

# Breast Milk Substitutes marketing criteria assessment

PwC verification assessment report - Mexico visit\*

Nestlé

May 2021



\*This report should be read in conjunction with an earlier report, published in April 2021, which contains the assessment performed for Corporate Head Office and the first higher risk country selected, the Philippines.

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# 1. Introduction and context

## 1.1. Introduction

In September 2010, the FTSE4Good Policy Committee of FTSE International Limited (FTSE) approved the addition of a FTSE4Good Breast Milk Substitutes (BMS) Marketing Inclusion Criteria (the “Criteria”) to its FTSE4Good Index Series. The Criteria, based on the World Health Organization (WHO) International Code of Marketing of Breast Milk Substitutes (the “Code”) and subsequent World Health Assembly resolutions\*, sets requirements for company policies, lobbying, management systems and reporting, and requires that companies included on the index are subject to verification assessments. Inclusion into this index is governed by the FTSE Russell ESG Advisory Committee (the “ESG Advisory Committee”). Up until 2021, this was governed by the FTSE4Good Breast Milk Substitute Committee (the “BMS Committee”).

### 1.1.1. Overview of the scope

There are differences between the Criteria and the Code in terms of geographical remit and product scope. An overview of the approach to the verification is set out in FTSE Russell’s context document: 2021 Update on BMS Verification Data Used for the FTSE4Good Index Series.

The products under the scope of the Criteria are infant formula and follow-on-formula products for the use of infants under the age of 12 months, complementary (weaning) foods and drinks for the use of infants under the age of six months, and delivery products (i.e. teats and bottles).

### 1.1.2. External verification

Nestlé is subject to an independent verification assessment conducted at the Corporate Head Office and in 2 higher risk countries, defined in terms of infant mortality and malnutrition, conducted by a professional audit firm.

The verification assessment reviews compliance with the Criteria. A large part of the assessment is examining whether Nestlé’s Corporate Head Office policies align with the Criteria and have been implemented in the 2 countries selected for the verification.

In previous verifications cycles, PwC produced a report for each company that included the findings from interviews with staff at Corporate Head Office and in two higher risk country local offices. Due to restrictions resulting from the COVID-19 pandemic, the second country assessment had to be delayed. As a result, PwC split the reports into two. This report

contains the assessment of policies, procedures and implementation in the second higher risk country selected. An earlier report, published in April 2021, contains the assessment performed for Corporate Head Office and the first higher risk country selected, the Philippines.

There are cases where there are differences in interpretation of the Code, so it is important to note that PricewaterhouseCoopers LLP (PwC) do not act as a judge with regards to specific allegations but rather to assess whether Nestlé practices are in line with the Criteria and their stated policies regarding implementation of the Criteria.

In a change to how verification assessments have been undertaken previously, PwC was engaged by Stichting Access to Nutrition Foundation (operating as Access to Nutrition Initiative, or “ATNI”) to perform a verification assessment of Nestlé’s BMS marketing policy and practices against the Criteria, using the FTSE4Good BMS Marketing Verification Tool (the “Tool”) based solely on interviews and desk-based research. ATNI provided to PwC the results from the NetCode study conducted by Westat, for Nestlé’s in-scope products. See further details about the collaboration between ATNI and PwC in section 1.2.

The Tool provides a consistent basis to assess Nestlé’s policies and practices against a set of 103 principles which constitute the Criteria. In the 154 countries considered to be higher risk by FTSE Russell, Nestlé’s policy is to follow the stricter of its global policy for implementation of the Code or in-country legislation or guidance over the implementation of the Code (National Code), in line with the requirements of the Criteria.

PwC has worked with FTSE Russell since 2011, and in collaboration with ATNI for this verification, to help develop an assessment process to meet the needs of the BMS Committee, and since 2021 the ESG Advisory Committee, in making decisions on inclusion in the FTSE4Good Index Series under the Criteria.

The verification assessment forms part of FTSE Russell’s overall assessment of Nestlé’s BMS marketing practices against the Criteria. PwC has applied procedures agreed with and directed by ATNI, using the Tool, to conduct interviews in the second higher risk country selected for the verification.

The second higher risk country selected for a site visit by ATNI, based on a combination of its own and FTSE Russell selection criteria, was Mexico. The output of PwC’s work is this Verification Assessment Report.

Nestlé has responded to PwC’s requests for information by making staff available for interviews, and by providing documents such as policies, procedures and other supporting documents. This is the fifth time that Nestlé’s BMS marketing practices have been assessed against the requirements of the Criteria.

\*Subsequent resolutions include: WHA 39.28 (1986), WHA 45.34 (1992), WHA 47.5 (1994) WHA 49.15 (1996), WHA 54.2 (2001), WHA 55.25 (2002)

## 1.2. Collaboration between ATNI and PwC

### 1.2.1. Why collaborate?

In previous years, ATNI and PwC have conducted similar but separate in-country assessments/verifications of BMS marketing. Given the duplication of effort, it was decided that the assessments would be aligned. This synergistic approach was supported by ATNI, PwC and the BMS Committee.

### 1.2.2. Methodology Applied

The change in approach had no impact on the FTSE4Good assessment methodology or Criteria. PwC continued to perform a verification assessment against the BMS Marketing Criteria within FTSE's ESG Rating methodology and as part of the FTSE4Good Index BMS Marketing Criteria. The change in approach also had no impact on how ATNI carries out its research for its Indexes or assesses companies, which remains an evaluation of the extent to which companies comply with the Code and all subsequent WHA resolutions, and local laws and regulations, where stricter. As a result, the number of findings included by PwC and ATNI in their respective reports may differ.

### 1.2.3. Revisions to the Verification Process

The following changes in approach, from the prior verification performed in 2016/17, were applied:

#### Responsibility for Country Selection

For previous verifications, countries were selected for site visits by FTSE Russell and the BMS Committee using a risk assessment matrix developed by PwC with FTSE Russell, profiling the higher risk countries per the Criteria, using objective, publicly available data.

For this verification, ATNI used a combination of its own and FTSE Russell selection criteria to make the country selection. The selection criteria included the following risk factors, which were consistent with previous assessments performed for the FTSE4Good BMS verification and were agreed with FTSE Russell and the BMS Committee:

- Child mortality;
- Malnutrition (including both stunting and wasting rates);
- HIV/AIDS;
- Corruption;
- Human development;
- Access to improved water;
- Countries or territories where PwC or ATNI have recently conducted BMS marketing assessments;

- The incorporation of the Code in local legislation as per the 'State of the Code by Country' (IBFAN); and
- Number of allegations made in the IBFAN Breaking the Rules, Stretching the Rules 2017 report.

Data was gathered from a range of external sources including UNICEF, The United Nations Development Programme, WHO and Transparency International.

Additional factors were the presence of all three FTSE Russell Index companies, companies assessed by ATNI and the feasibility of doing studies in the country (e.g. safety, ability to get governmental approval, predominant language).

#### Data collection locations

For previous verifications, PwC has performed data collection in one urban and one rural location per country. In this verification, Westat data collection did not include a rural location.

#### In-country data collection

For previous verifications, PwC inspected health care facilities (HCFs) and retailer outlets and engaged a third party to perform media monitoring.

For this verification, Westat, a large US-based health research company, commissioned by ATNI, collected data using the [2017 NetCode Protocol\\*](#). This included visits to 10 large retailers, and monitoring of 5 major online retailers, to capture their marketing practices. Further, traditional and social media advertising and marketing was captured, and the labels and inserts of all products assessed.

Note; As a result of restrictions caused by the COVID-19 pandemic (see further details in section 1.3.2), the scope of Westat data collection was reduced compared to data collection performed for the first country visit, the Philippines, described in the report titled "PwC verification assessment report - Corporate Head Office and Philippines visit, Nestlé, March 2021".

For the Philippines, Westat performed interviews at 43 HCFs with mothers and health care professionals (HCPs), and observations of informational and educational materials and equipment in those settings. For Mexico, HCF visits and the related observations were not performed. For the Philippines, Westat visited 43 large and small physical retailers, for Mexico, as noted above, 10 large retailers were visited.

PwC were provided with the findings of the Westat studies for products within the scope of the FTSE4Good Criteria. These findings have been reported in section 3.2.

**Joint interviews**

ATNI joined PwC to carry out virtual interviews with relevant staff from the in-country Head Office.

**Notification to Companies of location**

No notice was given to Nestlé before Westat started data collection in retailer outlets and media monitoring was performed. Nestlé was notified that Mexico was the second higher risk country selected 7 working days in advance of PwC and ATNI's interviews conducted virtually.

### 1.3. Scope of work performed by PwC and Westat

This section describes the scope of work performed for the Mexico assessment. Please see the report titled “PwC verification assessment report - Corporate Head Office and Philippines visit, Nestlé, March 2021” for the scope of work performed for the Corporate Head Office and Philippines assessment.

The scope of PwC’s work was determined collaboratively in discussion with ATNI, the Director of Environmental Social Governance at FTSE Russell, the Principal Advisor of Responsible Investment at FTSE Russell and the BMS Committee. It has also been codified in the procedures required under the Tool. The procedures PwC performed consisted of:

- Reviewing company BMS policies and procedures relevant to the in-country Head Office through performing virtual interviews and reviewing documentation provided electronically;
- Reporting Westat data collection findings; and
- Reporting key factual findings.

The 2019/20 verification was extended to incorporate the Reckitt Benckiser business (Reckitt). Confirmation that Reckitt met the FTSE4Good BMS criteria and therefore retained inclusion on the FTSE4Good index series took place in December 2018, following its acquisition of Mead Johnson in June 2017. As such the 2019/20 verification assessment includes Nestlé, Danone and Reckitt. The results of the Danone and Reckitt verification assessments are presented in separate reports.

#### 1.3.1. PwC evidence gathering methodology

In light of the COVID-19 outbreak and government guidance it was agreed that this review would be undertaken remotely. PwC evidence gathering procedures involved performing interviews through video conferencing and inspection of evidence which was provided electronically. The scope of the review was consistent with that originally agreed.

Where issues or items for further consideration emerged, PwC sought evidence to support these issues where possible. This is described in the factual findings (section 3.1).

PwC assessment procedures were based on historical information and the projection of any information or conclusions in PwC’s report to any future periods would be inappropriate.

In the context of the procedures described in the adjacent table, the factual findings outlined in section 2.1 are any policies or procedures inspected, any practices observed and any statements made by Nestlé employees, identified in the course of interviews performed, which do not satisfy the Criteria in the Tool. Further details are provided in section 3.1.

Level	Evidence gathering activity
<b>In-country Head office in Mexico</b>	Performed virtual interviews with the Nestlé Mexico team with respect to procedures detailed in the Tool regarding the approach to implementing the requirements of the Criteria in-country; and  Performed limited testing of evidence to corroborate the application of the Criteria.  Nestlé was notified of PwC and ATNI’s virtual interviews 7 working days in advance.
<b>Distributors in Mexico</b>	Nestlé do not operate through distributors in Mexico. They interact directly with retailers and wholesalers.

The factual findings from PwC’s procedures are in section 3.1.

### 1.3.2. Westat data collection methodology: Netcode

#### Guidance notes:

Westat followed the [NetCode 2017 Protocol for Periodic Assessment\\*](#) designed to monitor the marketing of breast milk substitutes and complementary foods for products from birth to 36 months of age. In early 2020, Westat worked with its local partner Universidad Iberoamericana to collect all necessary geographic, demographic and other data to select the sample of HCFs that would be visited to interview HCPs (and mothers). After that exercise had been done, ATNI made the decision, with Westat, because of the COVID-19 pandemic, that the scope of the study should be narrowed and no visits should be made to HCFs or small retailers. It was agreed that it would be safe, with appropriate precautions, for data collectors to visit the larger retailers. Therefore, this assessment did not include interviews with HCPs (or mothers) nor evaluation of point-of-sale advertising or promotion in smaller retailers but does include such data from 10 large retailers (and online retailers). The steps below relate to the data that was collected.

#### Steps included the following, the scope of which is wider than the requirements of the FTSE4Good verification assessment:

- Comparison of local laws and regulations and The Code, to identify where local provisions are stronger, in order to assess companies' marketing practices against those.
- Adaptation of standard NetCode data collection forms to the Mexican context.
- Institutional Review Board (IRB) approvals for Westat and the local research partner, from government. The IRB members are responsible for the review of the technical and science component of research protocols i.e. appropriateness of the research design and methods, sample size calculation, soundness of the inclusion and exclusion criteria, internal and external validity of study tools and procedures.
- Visits were made to 10 large retail stores that sell a high volume and variety of products under the scope of the study. The 10 large retailer selection was based on local knowledge of Westat's local partner Universidad Iberoamericana.
- The five online retailers monitored in Mexico were the largest in the country; Farmacia San Pablo, Walmart Mexico, Amazon Mexico, Chedraui, and Mercado Libre. ATNI confirmed with each company prior to starting data collection which online retailers it had a formal commercial relationship with. Note that for Nestlé, no findings are included in relation to Mercado Libre as Nestlé has no official relations with the e-retailer.
- Universidad Iberoamericana conducted online searches and visited larger retailers to compile a list of a total of 457 distinct BMS and CF 6-36 month products made by 19 companies (including parallel imports). ATNI checked with each company which products were legitimate BMS products and which were parallel imports; for the 3 FTSE4Good companies, a total of 59 IF, FOF and CF 0-6 products were confirmed as legitimate. Not all were available to purchase. The labels and inserts of 28 of their in-scope products that could be purchased were analysed.
- For traditional media, Universidad Iberoamericana entered directly into an agreement with Eficiencia Informativa (EFINFO), a local independent media monitoring organization.

\*<http://apps.who.int/iris/bitstream/10665/259441/1/9789241513180-eng.pdf?ua=1>

### 1.3.2. Westat data collection methodology: Netcode (continued)

EFINFO provided data for 6 months (May through October 2020). In total, EFINFO monitored ads within news and editorial programming on 31 television channels and 44 radio channels which represented more than 70% of the market. In addition, Universidad Iberoamericana monitored ads across the same media, during 8 hours per day, within all programming, for 3 months (August – October 2020.)

- For online media monitoring, Westat identified the company and brand websites as well as the available social media platforms associated with each of those websites (Facebook page, Instagram, YouTube channel and/or Twitter feed). Only websites and social media pages that appeared to originate from Mexico or targeted a Mexican audience were included in the monitoring. Westat did not monitor global company and brand websites or their social media pages. Westat trained local partner staff to monitor the selected websites weekly for eight weeks (during September and October 2020). Universidad Iberoamericana staff followed this process once a week over the eight-week period for online media monitoring. The data collectors visited the media and scanned them for promotions, capturing screenshots each week including 6 company websites, 6 brand websites, 6 YouTube pages, 9 Facebook pages, 5 Twitter pages, and 5 Instagram pages associated with the major international company and brand websites. Ten mother and baby websites were included in the monitoring, selected based on the local partner’s knowledge, as well as 4 YouTube pages, 9 Facebook pages, 3 Twitter pages, and 6 Instagram pages associated with the parenting and child websites.

Study Characteristic	Number
Total retail outlets visited	10 (5 pharmacies and 5 supermarkets)
Total online retailers monitored	5
Total mother + baby websites, + associated digital media	10 + 22
Traditional media duration	6 months
Total products assessed (labels and inserts)	332
FTSE companies- legitimate in-scope products assessed	28

In the context of the procedures described, the factual findings from Westat’s procedures are outlined in section 3.2.

Note; 332 is the total number of products found in the market, made by all companies, assessed by ATNI. A total of 59 were made by the 3 FTSE4Good companies, but it was only possible to purchase 28.

## 1.4. Limitations

As noted in section 1.3.2 above, the findings in section 3.2 were based on procedures performed and data collected by Westat. PwC have not undertaken any additional verification procedures in relation to that underlying data.

Some of the procedures performed by PwC and data collected by Westat are interview based, resulting findings can be subject to recall bias by the person being interviewed with no materials available to verify details, such instances are noted throughout this report.

The procedures PwC performed and the associated findings are listed in section 3.1. PwC's work did not constitute as an assurance service in accordance with independent assurance standards and accordingly PwC do not express any assurance conclusions. Had PwC performed additional procedures, other matters might have been identified and included in this report.

## 1.5. Purpose of this report

This report explains the procedures PwC performed and includes PwC and Westat's factual findings. It is produced for the use of the FTSE4Good ESG Advisory Committee (prior to 2021, the BMS Committee), but is being shared publicly as part of reporting on the overall assessment process in response to stakeholder feedback on the need for transparent reporting. This report will be published on ATNI's website, as ATNI is responsible for overseeing the grant and the work of PwC, and will also be published within the BMS section of FTSE Russell's website.

PwC's findings are presented for the ESG Advisory Committee's consideration. It is the responsibility of FTSE Russell and the ESG Advisory Committee to decide on the appropriate course of action with regard to decisions on the inclusion of Nestlé in the FTSE4Good Index Series.

## 1.6. Use and distribution of this report

This report has been prepared solely for the use of ATNI and its Board of Directors and solely for the purpose of reporting on compliance with the FTSE4Good Breast Milk Substitutes (BMS) Marketing Inclusion Criteria, in accordance with the terms of our agreement dated 20 June 2019, and subsequent variation letters dated 9 September 2019 and 21 January 2021. No part of this report shall be copied or used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ATNI and its Board of Directors, for this report or for the results of our work, save where terms have been expressly agreed in writing. We have extended our assumption of duty to FTSE Russell and its ESG Advisory Committee (prior to 2021, the BMS Committee), in accordance with the terms of the letter between us dated 20 June 2019.

## 2. Executive Summary

Following its inclusion in the FTSE4Good index in 2011, Nestlé was subjected to its fifth FTSE4Good verification assessment. Interviews were held in November 2020 with the Nestlé Head Office in Vevey, Switzerland (Corporate Head Office), followed by a site visit to the Philippines in March 2020. The findings from those visits are contained within a separate report titled “PwC verification assessment report - Corporate Head Office and Philippines visit, Nestlé, March 2021”. Interviews were held for Mexico in November 2020; these were performed virtually, rather than face-to-face, as a result of restrictions caused by the COVID-19 pandemic.

The Corporate Head Office interviews demonstrated that suitable governance structures and a number of appropriate policies and procedure documents are in place that meet the requirements of the Criteria. The Philippines site visit and Mexico virtual interviews also demonstrated awareness of the Criteria at the in-country level and appropriate allocation of responsibilities. Additionally, we noted that policies and procedures in each country are adapted for local requirements.

In addition to some overall company context, summarised in this section are the inconsistencies noted in the application of the Criteria. These have been highlighted for the consideration of the ESG Advisory Committee in its review of the inclusion of Nestlé in the FTSE4Good Index Series. All key factual observations from the procedures performed are documented in section 3.

We also noted that some of the factual findings raised in our previous verification remained relevant and open. These are documented in section 4.

## 2.1. Context

### 2.1.1. Approach to implementation of the criteria

#### Company context

1. **Background:** In our 2014 verification, we noted that Wyeth Infant Nutrition (WIN) had been integrated and aligned to Nestlé’s Corporate Head Office policies and procedures in 2014. In the countries visited during the 2016/17 and 2019/20 verifications, it was apparent that although Wyeth products and Nestlé products are managed separately within the organisation using distinct corporate and sales teams as well as distributors, the overarching policies, as they relate to BMS, were consistent across the two parts of the business. Although the Wyeth business also manufactures mainstream products, we noted that there was a perception in the market that the Wyeth products were a more premium brand.

At the time of Nestlé’s global acquisition of Wyeth Nutrition in 2012, Wyeth in the LATAM (Latin American) region was not included. In Mexico, the product brands S-26 and SMA are operated through a license agreement, originally managed by Aspen Labs Mexico and since June 2019, by Lactalis. The product brands S-26 and SMA and the company Wyeth Mexico are not managed by Nestlé. In 2019, Nestlé obtained a new license for the Wyeth Nutrition brand for infant formula from Pfizer, after Aspen had let their licence expire to Pfizer. The current products S-26 and SMA in Mexico managed by Lactalis should no longer bear the Wyeth brand.

2. **Relevant updates:** Since the verification assessment performed in 2016/17, Nestlé launched an “Engagement Code for Nutrition businesses with Healthcare Professionals and Institutions” (2019). This document sets out the principles for engaging with health care institutions and professionals on BMS and the types of interactions employees can have with health care professionals to avoid conflicts of interest. This is designed to complement and provide additional guidance to “The Nestlé Policy and Procedures for the Implementation of the WHO International Code of Marketing of Breast Milk Substitutes”.

#### Country background

1. **Awareness of the Code:** Mexico’s BMS legal framework is spread out among multiple legal instruments. It is necessary to review six separate key legal documents to have a full understanding of the extent and scope of the country’s Code law. These are:
  - General Health Law (issued in 1984; amended 2009);
  - Official Mexican Standard on care for women during pregnancy, childbirth and postpartum and of the newborn (issued in 1995; amended 2016);
  - Regulations for the Sanitary Control of Products and Services (issued in 1999; amended 2016);
  - Regulations of the General Health Law on Advertising Matters (issued in 2000; amended 2014);
  - Official Mexican Standard on Infant formula, follow-on formula and formula for special medical purposes. Foods and non-alcoholic beverages for infants and young children. Provisions and sanitary and nutritional specifications. Labeling and Test Methods (2012); and
  - General Health Council Agreement Issuing Provisions for Strengthening Public Policy on Breastfeeding in Relation to Breast Milk Substitutes (2013).

### 2.1.1. Approach to implementation of the criteria

The six key legal documents address the marketing and labelling of BMS products, and the labelling of food and non-alcoholic beverages for infants and young children. They apply in different ways to different product types from birth to 36 months of age, including:

- Infant formula (IF) 0-6 months;
- Follow-on formula (FOF) 6-36 months;
- Foods for Special Medical Purposes (FSMPs) 0-36 months; and
- Food and non-alcoholic beverages for infants and young children (also referred to as complementary foods).

The labelling requirements within Mexico's legal framework go beyond the Code in some respects both for BMS and for food and non-alcoholic beverages for infants and young children.

According to the 2020 WHO, UNICEF and IBFAN status report, “Marketing of breast milk substitutes: national implementation of the international code, status report 2020. Geneva: World Health Organization; 2020”, Mexico’s Code law is classified as “moderately aligned with the Code” (score of 50 - <75).

2. **Breastfeeding trends:** According to “Breastfeeding practices in Mexico: Results from the National Demographic Dynamic Survey 2006–2018” (Mishel Unar-Munguía Ana Lilia Lozada-Tequeanes et al.), published in December 2020:
  - Between 2006 and 2018, the prevalence of “ever breastfed” increased from 91.8% to 94.2%. “Ever breastfeeding” is the prevalence of infants <24 months who were given breast milk at least once.
  - Between 2009 and 2018, the prevalence of “exclusive breastfeeding” increased from 13.0% to 20.7%. “Exclusive breastfeeding” is the prevalence of children <6 months who were still breastfeeding at the time of the survey (status quo) and who did not report introducing other foods or liquids before 6 months of age (by recall of the mother).
  - Between 2006 and 2018, “early initiation” of breastfeeding increased from 40.8% to 59.7%, where “early initiation” is defined as the prevalence of children <24 months who were breastfed in the first hour of life after birth.
  - Improvements in breastfeeding practices between 2009 and 2018 coincide with some progress made in legislation and policies to favour breastfeeding but are still far from WHO recommendations.

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#### Local operating context

1. **Market share:** Nestlé accounts for approximately 47% of the total infant formula market share (as confirmed with Nestlé) in Mexico.
  2. **Channels to market:** BMS are sold directly to modern trade and traditional retailers, drugstores and e-commerce platforms. Modern trade and traditional retailers account for the vast majority of sales (77%- as confirmed with Nestlé).
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## 2.2. Key findings

PwC findings are indicated by areas shaded in **yellow**. Westat findings are indicated by areas shaded in **blue**.

Finding		Detail
1.	Sale incentives are based on total Nestlé sales or market share	<p>The Tool requires that for persons employed by manufacturers and distributors, systems of sales incentives for marketing personnel must not include the volume of sales of products within the scope of the company policy in the calculation of bonuses.</p> <p>In line with the WHO Code and the Criteria, the BMS policy states that bonuses or incentives aimed at encouraging increased volume of sales of infant formulas must not be paid to sales staff, medical delegates, and other marketing personnel. In Mexico, Nestlé calculate employee bonuses based on market share of the overall infant nutrition category.</p>
2.	Membership of all trade associations are not disclosed	<p>The Tool requires companies to have a procedure to disclose its membership of trade associations and industry policy groups. Nestlé Mexico is a member CANILEC (Cámara Nacional de Industriales de la Leche de México), the National Chamber of the Dairy Industry. Their membership to CANILEC is disclosed on the Nestlé global website, however it is not referenced on the Nestlé Mexico website.</p>
3.	BMS Policy not publicly available	<p>The Tool requires companies to make their BMS Policy publicly available. Nestlé's BMS Policy is publicly available on the Nestlé global website, however it is not available on the Nestlé Mexico website.</p>
4.	Products promoted in physical retailers	<p>6 findings noted of promotion in physical retailers. All 6 of the findings were non-compliances with WHO Article 5 (The general public and mothers).</p>

# 3. Factual findings

## 3.1. PwC factual findings

Virtual interviews with staff from the Nestlé Mexico Head Office were performed in November 2020. The fieldwork assessment entailed inspection of relevant policies and procedures provided to us and interviews with the relevant staff to understand processes in place against the Criteria included within the Tool. The factual findings from these activities are provided in the table below.

The factual findings relating to Corporate Head Office and the Philippines are included in a separate report titled “PwC verification assessment report - Corporate Head Office and Philippines visit, Nestlé, March 2021”. In some instances, an observation at the local level in Mexico may be derived from a policy or practice that is established at Corporate Head Office. Where this is the case, details of the Corporate Head Office observation have also been included in this report for context. No other Corporate Head Office observations will be duplicated within this report.

Area	Factual Findings
<b>3.1.1. Company policies and procedures</b>	<ol style="list-style-type: none"><li data-bbox="471 489 1835 642"><b>1. Governance structure:</b> The responsibility for the management, implementation and monitoring of compliance with the Nestlé BMS Policy is overseen by the Nestlé Head Office in Vevey, Switzerland. A procedures manual is in place for each country. These manuals are created by the market’s WHO Code Compliance Manager, who has knowledge of the National Code in the particular market. This is done with guidance from the Business Compliance Manager for that zone (note; there are three zones globally) and Head Office. Responsibility for identifying local regulations that are different to Corporate Head Office policies as well as monitoring compliance is allocated to the market’s WHO Code Compliance Manager.</li><li data-bbox="471 674 1835 827"><b>2. Implementation of BMS policies and procedures:</b> “The Nestlé Policy and Procedures for the Implementation of the WHO International Code of Marketing of Breast Milk Substitutes” is publicly available on the Nestlé corporate website and provides instructions and guidance when undertaking marketing activities on Breast Milk Substitutes. The Corporate Procedure Manual is an internal document established at corporate level, that sets out to provide guidance to staff on the governance required in each of the company’s functional areas concerned with the marketing of all products within the scope of the WHO Code. In each country, the Corporate Procedure Manual is amended to include any additional requirements derived from the National Code.</li><li data-bbox="471 860 1835 936"><b>3. Knowledge of the Criteria:</b> Wide ranging interviews were performed with Mexico Head Office functions involved in Nestlé’s application of the Criteria and relevant national legislation. Detailed Criteria knowledge was noted across the individuals interviewed (refer to Appendix 1), who stated their commitment to adhering to the BMS marketing practices required by the Criteria.</li><li data-bbox="471 969 1835 1057"><b>4. Scope with respect to Food for Special Medical Purposes (FSMPs):</b> Nestlé’s BMS Policy acknowledges that where national legislation or regulations are more demanding than their BMS Policy, the company will follow the national measures in addition to their BMS Policy. As noted in section 2.1, FSMPs are included within the scope of national legislation and therefore are Covered Products for Nestlé in Mexico (i.e. products that fall under the Nestlé BMS Policy).</li></ol>

### 3.1.2. Lobbying and trade associations

1. **In-country support of public policy (Government lobbying):** Nestlé Mexico stated that, in line with Corporate Head Office, it continues to support efforts by governments to implement the Code. The managing body in each country is responsible for developing the local position and a monthly WHO Compliance call is in place to exchange relevant communications, including Head Office and in-country positions. The trade association most relevant to infant formula in Mexico, which Nestlé is a member of, is CANILEC (Cámara Nacional de Industriales de la Leche de México), the National Chamber of the Dairy Industry. Chamber members meet on a monthly basis. Nestlé’s membership to CANILEC is disclosed on the Nestlé global website, however it is not referenced on the Nestlé Mexico website.

### 3.1.3. Health Care Professionals and Health Care Entities

1. **Health care events and sponsorship:** Nestlé has a code in place that sets principles for interactions between Nestlé’s Nutrition Business Units and Health Care Professionals and Institutions; the “Engagement Code for Nutrition businesses with Healthcare Professionals and Institutions”. Detailed knowledge of the provisions of this document were noted across the individuals interviewed in Mexico (refer to Appendix 1). Corporate Head Office confirmed that a procedure is in place to disclose to the institution to which a health worker is affiliated any contribution made to him/her or on his/her behalf for fellowships, study tours, research grants, attendance at professional conferences or similar support. We inspected evidence of this procedure in Mexico.
2. **Information and education materials:** A NAN Confort and AAA detailer (materials providing details or scientific information on a product’s potential uses, benefits, side/adverse effects) were inspected. These documents are to be presented to HCPs during hospital visits by Nestlé medical staff. No issues were noted with respect to the detailers including the content required by the Code and the Tool. We also inspected evidence of review and approval by relevant teams.

### 3.1.4. Employees

1. **Infant nutrition team:** Nestlé Mexico employs a dedicated, senior team experienced in infant nutrition to oversee the implementation of the Criteria as well as implementation and monitoring of the Nestlé BMS Policy.
2. **Training and awareness:** Training and awareness of the Nestlé Policy is a mandatory part of every Nestlé Infant Nutrition employee's induction. ASET (Advanced Strategic Enhancement Training), is Nestlé’s BMS training programme that was developed to spread awareness globally on Nestlé’s BMS policies and procedures for implementation. There are 4 levels: Green, Blue, Silver and Gold. The ‘Green ASET’ training module must be completed within three months of joining the Nutrition business unit, and must be repeated every three years. Green is the minimum level of training and covers Nestlé’s vision, nutrition in first 1,000 days, breastfeeding, WHO compliance and the Code of Conduct. Monitoring completion of in-country training is the responsibility of the market WHO Code Compliance Manager. In Mexico, Nestlé confirmed that WHO Code training is required for all Nestlé Mexico employees. An explanation of the WHO Code is included within an onboarding training WHO Code e-learn for all new hires. This was previously performed face-to-face, but is now a digital module within the “Nestlé University” platform. The WHO Code e-learn must be completed within three months of joining the company. Following that, within six months the Green ASET module must be completed. Completion of this module is also monitored by the global team. Annual refresher training is then performed, as well as on-demand, ad-hoc training sessions. Nestlé Mexico Sales and field operations employees must complete annual training and attain a passing score in the exam at the end. For field operations (e.g. medical delegates, field force effectiveness teams), a score of 8/10 is required.

### 3.1.4. Employees

A pass rate was not confirmed for the sales employees. During June 2020, a WHO Code Certification Tool was also introduced in Mexico. This tool is used to easily identify and monitor relevant course completion. For a sample of employees in Mexico, we inspected evidence of training records to confirm the relevant levels of training had been performed in line with their role.

3. **Raising allegations:** Nestlé’s whistleblowing hotline, Tell Us, enables employees and external stakeholders to anonymously raise any concerns that they may have with Nestlé via an online portal or via phone. Nestlé also have an Internal Reporting System (IRS) available internally to employees, which allows all employees of the Nestlé Group, to submit reports in relation to BMS non-compliance. The IRS facilitates reports to be made in an anonymous and confidential way outside the line management structure. Both Tell Us and the IRS are operated by a third-party company specialised in the handling of whistleblowing hotlines. A WHO Code Ombudsperson System is also operated at a global and local level. This is for internal issues only, and is another channel for employees to use which protects the reporter’s confidentiality and ensures that there will be no retaliation. Ombudsperson conclusions are reported to the WHO Code Committee and are included within the internal annual report of compliance. During the Mexico interviews, employees demonstrated good knowledge of the Tell Us whistleblowing hotline, the IRS and the WHO Ombudsperson System. An Ombudsperson is in place in Mexico. Instruction to first seek advice or guidance before making a complaint is included within the Nestlé BMS Policy.
4. **Rewarding compliance for employees:** As confirmed during the Mexico interviews and as per the Mexico procedure manual, the annual performance appraisals of field sales personnel performed by line managers include:
  - Compliance with the provisions of the WHO Code and WHO Code Management System (WCMS);
  - Monitoring and reporting of violations of the WHO Code and WCMS at points of sale;
  - Effectiveness in responding to violations of the Code; and
  - Effectiveness when supervising indirect or subcontracted marketing personnel in the execution at points of sale.
 The employees are assigned a rating by their line manager. Depending on their rating, the employees may be entitled to receive an additional bonus.
5. **Contracts/ Job descriptions:** The Tool requires formal job descriptions for relevant sales and marketing personnel that are linked to the requirements of the company policy. At Head Office, it was confirmed that job descriptions include explicit reference to the BMS Policy. In Mexico, for a sample of employees, we inspected the employment job descriptions, referred to as Job Success Profiles, which included explicit reference to “Comply with the World Health Organization (WHO) International Code on the Marketing of Breast Milk Substitutes, the Nestlé Instructions and the Nestlé Policy on the Marketing of Breast Milk Substitutes, any amendments and government regulations relevant in each of the activities inherent to the functions of this position.”
6. **Bonuses:** Although incentives, at Head Office and in Mexico, are not based on volume or value of Infant Nutrition sales, they are based on market share of the Infant Nutrition division.

Area	Factual Findings
<p><b>3.1.5. Contractual third parties</b></p>	<p>1. <b>Contracting:</b> As noted within “Local operating context” in section 2.1.1, BMS are sold directly to modern trade and traditional retailers, drugstores and e-commerce platforms in Mexico. There are no contractual third parties e.g. distributors. The legal paperwork between entities is limited to, for example, purchase order. Please see section 3.1.6 for further details on interactions with non-contractual third parties.</p>
<p><b>3.1.6. Non contractual third parties</b></p>	<p>1. <b>Training/raising awareness:</b> The Nestlé Mexico team confirmed that they send a letter to the trade on an annual basis, reminding them of requirements with respect to BMS. They request that the retailer signs and returns the letter in order to demonstrate acknowledgement and to ensure that they have read, and agreed to adhere to, the requirements. In the absence of a returned signed letter, Nestle expects an acknowledgment of receipt. We inspected a sample of signed letters to the trade.</p> <p>The Nestlé Mexico team confirmed that where non-compliances are noted at non-contractual partners in the course of field visits and trade visits, they bring this to the offender’s attention, request that the display be changed, where applicable, and provide them with “Do’s and Don’ts” materials. They also confirmed that they will perform a follow up visit to ensure that the change has been made.</p> <p>The Nestlé Mexico team stated that wherever there is an opportunity, they proactively train their clients. We inspected evidence of a number of training sessions held with one of the retailers selected.</p> <p>The Tool requires companies to make its BMS Policy publicly available. Nestlé’s BMS Policy is publicly available on the Nestlé global website, however it is not available on the Nestlé Mexico website.</p> <p>2. <b>Raising allegations:</b> Tell Us is available in many languages and is available via an online portal or via phone. Nestlé informed us that by mid-March 2017, the link to Tell Us was included in the webpages of all Nestlé higher-risk markets. The Nestlé global website has a banner towards the bottom of every web page which clearly says “Compliance Concerns. Let us know your concerns. Tell Us.” The Nestlé Mexico website has a similar banner in Spanish. This banner translates as “Tell us. Do you have a complaint about ethics and compliance?”</p>
<p><b>3.1.7. Internal monitoring</b></p>	<p>1. <b>Allegation response monitoring:</b> Analysis of target vs actual performance with respect to time taken to respond to allegations is handled by Corporate Head Office. Further details are included in the report titled “PwC verification assessment report - Corporate Head Office and Philippines visit, Nestlé, March 2021”.</p> <p>2. <b>In-country internal monitoring:</b> The Nestlé Mexico team confirmed that internal monitoring is seen as intrinsic to their ways of working with employees trained in the requirements of the WHO Code, national legislation and Nestlé BMS policy, and are required to report on non-compliances observed as part of their daily activities (e.g. field and trade visits).</p> <p>Further, the Nestlé Mexico Compliance team (“Compliance”) perform internal monitoring against the 103 indicators of the FTSE criteria every 6 months. This is something that has been implemented in the Americas zone only, and is mandatory for all countries in that zone. The most recent internal review of this nature in Mexico was performed in May 2020. As part of the monitoring, Compliance directly interview area specialists and test samples to confirm procedures are being implemented and documented. Compliance then create a report, and discuss the report in the Code Room meeting, which is held every 2 months. The Code Room is a central repository where non-compliances are reported, and remediation plans and identification of improvement opportunities are recorded.</p>

Area	Factual Findings
	<p>The report is also sent to the Americas zone Business Compliance Manager and the Mexico Business Executive Officer. We have inspected evidence of one of these reviews performed in 2019, and the communication of this review from the WHO Code Manager to the Americas zone Business Compliance Manager. We also inspected evidence of the 2020 review performed and a corresponding powerpoint deck. Non-compliances are logged in the Code Room, where they are recorded and tracked to remediation.</p>
<p><b>3.1.8. External/ Independent assessments</b></p>	<p>1. <b>External and independent assessments are handled by Corporate Head Office.</b> Further details are included in the report titled “PwC verification assessment report - Corporate Head Office and Philippines visit, Nestlé, March 2021”.</p>
<p><b>3.1.9. Allegation handling and reporting</b></p>	<p>1. <b>Mexico:</b> We were informed that the Mexico team report all allegations of non-compliance to the Code Room. The Code Room is used by the Corporate Head Office team to interact with the in-country teams, to monitor compliance with legislation, to have visibility of WHO code non-compliance and to collate information when producing summary reports. The Nestlé Mexico team confirmed that the standard target to respond to allegations is within 90 days, with a maximum of 180 days. Once an allegation is resolved a letter is sent to the reportee informing them of the conclusion and, if applicable, corrective actions. The Nestlé Mexico team confirmed that external allegations submitted through Tell Us are investigated and corrective actions decided at Corporate Head Office level, where Corporate Head Office will communicate with the Mexico Ombudsperson and/or Who Code Manager where appropriate. Other external allegations and internal allegations are investigated by the local team and recorded in the Code room; externally identified allegations are managed by the Ombudsperson, and internally identified allegations are managed by the WHO Code Manager. The Nestlé Mexico team also confirmed that as part of Nestlé Internal Audit reviews, the Internal Audit team will select a sample of a market’s instances of non-compliance, and request that the local team show them the supporting documentation relating to those cases. If this could not be provided, an exception would be noted.</p>

## 3.2. Westat factual findings

The findings below summarise the results of the procedures described in section 1.3.

Area	Factual Findings
<b>3.2.1. Information and education materials and equipment (HCFs and retailers)</b>	No findings noted.
<b>3.2.2. Traditional media</b>	No findings noted.
<b>3.2.3. Online media</b>	No findings noted.
<b>3.2.4. Labels</b>	No findings noted.
<b>3.2.5. Promotion on online retailer sites</b>	No findings noted.
<b>3.2.6. Promotion in physical retailers</b>	<p>There were 6 findings noted with respect to Article 5 of the Code (The general public and mothers). These are as follows:</p> <p><b>Infant formula</b></p> <p>Finding 1: Good Start 1 OptiPro Supreme (see image in Appendix 3) - non-compliance with article 5.5 of the Code; evidence observed of seeking contact with consumer through visiting company facebook pages</p> <p>Finding 2: Good Start 1 OptiPro Supreme (see images in Appendix 3) - non-compliance with article 5.5 of the Code; evidence observed of seeking contact with consumer through visiting company facebook pages</p> <p>Finding 3: NAN Sin Lactosa (see image in Appendix 3) - non-compliance with article 5.3 of the Code; including 2 products (1 big and 1 smaller) in a single pack with a sticker about serving sizes incentivise consumers to purchase these products as it highlights the yield, implying better value ('good value for money')</p>

Finding 4: NAN Sin Lactosa (see image in Appendix 3)

- non-compliance with article 5.3 of the Code; including 2 products (1 big and 1 smaller) in a single pack with a sticker about serving sizes incentivise consumers to purchase these products as it highlights the yield, implying better value ('good value for money')

**Follow-on-formula**

Finding 5: Good Start 2 Optipro Supreme (see image in Appendix 3)

- non-compliance with article 5.5 of the Code; evidence observed of seeking contact with consumer through visiting company facebook pages

Finding 6: Good Start 2 Optipro Supreme (see image in Appendix 3)

- non-compliance with article 5.5 of the Code; evidence observed of seeking contact with consumer through visiting company facebook pages

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## 4. Update on previous findings

The findings below were identified during PwC's 2016/17 verification assessment. The countries visited for this assessment were Nigeria and Thailand. For each finding, PwC has reviewed the finding and commented on current year observations with respect to the assessment of Mexico. Current year observations with respect to the assessment of Corporate Head Office and the Philippines can be found in the report titled "PwC verification assessment report - Corporate Head Office and Philippines visit, Nestlé, March 2021".

Previous finding	2019/20 update	Related Tool Criteria
<p>1. <u>Procedures to ensure that stakeholders outside its boundaries of control (e.g. retailers or HCFs) are aware of the requirements of the company policy:</u> WHO code annual reminder letters and retailer 'do's and don'ts' leaflets are not consistently provided to HCFs who sell or distribute BMS, or to retailers who purchase BMS through Nestlé's contractual distributors, in Thailand and Nigeria.</p>	<p>As a result of restrictions caused by the COVID-19 pandemic, HCF visits were not in the scope of work performed by Westat for the Mexico assessment. HCF visits and HCP interviews were not in the scope of work performed by PwC for this verification assessment.</p> <p>As noted in finding 3.1.6.1, Nestlé Mexico confirmed that they send a letter to the trade on an annual basis, reminding them of requirements with respect to BMS. They request that the retailer signs and returns the letter in order to demonstrate acknowledgement and to ensure that they have read, and agreed to adhere to, the requirements. In some cases in Mexico, the retailer may not sign a return it due to their own internal rules, but they will instead return an acknowledgement of receipt. We inspected a sample of letters to the trade. The Nestlé Mexico team confirmed that where non-compliances are noted at non-contractual partners in the course of field visits and trade visits, they bring this to the offender's attention, request that the display be changed, where applicable, and provide them with "Do's and Don'ts" materials. They also confirmed that they will perform a follow up visit to ensure that the change has been made.</p> <p>The Nestlé Mexico team stated that wherever there is an opportunity, they proactively train their customers. We inspected evidence of a number of training sessions held with one of the retailers selected. The Tool requires companies to its BMS Policy publicly available. Nestlé's BMS Policy is publicly available on the Nestlé global website, however it is available on the Nestlé Mexico website.</p>	<p>Management systems: FTSE Criteria 1.1</p>

Previous finding	2019/20 update	Related Tool Criteria
<p>2. <i>Payment relating to conferences:</i> Nestlé’s policy states that sponsorship of health workers is limited to the payment of travel, meals, accommodation and registration fees and that no stand-alone entertainment or other leisure or social activities shall be provided or paid for. 3 out of 82 HCPs interviewed in Thailand stated their perception of an annual 2 day conference where travel, subsistence and personal entertainment expenses were paid for by Nestlé. We were unable to obtain confirmation of the nature of the expenses paid for by Nestlé</p>	<p>As a result of restrictions caused by the COVID-19 pandemic, HCF visits were not in the scope of work performed by Westat for the Mexico assessment. HCF visits and HCP interviews were not in the scope of work performed by PwC for this verification assessment.</p>	<p>Management systems: Additional Assessment Measures 1.5</p>
<p>3. <i>Materials on display in public areas at HCFs:</i> At 5 of 35 HCFs visited in Nigeria, posters with the Nestlé Nutrition brand and message “Breastfeeding is best” were observed in rooms visible to the general public. While the Criteria permits material donated to a health care system to bear the company name or logo, the posters were labelled as ‘information for Healthcare Professionals only.’ We were unable to obtain any display instructions communicated to the HCF on receipt of the posters.</p>	<p>As a result of restrictions caused by the COVID-19 pandemic, HCF visits were not in the scope of work performed by Westat for the Mexico assessment. HCF visits and HCP interviews were not in the scope of work performed by PwC for this verification assessment.</p>	<p>Management systems: Additional Assessment Measures 1.2</p>
<p>4. <i>Distributor knowledge of company policy:</i> 3 HCPs at 3 out of 13 private HCFs visited in the urban areas of Bangkok stated that the HCF provides Wyeth BMS to all new mothers as part of their birthing package. Furthermore, Nestlé sells BMS directly to these facilities via a contractual distributor. We were unable to ascertain from the HCFs purchasing department whether Nestlé or the distributor provides any guidance in this regard.</p>	<p>As a result of restrictions caused by the COVID-19 pandemic, HCF visits were not in the scope of work performed by Westat for the Mexico assessment. HCF visits and HCP interviews were not in the scope of work performed by PwC for this verification assessment. Further, Nestlé do not operate through distributors in Mexico. They interact directly with retailers and wholesalers.</p>	<p>Management systems: FTSE Criteria 1.1 and Additional Assessment Measures 1.3 and 1.4</p>
<p>5. <i>Distribution of free supplies to HCPs:</i> 5 out of 170 HCPs visited in Nigeria and Thailand, stated that free supplies of stage 1 and 2 BMS were given by Nestlé representatives. In Thailand, 1 HCP out of 82 interviewed stated they had received 12 boxes of "sample size" BMS from Nestlé. We were unable to obtain any evidence of these samples.</p>	<p>As a result of restrictions caused by the COVID-19 pandemic, HCF visits were not in the scope of work performed by Westat for the Mexico assessment. HCF visits and HCP interviews were not in the scope of work performed by PwC for this verification assessment.</p>	<p>Management systems: Additional Assessment Measures 1.4 and 1.5</p>

## Previous finding

## 2019/20 update

## Related Tool Criteria

6. Training for medical delegates around contact with mothers: Nestlé medical delegates undergo training prior to entering the field, which covers what is and is not permitted in the capacity of a medical delegate. 5 HCPs interviewed from different HCFs in Thailand and Nigeria stated that they observed demonstrations performed by Nestlé medical delegate at their HCF, where mothers were present. We were unable to obtain any evidence of this discount or that mothers were present at the demonstrations. Further, in Thailand, 1 HCP out of 82 interviewed stated that a Nestlé medical delegate had approached her, in her capacity as a mother at the HCF, to offer discounted BMS.

As a result of restrictions caused by the COVID-19 pandemic, HCF visits were not in the scope of work performed by Westat for the Mexico assessment. HCF visits and HCP interviews were not in the scope of work performed by PwC for this verification assessment.

Management systems:  
Additional Assessment Measures 1.3 and 1.4

7. Provision of guidance to third parties: Retailers who purchase BMS from third party distributors do not receive:  
- Annual letters to acknowledge compliance with the WHO code; or  
- Illustrative 'Do's and Don'ts' leaflets.  
Retailers who purchase BMS directly from Nestlé receive the above documents.

As noted in finding 3.1.6.1, Nestlé Mexico confirmed that they send a letter to the trade on an annual basis, reminding them of requirements with respect to BMS. They request that the retailer signs and returns the letter in order to demonstrate acknowledgement and to ensure that they have read, and agreed to adhere to, the requirements. In some cases in Mexico, the retailer may not sign a return it due to their own internal rules, but they will instead return an acknowledgement of receipt. We inspected a sample of letters to the trade. The Nestlé Mexico team confirmed that where non-compliances are noted at non-contractual partners in the course of field visits and trade visits, they bring this to the offender's attention, request that the display be changed, where applicable, and provide them with "Do's and Don'ts" materials. They also confirmed that they will perform a follow up visit to ensure that the change has been made.  
The Nestlé Mexico team stated that wherever there is an opportunity, they proactively train their customers. We inspected evidence of a number of training sessions held with one of the retailers selected. The Tool requires companies to make their BMS Policy publicly available. Nestlé's BMS Policy is publicly available on the Nestlé global website, however it is available on the Nestlé Mexico website.

Management systems: FTSE Criteria 1.1

Previous finding	2019/20 update	Related Tool Criteria
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<p>8. <u>Parallel imports of BMS from lower-risk countries by third parties:</u> Independent parallel imports by third parties of products from lower-risk countries were seen in over half the total number of retailers visited. They are not NAFDAC approved. In the past, Nestlé has stated they have limited influence over how its BMS are commercialised, as this violation is by third parties with whom Nestlé has no commercial relationship. This matter was brought to our attention by Nestlé, and continues to be an issue.</p>	<p>A small number of parallel imports were identified by Westat. Nestlé was made aware of the parallel imports found by Westat, but findings related to those products are excluded from the Westat report and ATNI's scoring system.</p>	<p>N/A</p>
<p>9. <u>Inappropriate product promotion by retailers:</u> Retailers inappropriately promoted in-scope products:</p> <ul style="list-style-type: none"> <li>- In 1 retailer out of 41 visited in Nigeria, in-scope product was on sale for a lower price when compared to prices in other retailers. This was not labelled as a discount in-store;</li> <li>- In 1 retailer out of 41 in Nigeria, and 4 retailers out of 45 visited in Thailand, we observed the use of shelving strips with "Choose Quality Choose Nestlé" "Nestlé" or "Wyeth Nutrition" under the BMS products;</li> <li>- BMS are displayed at the front of the store, stacked on table-tops, in small stores and open market stalls across Lagos for Nestlé and other BMS manufacturers; and</li> <li>- BMS from a range of BMS manufacturers were pictured on a banner outside 1 independent retailer, out of 30 retailers visited, in Bangkok.</li> </ul>	<p>As noted in finding 3.2.6, Westat identified 6 promotions at physical retailers. No observations noted by Westat with respect to online retailers. Retailer visits (traditional and online) were not in the scope of work performed by PwC for this verification assessment.</p>	<p>Management systems: FTSE Criteria 1.1</p>
<p>10. <u>Marketing activity for out of scope products:</u> Advertising was noted in Thailand for milk powder products for use of infants over 12 months (stage 3 products). Adverts for stage 3 products are out of scope of the Code but are accompanied by the use of product logos that are associated with the product brands of stage 1 and 2 infant formula (i.e. 0-12 months).</p>	<p>Westat findings provided to PwC only cover products for 0-12 months. As such, there are no updates available with respect to this finding. Media monitoring was not in the scope of work performed by PwC for this verification assessment.</p>	<p>Management systems: Additional Assessment Measures 1.3</p>

# Appendices



# Appendix 1 - Virtual interviews attendees

## Mexico Virtual Interviews

**Mexico Office**

Business Compliance Manager Americas Nutrition

Business Executive Officer- Nestlé Health Science, Mexico

Business Executive Officer- Nestlé Nutricion, Mexico

HR Business Partner Senior Manager

Medical Field Force Director

Medical Scientific Unit Senior Manager

Mexico Ombudsperson

WHO Code Manager

**Corporate Head Office**

Corporate Public Affairs

# Appendix 2 - Summary scoring

The table below provides an overview of the 2019/20 findings for Mexico as they relate to the Tool Criteria. PwC findings are indicated by areas shaded in **yellow**. Westat findings are indicated by areas shaded in **blue**. Note, 2019/20 findings relating to Corporate Head Office and the Philippines are included in a separate report titled “PwC verification assessment report - Corporate Head Office and Philippines visit, Nestlé, March 2021”.

Policy Criteria	
Criteria	2019/20 Verification Assessment
	<b>Mexico</b>
FTSE Criteria 1: Company policy should be publicly available and include acknowledgement of the importance of the International Code of Marketing of Breast Milk Substitutes, and subsequent relevant WHA resolutions, hereafter referred to as 'the Code'.	
FTSE Criteria 2: Naming the person responsible at Corporate Executive Board level or Executive Management level and at the individual country level for the implementation and monitoring of the policy.	
FTSE Criteria 3: Acknowledgment that, independently of any other measures taken by governments to implement the Code, manufacturers are responsible for monitoring their marketing practices according to the principles and aim of the Code, and for taking steps to ensure that their conduct at every level conforms to their policy in this regard.	
FTSE Criteria 4: Acknowledgment that the adoption and adherence to the Code is a minimum requirement for these countries and where national legislation or regulations implementing the Code are more demanding than the Code, the company will follow the national measures in addition to the Code (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).	
FTSE Criteria 5: Explicit confirmation that there will be no advertising or promotion of infant formula, follow-on-formula products, or delivery products (i.e. teats and bottles) in these countries (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).	
FTSE Criteria 6: Explicit confirmation that complementary (weaning) foods and drinks will not be promoted for the use of infants under the age of six months in these countries (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).	
FTSE Criteria 7: Commitment to follow all national regulations in relation to the marketing and promotion of breast milk substitutes (Additional Policy Criteria with Regards to Company Operations in Low Risk Countries).	

## Corporate public policy and lobbying of regulators

### Criteria

### 2019/20 Verification Assessment

Mexico

FTSE Criteria 1: Companies have a valid and important engagement role in the development of effective and appropriate legislation. They should have clear, openly-stated and enforceable policies on the objectives and practice of their political lobbying regarding government's implementation of the Code, and specifically companies must be open about their objectives, and make position papers publicly available to demonstrate consistency.

FTSE Criteria 2: Seek to ensure that the trade associations and industry policy groups, to which they belong, operate to the same high standards with membership of such organisations being disclosed.

## Management systems

### Criteria

### 2019/20 Verification Assessment

Mexico

FTSE Criteria 1.1: Clear communication of the company policies, procedures for its implementation throughout the production and marketing processes, and provision of training in its application, to senior management and all relevant marketing staff operating in the high risk countries.

Additional Assessment Measures 1.2: Information and Education

Additional Assessment Measures 1.3: General Public and Mothers

Additional Assessment Measures 1.4: Health Care Systems

Additional Assessment Measures 1.5: HealthWorkers

Additional Assessment Measures 1.6: Persons Employed By Manufacturers and Distributors

Additional Assessment Measures 1.7: Labelling

Additional Assessment Measures 1.8: Quality

## Management systems

Criteria	2019/20 Verification Assessment
	Mexico
FTSE Criteria 2: Clear accountability and responsibility within the Company for the implementation of systems for compliance with policy at all levels.	
FTSE Criteria 3: Whistle-blowing procedures that allow employees to report outside their normal management reporting line potential non-compliance with company policy in a way that protects them from possible negative consequences of such reporting.	
FTSE Criteria 4.1: Ongoing systematic internal monitoring of compliance with policy.	
Additional Assessment Measures 4.2: Implementation and Monitoring	
FTSE Criteria 5: Systems for investigating and responding in a timely manner to alleged Non-compliance reported by governmental bodies, professional groups, institutions, NGOs or other individuals from outside the Company.	
FTSE Criteria 6: Systems for taking, as well as tracking, corrective action on all non-compliance cases, both internally and externally reported.	
FTSE Criteria 7: Regular external verification to provide evidence of well-functioning Policy compliance management and monitoring systems, conducted by a suitably qualified external expert.	
FTSE Criteria 8: In addition to management reviews, the production of annual summary reports to the Board of Directors on internal monitoring, external reporting and corrective actions taken regarding noncompliance.	
FTSE Criteria 9: In addition for operations in high risk countries, companies must provide to the FTSE BMS Committee, on request, copies of any related marketing literature and product labelling and inform the Committee (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).	

## External Reporting

Criteria	2019/20 Verification Assessment
	Mexico
FTSE Criteria 1: Adequate Company reporting procedures should include making annual summary reports available on adherence to policy, non-compliance, and corrective action taken.	

# Appendix 3 - Westat evidence images

This appendix contains images provided by Westat which support their findings.

## 3.2.6. Promotion in physical retailers

### Finding 1:



### Finding 2:



# Appendix 3 - Westat evidence images

This appendix contains images provided by Westat which support their findings.

## 3.2.6. Promotion in physical retailers

### Finding 3:



### Finding 4:





# Appendix 4 - Definition of terms

Term/ Document	Definition
BMS	Breast Milk Substitutes
BMS Corporate Procedure Manual	The following document created at Corporate Head Office: WHO International Code of Marketing of Breast Milk Substitutes Corporate Procedure Manual
Code	World Health Organization International Code of Marketing of Breast Milk Substitutes
Compliance	Nestlé Compliance team
Corporate Head Office	Nestlé Head Office in Vevey, Switzerland
Covered Product	Product that falls under the Nestlé BMS Policy
FSMP	Food for special medical purposes
HCFs	Health Care Facilities
HCPs	Health Care Professionals
In-scope product	Products in-scope based on the stricter of FTSE4Good Criteria or national legislation
Nestlé's BMS Policy	The following document created at Corporate Head Office: The Nestlé Policy and Procedures for the Implementation of the WHO International Code of Marketing of Breast Milk Substitutes

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