

Global Index 2021

# Nestlé

**Product categories assessed**

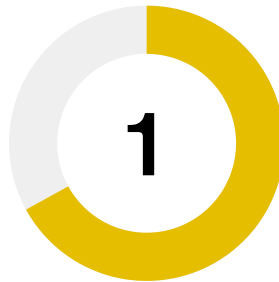
Bottled Water (Pure), Breakfast Cereals, Carbonates, Processed Meat and Seafood, Concentrates, Confectionery, Dairy, Other Hot Drinks, Ready Meals, Rice, Pasta and Noodles, RTD Coffee, RTD Tea, Sauces, Dressings, Condiments, Soup, Sweet Biscuits, Snack Bars and Fruit Snacks, Bottled Water (Other)

**Percentage of company global sales covered by Product Profile assessment**  
45-50%

**Headquarters**  
Switzerland

**Number of employees**  
291000

**Type of ownership**  
Public



Rank 1 / Score 6.7  
Rank 1 (2018)



**Product Profile** <sup>1</sup>  
Rank 3 / Score 7.2  
Rank 13 (2018) <sup>2</sup>



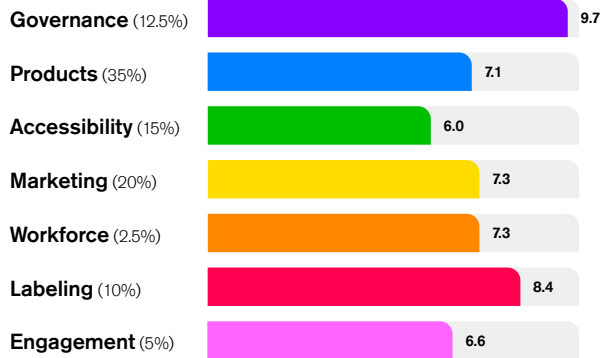
**BMS/CF Marketing** <sup>3</sup>  
Rank 2 / Score 57%  
Rank 2 (2018)

**Important:**

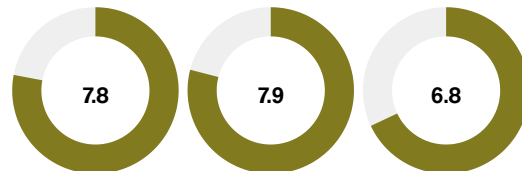
The findings of this Index regarding companies' performance rely to a large extent on information shared by companies, in addition to information that is available in the public domain. Several factors beyond the companies' control may impact the availability of information such as differences in disclosure requirements among countries or capacity constraints within companies, amongst others the Covid-19 pandemic. Therefore, in the case of limited or no engagement by such companies, this Index may not represent the full extent of their efforts.

## Corporate Profile

**Rank 1      Score 6.7**



**Commitment      Performance      Disclosure**



The bar graph to the left shows company performance across the seven Index categories, which are key topic areas of assessment, and scores are shown for each category. The circles above provide an alternate view on the company's overall results, showing the score per indicator type. The Commitment, Performance, Disclosure score only applies to category scores and not to the BMS/CF Assessment.

An adjustment of -0.64 to the company's score has been made based on its score in the BMS/CF Marketing Index 2021.

**Company BMS/CF Scorecard:**  
[https://acesstonutrition.org/app/uploads/2021/06/ATNI\\_Scorecard\\_Nestle%CC%81.pdf](https://acesstonutrition.org/app/uploads/2021/06/ATNI_Scorecard_Nestle%CC%81.pdf)

## Main areas of strength

- **SCORES AND RANKS:** Nestlé ranks first maintaining its position compared with the 2018 Global Index. The company's overall score slightly decreases from 6.8 to 6.7 in 2021. Nestlé ranks first in Governance and Engagement and achieves a second or third rank in all other Index categories. Nestlé ranks third in the Product Profile.

- **GOVERNANCE:** Nestlé's latest nutrition strategy, established in 2016, continues to be fully incorporated within the company's broader 'Creating Shared Value' (CSV) agenda which is aligned to the SDGs. As shown in 2018, the company defined 15 nutrition-related 2020 commitments as part of its wider 2030 "ambition to help 50 million children lead healthier lives." Overall, Nestlé's reporting shows where it has had success in implementing its nutrition-related commitments, and where more progress is needed. The company is expected to release new commitments in early 2022.

- **GOVERNANCE:** Nestlé is one of three Index companies that have conducted a strategic review in the last three years on commercial opportunities available to address the specific needs of people experiencing, or at high risk of, any form of malnutrition (priority populations). This review was extensive and has been discussed by the Board. In the 2021 Index, the company outpaces most peers following the publication of its 'Compensation Report' 2019, which indicates that the proportion of products with nutrition, health and wellness benefits, among other variables, is a factor used to determine the Group's performance. CEO remuneration is linked to nutrition as part of Nestlé Group Performance and Creating Shared Value framework.

- **PRODUCTS:** The company supports biofortification efforts and uses micronutrient fortification as one of the strategies to help address micronutrient deficiencies. In a new global policy – 'Nestlé's Policy on Micronutrient Fortification of Foods & Beverages', released in 2020 – the company defines its commitment to follow local regulation and international standards (Codex) when fortifying foods, with the aim to "promote the micronutrient fortification of foods and beverages at levels that help to improve and maintain health, but in amounts that do not increase the risk of developing adverse consequences from excessive consumption." In addition, Nestlé is one of the few companies in this Index that discloses examples of investments made to develop products to address undernutrition/micronutrient deficiencies.

- **PRODUCTS:** Compared to 2018, Nestlé scores relatively high in the Product Profile. The company's improved performance is largely driven by higher sales from healthier categories in major markets, and the divestments of ice cream and confectionery businesses in the U.S. These elements are separately credited in the 2021 Product Profile methodology. In addition, the company has started using the government-endorsed Health Star Rating (HSR) model to evaluate the nutritional quality of its product portfolio and comparing it to the use of its own standards (Nestlé Nutritional Foundation). Nestlé states that the company considers nutrition as part of their assessment for strategic fit. It is one of the criteria considered for making portfolio management decisions.

## Priority areas for improvement

- **PRODUCTS:** According to the company, 80.5 percent of sales in 2019 were from products that met or exceeded the Nestlé Nutritional Foundation profiling criteria. ATNI's Product Profile, estimated the company derived 43% of 2019 sales from products meeting the HSR healthy threshold. The company is encouraged to continue its reformulation efforts and improve marketing strategies to increase proportion of sales from healthy products.

- **PRODUCTS:** While ATNI acknowledges the relative strengths of the company's Fortification Policy, Nestlé is encouraged to strengthen its policy by adhering to Codex standards, even when local regulations are less strict but would allow the company to apply its own policy.

- **ACCESSIBILITY:** Nestlé is encouraged to improve its strategy by setting concrete, measurable targets that prioritize sales and distribution of healthy products. In addition, the company could consider strengthening the implementation of its strategy to support consumers with limited physical access to nutritious foods, and explicitly report on the healthiness of the products aimed at addressing micronutrient deficiencies.

- **MARKETING:** Despite its relatively strong performance on responsible marketing, ATNI encourages Nestlé to extend its 'marketing to children commitment' to cover – as in 2018 – all children under the age of 18, secondary schools, and places where children typically gather. Furthermore, apart from industry coalition efforts (e.g. EU Pledge, CFBAI), the company's annual marketing audits are performed in selected markets, so it is recommended that the company selects more markets of importance to help improve its monitoring and compliance.

- **LIFESTYLES:** According to the company's 2019 CSV report, its Nestlé for Healthier Kids (NHK) program, launched in 2018, supported 27.2 million children in over 84 countries. Also shared in 2018 was a priority recommendation for the company to help avoid the impression that educational programs are used for marketing purposes, particularly for programs targeting children. Nestlé has not yet committed to exclusively support only unbranded programs, implemented by third parties with relevant expertise, to provide nutrition education or promote healthy lifestyles among consumers.

- **LABELING:** Despite making a commitment to adopt FOP labeling in an interpretive format, Nestlé continues the rollout of its Guideline Daily Amount (GDA) labeling system. As the company prepares to launch new commitments, it is encouraged to set a target and report progress on the adoption of interpretive, government-endorsed FOP labeling globally. In addition, the company is advised to strengthen its claims policy by requiring compliance with nutrition criteria when making nutrition claims.

- **ENGAGEMENT:** Nestlé is encouraged to commit publicly to only engage with governments, political parties, policymakers, and policymaking bodies in support of measures to improve health and nutrition. The company can strengthen its transparency on advocacy practices by considering publishing formal lobbying positions taken on relevant nutrition issues, and disclosing a full list of trade

- **ACCESSIBILITY:** Nestlé has updated its commercial strategy, 'Popularly Positioned Products' (PPP), to address the affordability and accessibility of healthy products (according to the company's own nutrition criteria). It has adopted an Integrated Commercial Planning process to review the pricing of its healthy products to ensure they are accessible to low-income groups, and this strategy also addresses the accessibility of fortified products.

- **MARKETING:** The company performs well in Category D because of a solid general marketing policy and the 2018 Nestlé 'Marketing Communication to Children' policy. The company supports the EU pledge and the International Food and Beverage Alliance (IFBA) Responsible Marketing policy, and makes use of independent external audits. Additionally, Nestlé has a global response mechanism to ensure corrective measures are taken regarding any non-compliance with its policy on marketing to children and all consumers.

- **LIFESTYLES:** Nestlé is one of three companies to offer a comprehensive and accessible employee health and wellness program that includes nutrition components, and to make a commitment to improve health and wellness across the supply chain. In addition, in 2019, it announced a new 'Global Parental Support Policy', one of the first in the sector.

- **LABELING:** Nestlé is one of three companies that makes a public commitment to providing nutrition information (government-endorsed, where possible) on the front-of-pack (FOP), in an interpretive format (providing a qualification of how healthy the product is, rather than just numeric information) and on all relevant products. In 2019, the company started implementing the Nutri-Score scheme in some European countries and has joined a coalition calling on the European Commission to adopt this model in its efforts to harmonize a mandatory FOP nutrition label. In addition, Nestlé's health claims policy is aligned with international guidelines, and it has a committee of internal experts to assess whether the scientific substantiation follows Codex Alimentarius Standards.

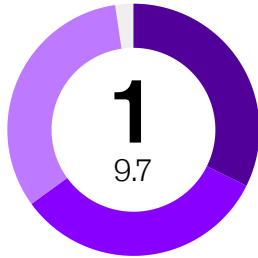
- **ENGAGEMENT:** The company was found to have multiple mechanisms in place to manage and control its lobbying activities, and discloses a full list of Board seats at trade associations relating to nutrition. Meanwhile, Nestlé makes a global commitment and is able to provide several examples of playing an active role in supporting governments' efforts to combat all forms of malnutrition. The company also has a well-structured approach to stakeholder engagement to gather feedback on its nutrition-related strategies.

association memberships, along with its lobbying expenditure and political donations (both globally and in each market), to enable stakeholders to scrutinize the company's political influence. As Nestlé prepares to launch new commitments, it is encouraged to re-adopt a formal panel of nutrition experts with a range of expertise to advise on the design of its strategies, policies, and programs, to prevent and address all forms of malnutrition and disclose information about this panel.

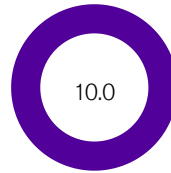
- **MARKETING OF BREAST-MILK SUBSTITUTE AND COMPLEMENTARY FOOD:** Nestlé's BMS marketing policy is in complete alignment with the 1981 Code and all subsequent relevant resolutions up to, but not including, World Health Assembly (WHA) 69.9. The policy also continues to exclude growing-up milks and most formulas for special medical purposes. To fully align, it is recommended that the company considers extending the policy to apply globally (both in higher- and lower- risk countries) in relation to all products covered by the Code. Nestlé is encouraged to close these gaps and further develop policy commitments and associated management systems related to the marketing of complementary foods (CF) for older infants and young children six to 36 months of age, the recommendations set out in the guidance associated with WHA resolution 69.9.

# Category Analysis

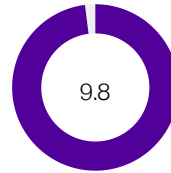
## Governance



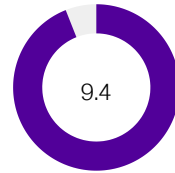
### Commitment



### Performance



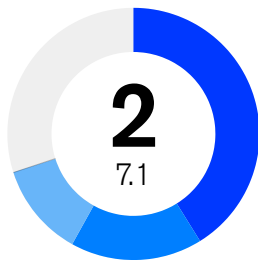
### Disclosure



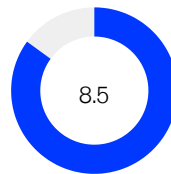
The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

- A1** Nutrition strategy
- A2** Nutrition management
- A3** Reporting quality

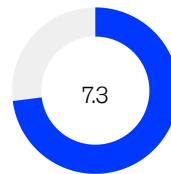
## Products



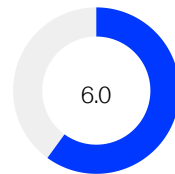
### Commitment



### Performance



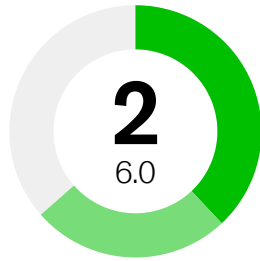
### Disclosure



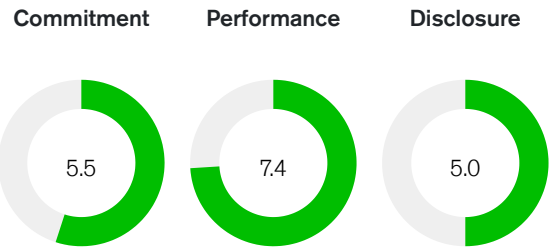
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- B1** Product Profile
- B2** Product formulation
- B3** Defining healthy products

## Accessibility

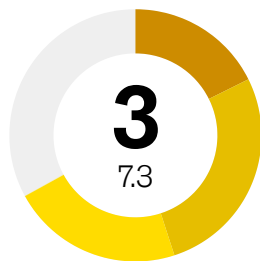


- C1 Product pricing
- C2 Product distribution

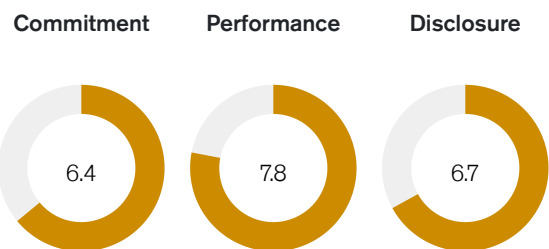


The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

## Marketing

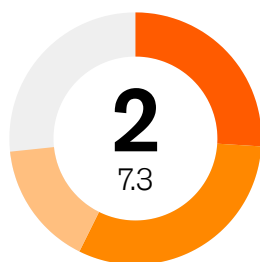


- D1 Marketing policy
- D2 Marketing to children
- D3 Auditing and compliance

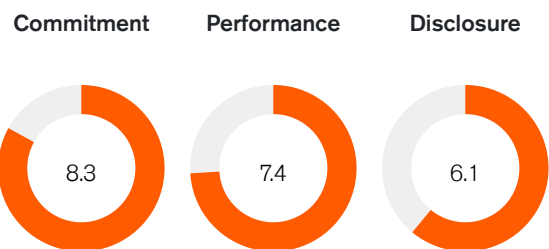


The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

## Workforce

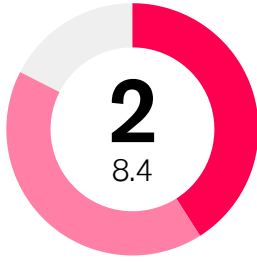


- E1 Employee health
- E2 Breastfeeding support
- E3 Consumer health

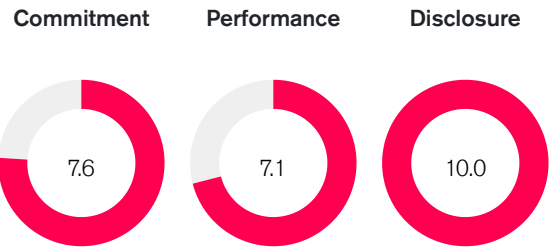


The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

## Labeling

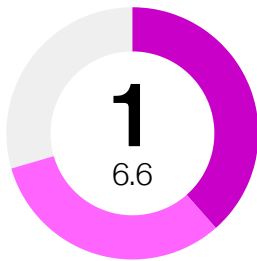


- F1 Product labeling
- F2 Claims

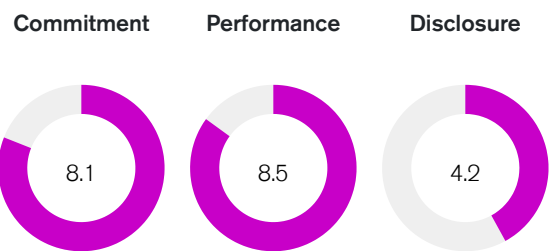


The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

## Engagement



- G1 Influencing policymakers
- G2 Stakeholder engagement



The big circle on the left represents the company result for this Index category, showing the rank out of 25 and the score below it. The smaller circles above indicate company's scores on the three types of indicators.

# Detailed Product Profile Results <sup>1</sup> 4

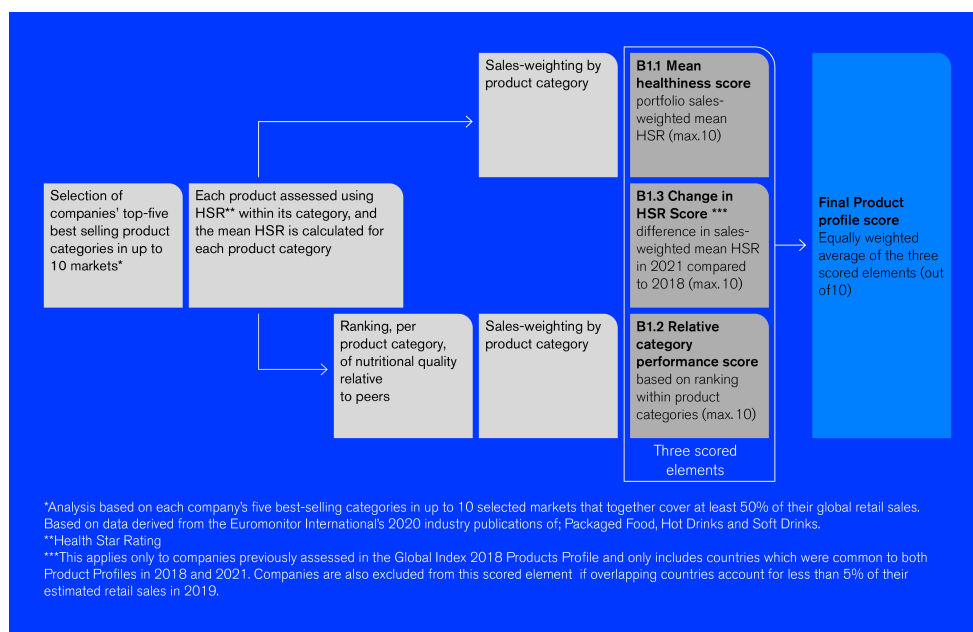


3

Rank 3 / Score 7.2

The Product Profile is an independent assessment of the nutritional quality of companies' product portfolios. For this purpose, ATNI uses the Health Star Rating (HSR) model, which rates foods from 0.5 to 5.0 based on their nutritional quality. ATNI uses the threshold of 3.5 stars or more to classify products as generally healthy. This assessment is undertaken in partnership with The George Institute for Global Health (TGI), with additional data input from Innova Market Insights.

The methodology for the Global Index 2021 Product Profile has been revised and now includes three scored elements. The overall Product Profile score reflects: B1.1, the mean healthiness of a company's product portfolio; B1.2, the relative healthiness within product categories compared to peers, and; B1.3, changes in the nutritional quality of product portfolios compared to the Global Index 2018 Product Profile. The steps taken to calculate the final Product Profile scores are visualized in Box 1. The next section further explains each of these three elements.



Nestlé has been assessed for the second time in the Global Index Product Profile. In the previous assessment, nine of the company's markets were selected, and a total of 2,029 products analyzed – accounting for approximately 40-45% of global retail sales in 2017, excluding baby foods, plain tea, and coffee. In this Index, a total of 2,760 products have been analyzed across 10 of the company's major markets. Products from the top five best-selling product categories within each market are included. In 2019, these products accounted for 45-50% of the company's global retail sales, excluding baby foods, plain tea, and coffee.

Brazil and France are new countries included in this iteration. New Zealand was included in the 2018 but has been omitted this time. In 2018, a total of 13 product categories were covered by the assessment, compared to 16 categories in 2021. For all companies, Bottled Water has been split into two categories for this iteration (Bottled Water – pure and Bottled Water – other).

In this Product Profile assessment, Nestlé's scores 5.4 out of 10 (B1.1) in the mean healthiness element, 6.2 out of 10 (B1.2) for the relative healthiness of its products within categories compared to peers, and 10 out of 10 (B1.3) for changes in nutritional quality (mean HSR) over time. This results in Nestlé obtaining an overall score of 7.2 out of 10, and ranking third out of 25 in the Product Profile.

## B1.1 Portfolio-level Results

Average HSR (out of 5 stars) (sales-weighted)	10 Countries included	Range of global sales included 1 5	Healthy products (HSR)				Products suitable to market to children (WHO regional models) - UNSCORED		
			No. products assessed	% products healthy (≥3.5 stars)	% retail sales healthy 2019 (≥3.5 stars) – assessed countries only	% estimated global retail sales healthy 2019 (≥3.5 stars) 6	No. products assessed	% products suitable	% sales from suitable
2.7	Australia, Brazil, China, France, Hong Kong, India, Mexico, South Africa, UK, USA	45-50%	2760	29%	43%	42%	2794	11%	21%


- Nestlé's mean sales-weighted HSR is 2.7 out of 5 (in 2018 this was 1.8) generating an overall score of 5.4 out of 10. These results are based on an analysis of 2,760 products in 10 markets which account for between 40-50% of company's global retail sales in 2019 and a comparison of 16 different product categories.

- Overall, less than 30% of distinct Nestlé's products included in the research were found to meet the HSR healthy threshold of 3.5 out of 5. However, the company was estimated to derive approximately 42% of its 2019 sales from such products which contributed to a higher sales-weighted mean HSR score.

- Only 11% of products assessed were found to be of sufficient nutritional quality to be suitable to market to children should the company choose to do so, according to the WHO regional nutrient profiling models used. These products were estimated to generate 21% of company's 2019 sales. This result is driven by different performance across countries of analysis. For example in the USA Nestlé's products range was made up predominantly of 'Ready Meals' which ranked high in the category analysis and the country has the highest proportion of products eligible for marketing to children (20%) compared to other countries.



## B1.2. Product Category Results

	No. products analyzed	% products healthy (HSR >= 3.5)	Company mean HSR	Mean HSR for all companies selling this product category	Company performance (rank in mean HSR compared to peers selling products in the same category)  7
Bottled Water- pure	63	100%	5	5	1
Processed Meat and Seafood	24	96%	4.1	3.1	1st out of 8
Ready Meals	617	59%	3.2	3	3rd out of 9
Breakfast Cereals	71	44%	3.1	3.5	5th out of 6
Other Hot Drinks	131	52%	2.7	1.4	1st out of 5
Rice, Pasta and Noodles	46	33%	2.7	2.4	4th out of 6
Dairy	477	39%	2.4	2.9	16th out of 18
Sweet Biscuits, Snack Bars and Fruit Snacks	123	21%	2.3	1.8	2nd out of 8
Bottled Water- other	157	0%	2	2	3rd out of 6
Carbonates	18	0%	1.8	1.6	1st out of 5
RTD Coffee	21	0%	1.6	2.7	5th out of 6
Sauces, Dressings, and Condiments	24	17%	1.5	2.5	10th out of 11
RTD Tea	3	0%	1.5	1.7	5th out of 7

▪ When results were examined by category, the highest mean HSR was seen in the 'Bottled Water-Pure' category- which according to the HSR algorithm receives a maximum rating of 5 stars. The next best performing category was 'Processed Meat and Seafood,' where a total of 42 products analyzed had a mean HSR of 4.1 out of 5. Confectionery (1.8) had the lowest mean HSR of all product categories included for Nestlé.

▪ When compared to other companies selling products in the same selected categories (the company's top-selling categories across the selected markets), Nestlé's products perform equal to or better than the average in nine out of the 16 categories assessed in terms of mean HSR. The company performs best, in 'Processed Meat and Seafood,' (3.1) 'Other Hot Drinks' (1.4), 'Carbonates' (1.8) and 'Concentrates' (1.2).

▪ Competing with other Global Index companies in 16 categories, Nestlé achieves a relative category score of 6.2 out of 10 based on its ranking within those categories.

### B1.3. Change in mean HSR

	No. of products analyzed in 2018	No. of products analyzed in 2021	Sales weighted mean HSR 2018	Sales weighted mean HSR 2021
Australia	221	213	2.2	1.6
China	25	84	0.5	1.6
Hong Kong	82	79	2.8	2.5
India	33	127	2.1	2.1
Mexico	98	85	1.7	2.4
South Africa	70	97	1	2
UK	260	263	1.3	1.8
USA	1071	808	2.5	3.5
TOTAL	1860	1756	1.8	2.7

▪ In ATNI's 2018 Product Profile a total of nine countries were included in the analysis. For Nestlé in 2021 eight countries were included in the change analysis (those also included in 2018). The company achieves a positive score in this third scored element. This can be largely attributed to the divestment of less healthy categories, i.e. Ice Cream in Mexico and Ice Cream and Confectionery in the USA. Adjusting scores by country sales-weighted estimates the company achieves an increase of 0.8 in mean HSR from 2018 to 2021 resulting in a score of 10 out of 10 .

**Full Product Profile report:**

[https://accesstonutrition.org/app/uploads/2021/06/GI\\_Global-Index\\_TGI-product-profile\\_2021-2-1.pdf](https://accesstonutrition.org/app/uploads/2021/06/GI_Global-Index_TGI-product-profile_2021-2-1.pdf)

# Breast-milk Substitutes / Complementary Food Marketing



2

Rank 2 / Score 57%

Rank	BMS Marketing	Adjustment to Global Index Score <sup>1</sup> <sup>8</sup>	BMS 1	BMS 2	Level of compliance in country studies	
		Max. of -1.5			Philippines	Mexico
2	57%	-0.64	48%	66%	High (66%)	High (66%)

- Nestlé is one of the six Index companies included in the BMS/CF Marketing Index. Its score is based on two assessments: BMS/CF 1 which assessed the company's policy commitments, management systems and disclosure relating to the marketing of its BMS and CF 6-36 products, and BMS/CF 2 which assessed its marketing practices in Mexico and the Philippines during 2020. The BMS/CF Marketing Index score is used to generate a proportionate adjustment to the final Global Index score.
- Nestlé ranks second in the BMS/CF Marketing Index with a level of compliance with ATNI's updated methodology (including WHA 69.9 and a CF module) of 57%.
- Although Nestlé has not updated or changed its BMS marketing policy since the 2018 Index, it is the only BMS marketing policy assessed which fully incorporates the wording of the 1981 Code and all resolutions up to, but not including WHA resolution 69.9. Nestlé's assessment on the BMS module shows that it continues to have strong management systems, which have improved since the last Index, in relation to the implementation of its BMS marketing policy. However, Nestlé scores lower on disclosure compared to 2018 due in part to disclosing less and in part due to not having policy commitments relating to WHA 69.9 to be able to disclose. Nestlé scores low on the CF module due to only having some commitments relating to Recommendation 4 of WHA 69.9 on the marketing messages used on its CF 6-36 products. Nestlé's policy still does not extend to lower-risk countries, nor to growing-up milks, and it does not incorporate commitments on responsible CF marketing. Thus, its overall score on BMS/CF 1 is 48%.
- To improve its score, Nestlé is encouraged to revise its policy and procedures to fully align with the recommendations set out in the guidance on ending the inappropriate promotion of foods for infants and young children, referenced in WHA 69.9. This policy should apply to all products covered by The Code and across all markets, both higher- and lower-risk. The company should also ensure that all relevant documentation is readily disclosed in the public domain.
- In the two in-country studies of marketing practices, Nestlé achieved a level of compliance of 66% on aggregate, being rated as having a high level of compliance with The Code in both Mexico and the Philippines, an improvement in its BMS/CF 2 score compared to 2018.
- To bring its marketing practices into line with The Code in Mexico and the Philippines, it is important that Nestlé extends its policy commitments to growing-up milks and CF 6-36 as most of the non-compliances found were in relation to these product types. Nestlé needs to ensure that all its CF 6-36 products follow Recommendation 4 of WHA 69.9 of having the appropriate messaging in all forms of promotion (including advertisement, online information and package labels).
- In Mexico – and in all other markets – Nestlé should particularly reinforce its policy stance that its BMS products should not be discounted or otherwise promoted in all physical and online retailers. It should also ensure that all labels, including those of growing-up milks, contain

the required information and instructions set out in sub-article 9.2 of The Code and WHA resolution 61.20, and that no health and nutrition claims are used on their CF 6-36 products.

**BMS/CF Chapter Global Index 2021:**

<https://acesstonutrition.org/index/global-index-2021/bms-chapter-global-index-2021/>



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## Footnotes

1. The overall Product Profile score reflects: B1.1 the mean healthiness of a company's product portfolio; B1.2 the relative healthiness within product categories compared to peers, and; B1.3 changes in the nutritional quality of product portfolios compared to the Global Index 2018 Product Profile.
2. In the Global Index 2018, the Product Profile Assessment was conducted as a separate assessment. The results were based on scores generated by applying the Health Star Rating (HSR) nutrient profiling system, which analyzes the level of several positive nutrients (e.g. fruits, vegetables and fibers) and several negative nutrients (e.g. salt, sugar and saturated fat) in products.
3. 6 of the Global Index 2021 companies are also assessed under the Breast-Milk Substitute/Complementary Food Marketing Index which includes the nine largest companies by global revenues in the baby food segment. Companies are thus ranked and scored separately on the BMS/CF Marketing Index. This score is also used to generate a BMS/CF scoring adjustment of a maximum value of -1.5 which feeds into each company's final Global Index score.
4. The overall Product Profile score reflects: B1.1 the mean healthiness of a company's product portfolio; B1.2 the relative healthiness within product categories compared to peers, and; B1.3 changes in the nutritional quality of product portfolios compared to the Global Index 2018 Product Profile.
5. Retail sales data derived from Euromonitor International.
6. ATNI estimates this value by taking the proportion of healthy products within each category assessed and multiplying that figure by the global category retail sales. The values are then aggregated to generate an estimate of the overall global healthy sales (excluding baby foods, plain tea, and coffee, which are not included in the Product Profile).
7. Within-category ranks are calculated for all product categories in which two or more companies are active. Next, a performance percentage is calculated from the inverted rank (e.g. first out of 10: inverted rank  $10/10 = 100\%$  performance score; tenth out of 10: inverted rank  $1/10 = 10\%$  performance score). The 'Bottled Water- Pure' category receives a standard rating of five stars, according to the HSR algorithm for all companies.
8. The total possible adjustment made based on the BMS/CF 1 score is -0.75, 50% of the maximum possible adjustment of -1.5. The other -0.75 maximum adjustment is determined by the company's score on BMS/CF 2. The final combined score represents the level of compliance with the ATNI methodology; the adjustment is based on the level of non-compliance.

