When babies cannot breastfeed or are no longer breastfed, we must provide necessary information on the appropriate use of infant formula. The WHO Code provides a framework for this, and Nestlé was the first company to voluntarily implement it in 1982. To further support those recommendations, we have established industry-leading policies and systems for the responsible marketing of breast milk substitutes.

Every year, we publicly report on our compliance with the WHO Code. When we see cases of non-compliance, we stop them and take necessary action. We know transparency is important to our stakeholders—from parents to governments to non-profit organizations and public health leaders—and we remain wholly committed to maintaining their trust by sharing not only our successes, but also our challenges and efforts to address them.

Our commitment to responsible marketing is serious and personal. Nestlé is at the forefront of infant nutrition. We are also a company made up of parents, and we know parents and caregivers are faced with millions of decisions every day, including how and what to feed their children. Having raised two kids, and hearing from family members, friends and colleagues with kids, I understand the uncertainty that comes with trying to figure out what is “right” for your child.

We want parents and caregivers to be able to make informed decisions about their child’s nutrition—and feel confident in those decisions. We have a responsibility to provide parents with the information they need to make these important choices, and we do not take our role lightly.

We will continue to push ourselves and our industry to improve compliance with the WHO Code, allowing us to collectively focus on what matters most, nourishing children around the world.

Yours in health,

**Leanne**

Executive Vice President, General Counsel, Corporate Governance and Compliance

# Addressing stakeholder concerns

The following is a description of external allegations from civil society organizations and media in 2019, as well as our responses and actions to address them.



## China/Hong Kong March 2019

Hong Kong-based organization Globalization Monitor published a report, “Deceit, Rule Bending and other malpractices — An exposé of formula milk companies’ product development strategies and promotional practices in Hong Kong and mainland China.” In a formal response to Globalization Monitor, Nestlé provided details regarding the research that guides our product development and our compliance with the product registration process in China.

We also conducted a thorough investigation of reported cases of breast milk substitute advertisements in Hong Kong, allegedly in breach of the local voluntary code. Nestlé identified two instances of non-compliance related to 1) materials that were not properly recalled after the introduction of the Hong Kong Code, and 2) improper use of shelf talkers (e.g., store shelf signs) for Stage 1 formula by third parties. Corrective actions were immediately implemented.

We also provided an update regarding phasing out sucrose and vanillin in our products and the inconsistent communication on vanillin in different products. The Changing Markets Foundation had highlighted these elements in a 2018 report (Busting the Myth of Science-Based Formula).



## Peru June 2019

The Johns Hopkins Bloomberg School of Public Health published an article, “In Peru, Baby Formula Reps Target Doctors In Low-Income Community Despite Decades-Old Ban,” about a study conducted in Peru between 2016 and 2017. The study alleges Nestlé and Mead Johnson gave samples of infant formula to HCPs for mothers and offered free trainings and trips to HCPs.

In Peru, Nestlé fully complies with the provisions of local legislation (Decreto Supremo No 009-2006-SA), which allows sharing of evidence-based scientific information exclusively with HCPs, including supporting continuing medical education. We do not distribute samples of products intended for babies 0 to 24 months of age to HCPs or mothers.

Unfortunately, our proposals to engage with the researchers and review the evidence were not answered.



## India August 2019

The Breastfeeding Promotion Network of India, a non-profit organization, wrote to the Ministry of Health and Family Welfare (MoHFW) alleging that Nestlé India had violated section 9(2) of the Infant Milk Substitutes, Feeding Bottle and Infant Foods (Regulation of Production, Supply and Distribution) Act 1992 (IMS Act). The allegation was related to research Nestlé was conducting in a hospital on feeding practices and related growth outcomes of preterm babies, who were fed according to the practice of the Neonatal Intensive Care Unit of the hospital. In response, the MoHFW wrote to the Indian Council of Medical Research, which formulates, coordinates and promotes biomedical research, requesting examination of the matter.

As a primary principle, Nestlé complies with the laws and regulations of the countries in which we operate. We believe local regulations do not prevent support of scientific research studies, as long as the support is not a financial incentive to healthcare workers for the purpose of promoting use of breast milk substitutes, feeding bottles and infant foods.

Nestlé infant formulas were not provided by Nestlé India to the hospital for use in the study. Our intention was to contribute to a better understanding of the challenges of feeding premature babies. The researchers associated with the study are offering full support to the authorities as they examine this complaint and will provide any information requested to help with their enquiries. We have discontinued all research.

# Our compliance record

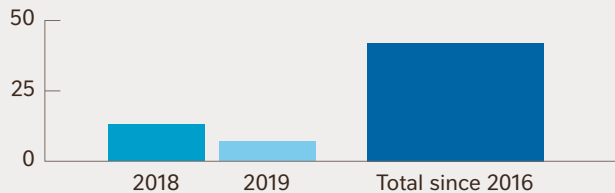
## Overall 2019 compliance

Marketing breast milk substitutes responsibly means complying with our Policy and Procedures derived from the WHO Code and the laws and regulations of the countries in which we operate. Nestlé takes WHO Code compliance very seriously and relies on a comprehensive compliance and governance model that allows us to apply the rules consistently across the 187 countries in which we operate.

All incidents of non-compliance are outlined here. Discipline in detecting cases and following through with adequate corrective actions was instrumental to our progress in 2019. Our efforts to strengthen our reporting capabilities in recent years have helped us achieve better visibility into instances of non-compliance and correct them. In 2019, we observed 107 instances of non-compliance (vs. 117 in 2018 and 103 in 2017). In addition, no systemic instance of non-compliance (involving a deliberate breach scheme throughout the organization) was reported through our different auditing capabilities or whistleblowing mechanisms.

In 2019, we took firm disciplinary actions for verified critical violations, which includes dismissals or issuance of official warnings to nine employees found responsible for instances of non-compliance (three dismissals, six warning letters).

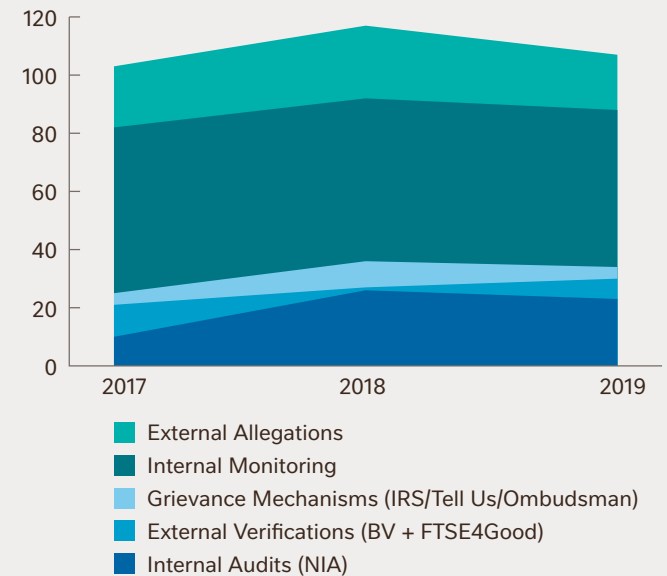
### Number of employees disciplined for non-compliance



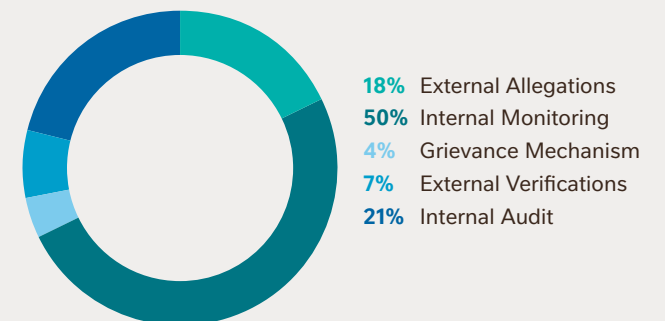
Our WHO Code Management System is robust and helps us detect 78% of cases internally. In particular, this robustness relies strongly on 1) our internal audit teams who audited 31 countries in 2019, 2) Bureau Veritas, who audited three countries (Dominican Republic, Bolivia and Myanmar) and 3) our internal monitoring operated by our broad team of WHO Code Compliance managers spread across the higher-risk markets, in all continents.

For the remaining 22%, we rely on grievance mechanisms ([Tell us](#), Internal Reporting System and [WHO Code Ombudsperson](#)) and direct allegations through correspondence or reports to Nestlé. Direct allegations are provided by NGOs and authorities, but more often by competitors. This is primarily due to the prominence of local industry associations acting as an accountability mechanism and mediator on WHO Code compliance matters in some markets. In 2019, reported allegations were primarily related to special displays or promotions at point-of-sale. Not all confirmed instances were attributable to Nestlé, and many were not substantiated.

### Detected instances of non-compliance, 2017-2019



### Instances of non-compliance by source



## Compliance by geography

A total of 37 countries reported instances of non-compliance in 2019, compared to 35 in 2018.

Although higher-risk countries are the main focus, we deploy our compliance framework in lower-risk countries as well, and this year, four lower-risk countries reported 8% of instances of non-compliance.

South East Asia (20%), Latin America (18%), Central America and Caribbean (14%) and Africa (12%) represent 64% of the instances of non-compliance, as most of the higher-risk countries are located in these geographies.

### Instances of non-compliance by geography



20%	South East Asia
14%	Central America & Caribbean
12%	Africa
12%	Europe
5%	Greater China
18%	Latin America
10%	Middle East North Africa
7%	Russia & Eurasia
2%	South Asia





## Non-compliance attributable to Nestlé

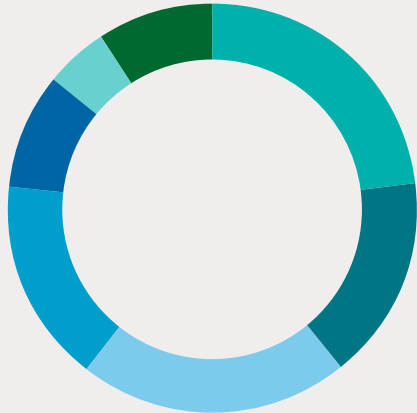
To identify instances attributable to Nestlé, we rely on the solid audit capabilities of our WHO Code compliance framework. Nestlé Internal Audit and verification assessments conducted by Bureau Veritas (commissioned by Nestlé) account for 52% of cases attributable to Nestlé. In 2019, the largest category of instances of non-compliance attributable to Nestlé was Healthcare Systems (article 6) and Healthcare Workers (article 7), representing 30% of cases. These were picked up during internal monitoring exercises across the markets where Nestlé operates and related to cases of sponsorship or donation of equipment or products for professional evaluation to HCPs.

The second largest category, representing 23% of cases, relates to The General Public and Mothers (article 5), particularly through advertisements (70% of these cases). Some cases involved Nestlé employees posting pictures of infant nutrition products on their personal social media accounts, which is perceived as promotional.

16% of cases relate to Implementation and Monitoring (article 11), the third largest category, mainly reflecting a lack of discipline in completing the mandatory training as required in Nestlé Policy and Procedures and internal guidelines. These cases were picked up by Nestlé Internal Audit.

Information and Education (article 4) and Labelling (article 9) reflected similar percentages to 2018—16% and 9%, respectively. These cases related to missing mandatory statements in materials for HCPs or the general public, as well as cases in which communication was perceived as idealizing products relative to breastfeeding. Such cases were mainly detected by Nestlé Internal Audit and Bureau Veritas.

Instances of non-compliance by type



- 23%** The General Public and Mothers (article 5)
- 16%** Implementation and Monitoring (article 11.3)
- 21%** Healthcare Workers (article 7)
- 16%** Information and Education (article 4)
- 9%** Healthcare Systems (article 6)
- 5%** Persons Employed by Manufacturers and Distributors (article 8)
- 9%** Labelling (article 9)

## Root causes of non-compliance attributable to Nestlé

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Vigilance on processes related to equipment donations to healthcare professionals or sponsorships was strengthened.

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We released and communicated our HCP Code in 2019, increasing employees' awareness. This has strengthened the vigilance on breaches observed with Healthcare Systems (article 6) and Healthcare Workers (article 7), as well as processes related to equipment donations to HCPs or sponsorships, in particular.

Our reporting also revealed a large part of cases attributable to Nestlé (40%) could be caused by governance weaknesses in the organizational framework at the local level. For example, one market in Middle East North Africa reviewed its processes after a change in the reporting structure, giving the newly-appointed WHO Code Compliance Manager an opportunity to reset processes. As expected, loopholes were detected and translated into a higher volume of instances reported.

In 29% of instances, the root cause was a lack of discipline in Nestlé employees' execution of the rules, which is often perceived as a lack of awareness. Lack of discipline means employees might have been properly trained but did not perform well in the execution. This can also come into play when employees partially apply the rules, demonstrating full compliance with local legislation but only partially adhering to Nestlé rules (e.g., omitting some mandatory statements on a detailing material to HCPs). This issue is often solved by direct communication with the employees.



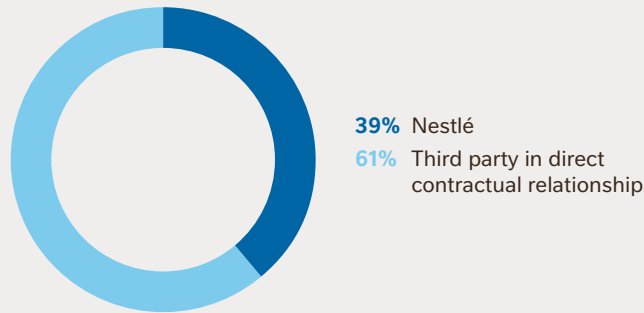


# Compliance across our distribution channels

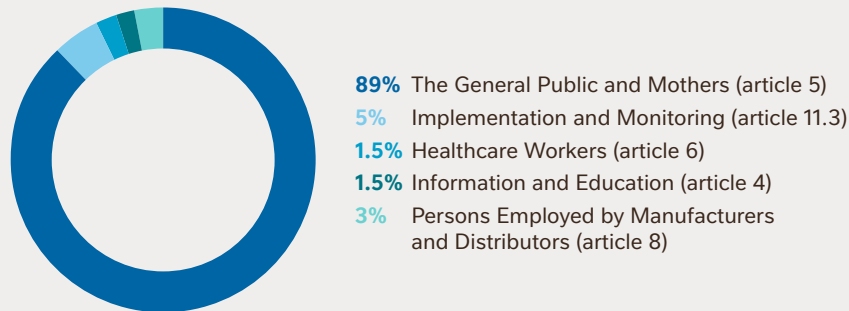
## Non-compliance in our sphere of influence

Nestlé expects the same level of compliance and ethical conduct from all our partners across our supply chain. Each partner plays a vital role in our efforts to improve infant nutrition and is held to the same level of responsibility. We evaluate the practices of those acting on our behalf, or in our sphere of influence, who often act without our consent despite their responsibility to implement the WHO Code.

### Instances of non-compliance by source



### Instances of third party non-compliance by type



In 2019, 39% of cases were attributable to Nestlé, whereas 61% of cases were attributable to third parties with a direct contractual relationship with Nestlé. While they are part of our sphere of influence, we face legal limitations and lack of control with respect to these third parties, making WHO Code compliance implementation more challenging.

The instances of non-compliance implemented by distributors and retailers procuring directly from Nestlé are detected through Internal Monitoring (62%), External Allegations (22%), Internal Audit (11%), Grievance Mechanism (3%) and External Verifications (2%).

The largest share of instances of non-compliance attributable to third parties (89%) was related to article 5 of Nestlé's Policy and Procedures, The General Public and Mothers. They consisted of promotions at point-of-sale (45%), special displays (27%) and advertisements to the general public (17%).

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To track compliance challenges across distribution channels, we rely on our team of more than 80 WHO Code Compliance Managers across the world, who report the cases they detect through routine monitoring activities and escalate them in the Code Room. This source helps capture 62% of cases attributable to third parties in our sphere of influence.

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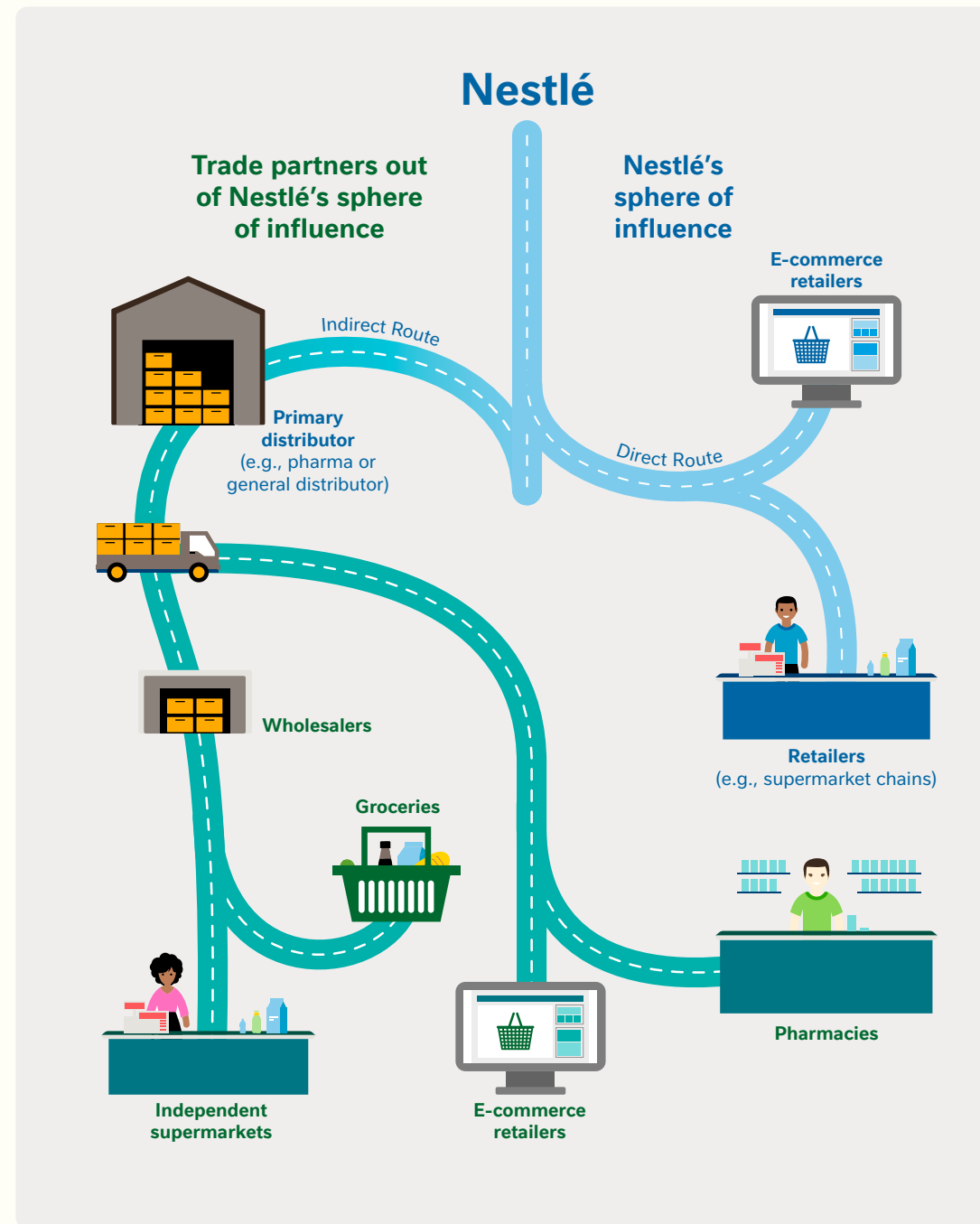
## Root causes of non-compliance in our sphere of influence

The root cause most often reported is the “lack of awareness of the rules” (48%), which highly affects trade partners working on our behalf.

Although this provides some insight, we need to know more, particularly in situations in which we invest significant resources in training and making workers aware of the rules. Awareness of the rules is still an issue among our direct distributors and retailers due to high staff turnover. They are often not properly equipped to understand the local law, as well as Nestlé rules and those of our competitors. This might explain the poor execution we frequently observe.

In addition, Nestlé sends annual reminders to direct customers, which are not properly cascaded to field operators working in the stores. This creates gaps between distributors’ and retailers’ management, who are aware of the rules, and their staff, who work in marketing on a daily basis. Depending on the market, there also might be issues related to gaps between the existence of a regulatory framework implementing the WHO Code and its improper implementation within the market. This does not contribute positively to creating a conducive environment for responsible marketing.

Our review found 30% of cases were due to a gap between Nestlé’s rules and applicable law in a given country. In such situations, Nestlé appears too restrictive for retailers in the marketplace. Some markets referred to “price wars” between online and offline retailers to attract consumers to their platforms or stores. Many e-commerce retailers can be highly aggressive, attempting to gain website traffic by offering promotions for stage 1 and stage 2 infant formulas. Due to lenient regulation, e-commerce retailers do not face legal risk. In addition, products from Nestlé Infant Nutrition, well-recognized by consumers, are used by online platforms to leverage this strategy. Nestlé supports clear remediation, which reflects implementation of legislation and non-negotiable enforcement by authorities. This is to ensure that retailers do not promote infant formula. In 6% of cases, also related to e-commerce platforms, there can be issues caused by improper algorithms that do not exclude infant formula from automatic promotional schemes.



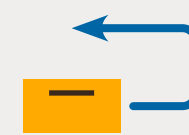
## Our solutions

We must maintain our policies and integrate them into our business practices. We are implementing this approach globally, adapting to local legislative and commercial contexts. All instances of non-compliance, which are outlined in this report, have been corrected. When we observed deliberate and severe breaches of the rules, we took exemplary actions, such as dismissals and warning letters against employees or third parties in our sphere of influence.

Through our Policies and Procedures and the WHO Code Management System, we have introduced standard procedures that frame our relationship with trade partners. However, we face a number of limitations. We cannot always stop third parties from selling our products when we identify violations of our Policy and Procedures or the law. According to competition law, Nestlé cannot contractually influence distributors' price mechanisms and cannot take actions, such as issuing warnings or suspending deliveries, with respect to their pricing and marketing policy. Nevertheless, we are continuing to develop solutions to encourage distributors to responsibly market breast milk substitutes.



**Training**  
For Nestlé employees and third parties



**Returns policy**  
We allow trade partners to return unsold products



**Review**  
Of instances of non-compliance with trade partners during the negotiation cycles to develop awareness



**No sales incentives on volumes of infant formula** for Nestlé and distributors' employees and sales force staff



**Reminders of WHO Code compliance rules** to trade partners on a yearly basis



**Detection** of non-compliance in the trade by the field force



# A joint approach

## A shared responsibility

According to the WHO Code and Nestlé's Policy and Procedures, trade partners operating across distribution channels have the same responsibility as manufacturers to market breast milk substitutes responsibly. The WHO Code defines a distributor as a person, corporation or any other entity in the public or private sector engaged in the business (whether directly or indirectly) of marketing at wholesale or retail level a product within the scope of this Code. In higher-risk countries, it is our responsibility to provide regular training to help third parties, with whom we have a direct service relationship, comply with our Policy and Procedures and national legislation implementing the WHO Code. Distributors and manufacturers have the same responsibility, and we implement solutions to improve responsible marketing practices across our distribution channels. True impact requires collective action, clear legislation and enforcement by authorities in the different countries in which we operate.

In spite of our efforts, Nestlé's monitoring of WHO Code compliance demonstrates most deviations are caused by business partners both in and outside Nestlé's sphere of influence, which limits the reach of our WHO Code compliance framework.

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We support national laws and regulations that ensure the WHO Code applies equally to all parties involved in the marketing of breast milk substitutes.

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## Fostering collective action

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Nestlé is committed to advocating for country-specific legislation implementing the WHO Code and subsequent relevant resolutions that take into account country health indicators and barriers to optimal nutrition for mothers and children in the first 1,000 days of life.

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Clear legislation implementing the WHO Code is instrumental to level the playing field and ensure the private sector operates uniformly within the same framework. This is important for success and to avoid a shift in market shares from the players that implement ethical practices to benefit those that do not abide by the same rules.

The variety of stakeholders (i.e., industry players, distributors, retailers) required to take proactive and efficient action to responsibly market breast milk substitutes reflects the complexity of the situation, one that Nestlé can't change alone. Urgent collective action should be taken by governments, civil society organizations and the private sector in the interest of mothers and babies.



# Nestlé actions to advance WHO Code compliance

Each year we identify corrective actions to address instances of non-compliance with the WHO Code. Below is an overview of actions undertaken as a result of our [2018 report](#) as well as actions Nestlé will take to address the outcomes of this report and advance our WHO Code compliance.

## Actions resulting from 2018 report

Action	Status	Comments
Specific follow-up on corrective actions related to severe cases reported in 2018 will be completed and submitted to Nestlé's WHO Code Compliance Committee.	Completed	A status update on the corrective actions was presented to the WHO Code Compliance Committee. In relevant countries, a review of WHO Code compliance processes was conducted, reinforcing awareness and training related to our Policy and Procedures.
Nestlé's Guidelines for the Sponsorship of Health Workers and Institutions for Professional Development and Scientific Research will be updated with clearer and more stringent rules.	Completed	The <a href="#">Code of Interaction with Healthcare Professionals and Institutions for Nestlé Nutrition Business Units (HCP Code)</a> was released in September 2019. The Code is explicit in describing clear procedures governing the relationship with healthcare professionals and institutions to avoid conflicts of interest. The Code was presented to stakeholders in October 2019.
Digital guidelines will be updated to adapt WHO Code compliance to technological challenges of the marketing of breast milk substitutes.	Ongoing	A working group has been created within ISDI (International Special Dietary Foods Industries) on digital marketing and will prepare guidelines for manufacturers, social media and e-commerce platforms. Nestlé is leading the working group; guidelines are expected by end of 2020.
Newly-appointed WHO Code Ombudsperson will issue a letter to local market leaders, including compliance officers, to reinforce commitment to, and support of, WHO Code compliance.	Completed	A message was sent to Nestlé markets and reiterated during bi-monthly market calls. Local market procedures were updated accordingly.
Nestlé will continue engaging with external stakeholders to make them aware of our limitations when interacting with third parties across the distribution channels within and beyond Nestlé's sphere of influence.	Completed	The topic was discussed at a stakeholder convening in Geneva in June 2019. Additionally, Nestlé Key Account Managers were educated on the distributors' duty to implement WHO Code compliance.

## Actions to be taken following this report

The following corrective actions have been and/or will be implemented by Nestlé following this 2019 report.

- 1 Develop an online training tool on WHO Code compliance for both desktop and mobile devices to complement existing materials. Roll out tool from Nestlé markets to direct and indirect customer organizations in late 2020 and 2021. Monitor outreach.
- 2 Use FTSE4Good and ATNI respective assessments on the marketing of BMS to educate their auditors and assessors on sensitive practices (e.g., donations) and distributors' responsibility (per the WHO Code).
- 3 Ensure WHO Code compliance annual report is written with language understandable by a wider audience. Share 2019 report with employees through communication from the Executive Board to increase education and engagement.
- 4 Release HCP Code Implementation Guidelines as a follow-up to the HCP Code published in 2019.
- 5 Review internal investigation practices and consider merging guidelines to standardize processes for improved efficiency, where possible.





# LEADING THE WAY

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We value the trust our consumers place in us, and maintaining this trust means acting in their best interests at all times.

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We are transparent about our practices to demonstrate accountability, both internally and externally. Compliance with the law, our internal policies and accepted international standards is fundamental to all of our activities.

To safeguard the trust of our consumers and other stakeholders, we have implemented a comprehensive WHO Code Management System aligned with the FTSE4Good Criteria to ensure we market and sell our products responsibly. Every year, we publicly report our record of WHO Code compliance, and this year, we made our systems more robust, helping us gain increased visibility over local monitoring activities.

Yet, we acknowledge we need to continuously improve. A key challenge is training third-party partners. Having products sold through distribution channels out of our sphere of influence requires specific attention, and active support from the distribution and retail industries is key to driving improvements in responsible marketing practices. By transparently sharing our experience, we believe we can inspire improvements across the industry and foster collaboration with civil society organizations and governments. We hope to see our industry peers continuing to improve their compliance with the WHO Code. We will continue to play a leading role through constructive engagement and work together to contribute to a healthier future.