



LEADING THE WAY

Responsible Marketing
of Breast Milk Substitutes
2020 Report

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Nestlé's commitment to nutrition

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

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

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

About this report

Nestlé's WHO Code Management System is designed to safeguard the trust of our consumers and other stakeholders by ensuring we market and sell BMS responsibly.

Since 2009, Nestlé has reported annually on our compliance with the WHO Code to hold ourselves accountable and be transparent with our stakeholders.

This report represents our 2020 WHO Code compliance record, which encompasses the following:

Cases of non-compliance detected by monitoring and audits, including:

- Internal systems (grievance mechanisms, Nestlé Internal Audit)
- External systems (allegations, audits)



WHO Code compliance record, including:

- Non-compliance attributed to Nestlé
- Non-compliance attributed to third parties in a direct contractual relationship with Nestlé



Root causes of non-compliance

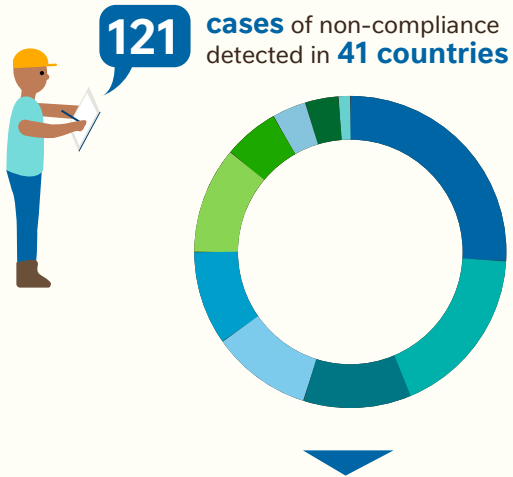


Corrective actions taken to address non-compliance

The scope of our reporting includes instances of non-compliance attributed to Nestlé and to third parties in a direct contractual relationship with Nestlé. This is our sphere of influence. We have no direct influence on third-party businesses with no direct service relationship with Nestlé.

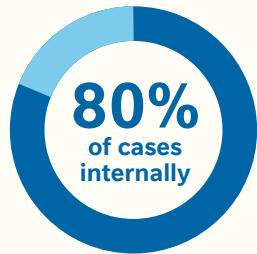


2020 performance at a glance



- 26% Latin America
- 14% South East Asia
- 12% Europe
- 12% Middle East and North Africa
- 12% Africa
- 12% Central America and Caribbean
- 5% Eurasia
- 3% China and North East Asia
- 3% South Asia
- 1% Oceania

Robust WHO Code Management System helped detect



All **internal and external reports** are thoroughly investigated and help strengthen our detection



18 disciplinary actions (including 12 dismissals)* taken in response to verified critical violations



31% cases attributed to Nestlé
69% cases attributed to third parties

Reported allegations were primarily related to **point-of-sale:**



Top root causes of non-compliance

Lack of:



discipline in execution of the rules



awareness of the rules



interpretation of legislation by local authorities in some countries

*Only critical cases of misconduct lead to disciplinary actions against employees. For further details, please see [page 14](#).



Commitment to compliance

The WHO Code is a set of recommendations for Member States of the WHO, designed to regulate the marketing of BMS, feeding bottles and teats. We support countries as they translate the WHO Code recommendations into national legislation.

Nestlé became the first company to voluntarily implement the WHO Code by publishing our own policy on responsible marketing of BMS, applicable to the Nestlé group and third-party contracted partners. [The Nestlé Policy and Procedures for the implementation of the WHO International Code of Marketing Breast Milk Substitutes](#) (“Policy and Procedures”) reflect the FTSE4Good BMS Marketing Criteria, a practical phased approach for companies to meet the WHO Code recommendations for United Nations Member States.

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

- Higher-risk countries are defined according to infant mortality and malnutrition and comprise 80% of all countries. In higher-risk countries, Nestlé abides by the specific rules of our Policy and Procedures when they are stricter than local legislation. In practice, this means we do not promote infant or follow-on formulas for children under 12 months of age.
- In lower-risk countries, Nestlé abides by local regulation and legislation on the marketing of BMS.

Nestlé has actively applied FTSE4Good criteria since 2011, while most other companies apply less strict standards or only follow applicable laws. In the absence of clear industry standards, FTSE4Good criteria help establish uniform rules to be applied by all companies of all sizes. We continue to be a part of the FTSE4Good Index and have witnessed our industry continue to make progress, with Danone joining FTSE4Good in 2016 and Mead Johnson Nutrition in 2019, after being acquired by Reckitt.

Which countries are classified as higher-risk?

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

- Mortality rate of **more than 10 per 1,000**
- Acute malnutrition (moderate and severe wasting) of **more than 2%**

The building blocks: Our compliance framework

Policy and Procedures

Nestlé's Policy and Procedures explain how we promote, protect and support breastfeeding across our company and within our sphere of influence. Compliance with Nestlé's Policy and Procedures is mandatory for all Nestlé employees and any third parties acting with our authorization. Since 1982, Nestlé's Policy and Procedures have reflected our recognition of the importance of the WHO Code to protect infant health, particularly in countries with poor sanitary, economic and social conditions.

Our actions to implement an industry-leading policy to market BMS responsibly are guided by five key principles, including Compliance, Good Governance, Transparency, Constructive Engagement and Continuous Improvement. For each article of Nestlé's Policy and Procedures (corresponding to each article of the WHO Code), we illustrate how Nestlé practically applies the recommendations in our daily sales and marketing activities. Over time, we created a WHO Code Management System, which now includes specific compliance mechanisms on topics such as product displays at point-of-sale, relationships with distributors and retailers and training sessions for healthcare professionals. In particular, we do not:

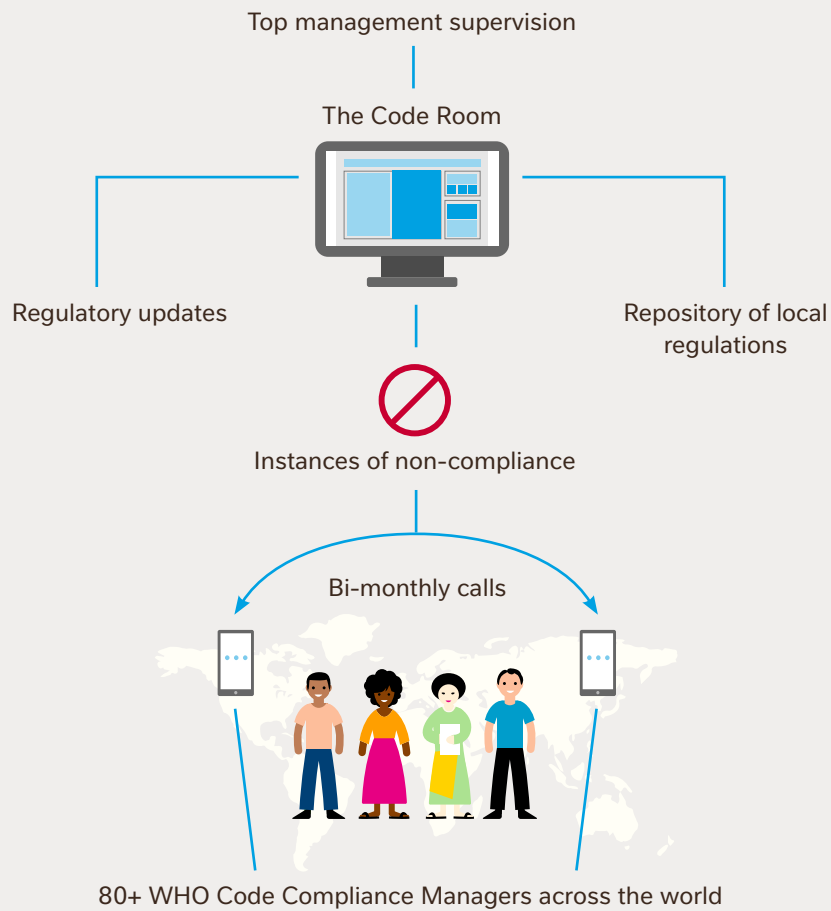
- advertise or promote infant formula and follow-on formula for infants under 12 months of age to the public;
- permit staff whose responsibilities include the marketing of infant formula to have direct contact with mothers, except in response to consumer complaints;
- distribute free infant formula samples to mothers;
- give financial or material incentives to health professionals for the purpose of promoting infant formula.

Over the years, we have continuously evolved Nestlé's Policy and Procedures in response to the needs of families, feedback from governments and civil society organizations as well as our own experience. As part of Nestlé's 2017 Policy and Procedures update, we improved our transparency, releasing a public description of our complete compliance framework. These changes are part of our efforts to continuously improve—as no matter how effective our systems become, there is always room to do more.



The Code Room

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



Meet some of our WHO Code Compliance Managers



Compliance Reporting System

Our Compliance Reporting System includes “Tell us” for external stakeholders and the internal reporting system (IRS) for our employees. In 2021, these were merged into a single system called “Speak Up”. This reporting system encourages external stakeholders and employees to report potential instances of non-compliance with our Corporate Business Principles, including WHO Code-related matters. It is available on our global and local corporate websites, 24 hours a day, seven days a week. Stakeholders may file a report through a web form or by calling a toll-free number and may choose to remain anonymous.

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

COVID-19 Impact

COVID-19 affected our ability to organize planned audits. Due to the work and diligence of Nestlé’s WHO Code Compliance Managers and our grievance mechanisms, our internal monitoring remained intact.



Building a culture of compliance: Perspective from Béatrice Guillaume-Grabisch

At Nestlé, we believe breastfeeding is best for babies. We want parents and caregivers to be supported as they make decisions for their little ones, particularly when it comes to breastfeeding.

We support the World Health Organization's (WHO) recommendation of exclusive breastfeeding for the first six months of life and recently committed not to promote infant formula for babies up to six months of age in all countries, a process that will extend our existing Policy and Procedures in key countries and be completed by 2022.

Complying with our own strict policies and regulations for responsible marketing helps provide the best start in life for babies. It's a significant effort involving our robust WHO Code Management System, and we are continuously adapting our practices to better protect future generations.

This report demonstrates how we hold ourselves accountable by transparently sharing instances of non-compliance and how we address them.

To successfully promote a culture of compliance, we want and need our employees to stand up and share when we—or our partners—fall short, so we can right these missteps quickly and prevent their recurrence.

Our employees can do this through our anonymous Compliance Reporting System, "Speak Up", which I oversee for cases related to marketing of breast milk substitutes in my role as WHO Code Ombudsperson.

Ensuring we market infant formula responsibly is the foundation—but just one example—of our support for breastfeeding. Our work in this area is built on our understanding of people, as a company made up of different cultures, generations, genders, career backgrounds, abilities and ways of thinking. We know the needs of parents are diverse, including within our Nestlé family. That's why we created a flexible, gender neutral Global Parental Support Policy that includes parental leave (18 weeks for primary caregivers and four weeks for secondary caregivers), breastfeeding support and flexible working options.

Just as all parents work tirelessly to promote their babies' development, we work tirelessly to promote compliance—and we will continue doing our part to support babies' health and nutrition in these critical, early years of life.

Kind regards,



Béatrice Guillaume-Grabisch

Executive Vice President

Head of Group Human Resources & Global Business Services
Group WHO Code Ombudsperson



External monitoring

The FTSE4Good Index and Access to Nutrition Initiative (ATNI) measure performance across the industry and help identify areas for improvement. These external monitoring processes are instrumental to the credibility of our WHO Code compliance framework, and we voluntarily submit our practices for external verification. These processes help ensure compliance with our Policy and Procedures, as well as all local measures implementing the WHO Code, regardless of whether a governmental monitoring system is in place. We actively participate in both processes to externally validate our WHO Code Management System and be included in the industry benchmark, helping stakeholders better understand the business and marketing complexities.

While Nestlé fully collaborated with FTSE4Good and ATNI, the verification process faced some challenges in 2020 as a result of a new approach and the COVID-19 pandemic. Reports will be issued in 2021.



FTSE4Good

ATNI

What is assessed

Marketing of BMS for infants up to 12 months

Marketing of all foods designed for infants and young children up to 36 months

Who is assessed

Three companies: Nestlé, Danone, RB/Mead Johnson; Reckitt voluntarily applies the criteria without being part of the index

10 largest baby food manufacturers worldwide: Nestlé, Danone, RB/Mead Johnson Nutrition, Reckitt, Abbott, Kraft Heinz, PepsiCo, China Mengniu Dairy, Inner Mongolia Yili Industrial Group and Feihe International

Our response to stakeholders' concerns

Below are descriptions of two external allegations from civil society organizations and media in 2020, as well as our responses and actions to address them.



Mexico

A breach of the WHO Code occurred in an advertising campaign by a southeast Mexican chain of pharmacies. The campaign invited consumers to purchase Nestlé's NIDO product at a higher cost in order to donate NIDAL, a product intended for infants and therefore covered by WHO Code regulation in Mexico, to vulnerable communities. The campaign was not authorized by Nestlé Mexico and was not permissible, as per our Policy. Nestlé Mexico's internal compliance processes identified the breach, Nestlé Mexico immediately informed the pharmacy and the advertisement was removed within one day. We expect all of our commercial partners to strictly adhere to the law and follow our Policy and Procedures, and we are disappointed that this situation occurred. We monitor regularly and intervene as soon as irregularities are detected.



Indonesia

The Bureau of Investigative Journalism accused Nestlé and Danone of using social media to market to consumers in South East Asia in a way that potentially violates the WHO Code. The story reported practices related to Dancow, which is a growing-up milk for young children 12 months of age or older. Dancow is intended for complementary feeding during the transition to a diversified family diet, along with sustained breastfeeding up to two years of age and beyond. All our communications complied with Indonesia's laws and regulations, where advertisement of products for children older than 12 months of age are allowed. This is in accordance with our Policy and Procedures and Indonesia legislation.

COVID-19 Impact

On several occasions, stakeholders reported concerns related to possible donations of infant formula during the COVID-19 pandemic. Nestlé has a strict policy and does not donate free supplies of infant or follow-on formula (for babies under 12 months of age) to health facilities; nor do we give free samples to mothers. Where allowed by national legislation, we may donate limited quantities of infant formula to social welfare institutions (e.g., orphanages) for babies who have no access to breast milk and need to be fed by BMS. This is only done in response to official requests and is subject to very strict controls and conditions. Donations are covered in our publicly available [Standard for Donations or Low-Cost Supplies for use in Emergencies and for Social Purposes](#).

A deeper dive: Our compliance record

Overall 2020 compliance

Marketing BMS responsibly means complying with our Policy and Procedures derived from the WHO Code and countries' laws and regulations. Nestlé takes WHO Code compliance very seriously and relies on a comprehensive compliance and governance model that allows us to apply the rules consistently across the 187 countries in which we operate. All instances of non-compliance are outlined here.

Instances of non-compliance



69%
cases attributed to third parties

31%
cases attributed to Nestlé

Discipline in detecting cases and following through with adequate corrective actions was instrumental to our progress in 2020. Our efforts to strengthen our reporting capabilities in recent years have helped us achieve better visibility into instances of non-compliance and correct them. In 2020, we observed 121 instances of non-compliance (vs. 107 in 2019 and 117 in 2018).

In 2020, 31% of cases were attributable to Nestlé and 69% were attributable to third parties with a direct contractual relationship with Nestlé.

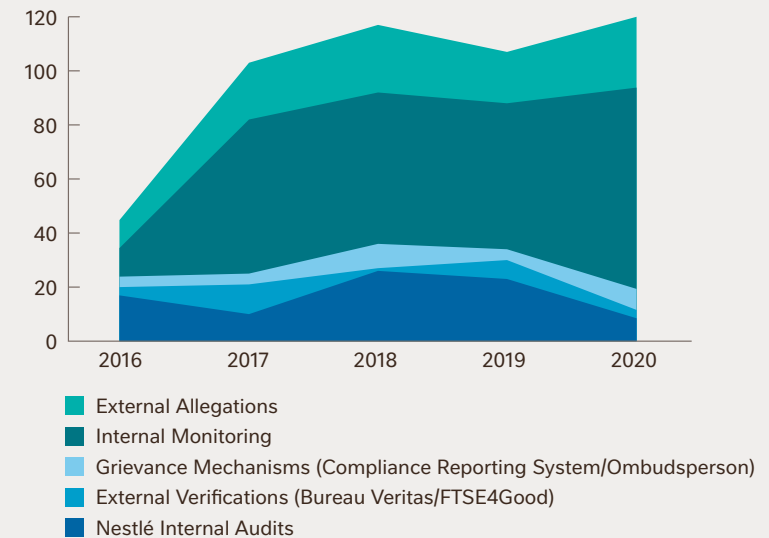
We identified one systemic instance of non-compliance involving a deliberate breach scheme throughout the organization. This instance was reported through our whistleblowing system and related to the interaction of a distributor with the healthcare system in a higher-risk market in Eurasia. As a result, severe sanctions were implemented and 12 employees were dismissed.

In total, we took 18 disciplinary actions in response to verified critical violations, including:

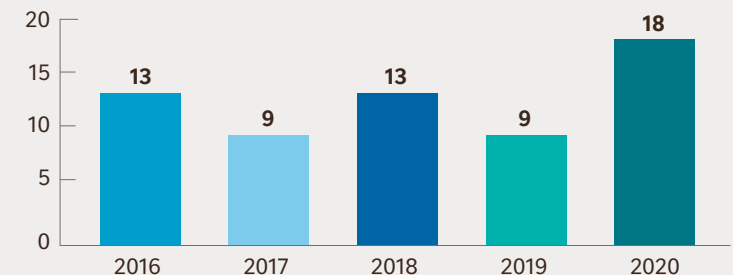
- 12 dismissals
- 5 issuances of official warnings
- 1 payroll suspension (for 45 days)

Most of the cases we report do not involve disciplinary actions. This is because 69% of cases involve third parties (84 cases—please see [page 18](#)), and we have limited authority to implement sanctions on their employees. Further, of the 37 cases attributed to Nestlé (31% of all reported cases), the majority are detected by internal monitoring and solved by stopping the incorrect practice and reinforcing awareness of the rules. This is an appropriate course of action for cases related to omission of mandatory statements in educational materials or involuntary advertisement of covered products, which are some of the most common types of instances attributed to Nestlé (for further details, please see [page 17](#)).

Volume of instances of non-compliance



Employees disciplined for non-compliance



Our WHO Code Management System is robust and helped us detect 80% of cases internally in 2020. In particular, this robustness relies strongly on:

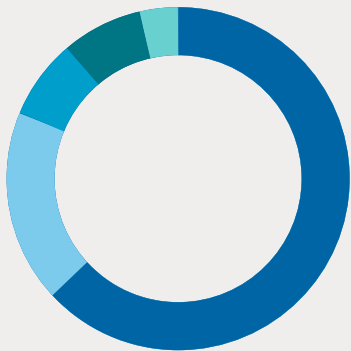
- Our internal monitoring, operated by our WHO Code Compliance Managers in higher-risk markets across all continents
- Our whistleblowing systems, which allow any concerned individuals to report behavior they believe is not in compliance with our Policy and Procedures

One external audit by Bureau Veritas took place in Myanmar, and 18 countries were audited by our Nestlé Internal Audit team despite COVID-19 limitations.

The remaining 20% of cases were reported by external stakeholders, including 12% by competitors and industry associations. In some markets, local industry associations act as accountability mechanisms and mediators on WHO Code compliance matters. The other stakeholders contributing to the detection of instances of non-compliance were external auditors, the general public, former employees, customers and authorities.

In 2020, reported allegations were primarily related to advertisements, special displays or promotions at point-of-sale. We report all confirmed allegations attributable to Nestlé and to third parties with a direct relationship with Nestlé. We do not report allegations that were not confirmed or were directed against third parties not in a direct relationship with Nestlé. Additionally, many allegations were not substantiated. Some instances in our reporting involved our competitors as well. We cannot guarantee these instances will be accounted for in our competitors' public compliance record.

Non-compliance by reporting source



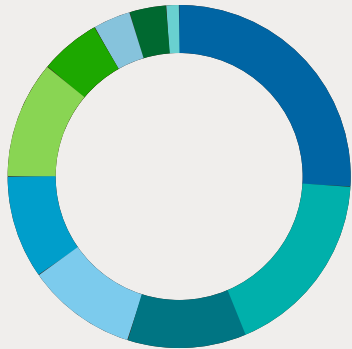
- 67% Internal Monitoring
- 16% External Allegations
- 7.5% Nestlé Internal Audits
- 7.5% Grievance Mechanisms (Compliance Reporting System/Ombudsperson)
- 2% External Audits (Bureau Veritas/FTSE4Good)



Compliance by geography

In total, 41 countries reported instances of non-compliance in 2020, compared to 37 in 2019. Although higher-risk countries are the main focus of our compliance efforts, we deploy our compliance framework in lower-risk countries as well. In 2020, four lower-risk countries accounted for 9% of instances of non-compliance. Latin America (26%), South East Asia (14%), Middle East and North Africa (12%), Africa (12%) and Central America and Caribbean (12%) represented 76% of instances of non-compliance, as most higher-risk countries are located in these regions.

Non-compliance by region



| | |
|-----|-------------------------------|
| 26% | Latin America |
| 14% | South East Asia |
| 12% | Europe |
| 12% | Middle East and North Africa |
| 12% | Africa |
| 12% | Central America and Caribbean |
| 5% | Eurasia |
| 3% | China and North East Asia |
| 3% | South Asia |
| 1% | Oceania |

Non-compliance attributable to Nestlé

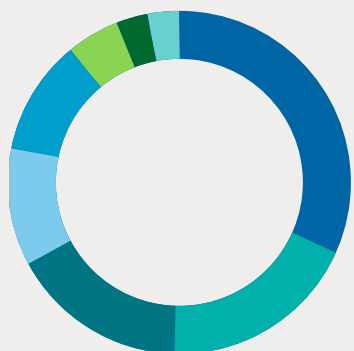
To identify instances of non-compliance attributable to Nestlé, we rely on the audit capabilities of our WHO Code compliance framework. Out of 121 cases in this report, 37 were attributable to Nestlé (31%), which were detected through:

- Internal monitoring (49%)
- Internal audits and verification assessments (26%)
- Grievance mechanisms (25%)

COVID-19 Impact

The percent of cases detected by Nestlé's internal audits and verification assessments by Bureau Veritas was lower compared to previous years. This was due to travel limitations imposed by COVID-19, which prevented on-site audits.

Instances of non-compliance attributable to Nestlé by type



- 32% Information and Education (article 4)
- 19% The General Public and Mothers (article 5)
- 16% Labelling (article 9)
- 11% Healthcare Systems (article 6)
- 11% Healthcare Workers (article 7)
- 5% Implementation and Monitoring (article 11)
- 3% Persons Employed by Manufacturers and Distributors (article 8)
- 3% Quality (article 10)

In 2020, the largest category of instances of non-compliance attributable to Nestlé was related to Information and Education (article 4), representing 32%. These mainly consisted of omitting mandatory statements, per the Policy and Procedures or legislation. There were also a few cases of non-compliant materials shared with the general public.

The second largest category of instances of non-compliance attributable to Nestlé was Healthcare Systems (article 6) and Healthcare Workers (article 7), representing 22% of cases. These consisted of incomplete documentation for the sponsorship of healthcare professionals, promoting in-scope products in healthcare institutions, donating branded equipment/materials to healthcare professionals or institutions or incomplete documentation related to donations of in-scope products in case of emergencies or for social purposes.

Nearly one-fifth (19%) of cases were related to The General Public and Mothers (article 5), particularly through advertisements (86% of these cases).

Finally, 16% of cases were related to labelling (article 9) and involved omitting mandatory statements (e.g., public authorities provided late approval following implementation of new regulation).

There was one case in South Asia related to Persons employed by Manufacturers and Distributors (article 8) that triggered greater attention in 2020. An internal whistleblower reported non-compliant practices with Nestlé's Policy and Procedures and local regulation. The local WHO Code Ombudsperson, together with Nestlé Internal Audit, conducted an investigation of the case and identified employees' personal performance objectives were not compliant. In addition, proof of direct interactions with consumers were found. One warning letter was provided to the line manager responsible for the malpractice. Refresher trainings and market guidelines were also provided to the broader team.

Root causes of instances of non-compliance attributable to Nestlé

In nearly half (49%) of cases, the root cause was a lack of discipline in Nestlé employees' execution of the rules. Lack of discipline means employees might have been properly trained but did not perform well in execution. This can also come into play when employees partially apply the rules, demonstrating full compliance with local legislation, but only partially adhering to Nestlé's rules (e.g., omitting some mandatory statements on a detailing material to healthcare professionals). This issue is often solved by direct communication, including sharing guidance with the employees.

Another key challenge is maintaining awareness of the rules that are applicable to marketing of BMS. In fact, in 31% of the cases attributable to Nestlé, employees lacked awareness or claimed to be unaware. For that reason, proper training is instrumental and an important focus area of Nestlé's audit programs and across external benchmarks, including FTSE4Good and ATNI. Nestlé trains its 11,000 Nestlé Nutrition employees after onboarding and subsequently at least once every three years, and we report our progress in our annual [Creating Shared Value \(CSV\) Report](#).

With the emergence of digital platforms (e.g., e-commerce, social media), 9% of cases involved an issue related to digital systems such as sponsoring content that includes different Nestlé products without excluding products covered by the Policy and Procedures.



Non-compliance attributable to third parties

Nestlé expects the same level of compliance and ethical conduct from all our partners across our supply chain.

Although we lack control of third party businesses with no direct service relationship with Nestlé (e.g., retailers), we deploy efforts to make sure they abide by the rules outlined in our Policy and Procedures. Each partner plays a vital role in our efforts to improve infant nutrition and is held to the same level of responsibility. We evaluate the practices of those acting on our behalf, or in our sphere of influence, who, on some occasions, implement instances of non-compliance without our consent, despite their responsibility to implement the WHO Code.

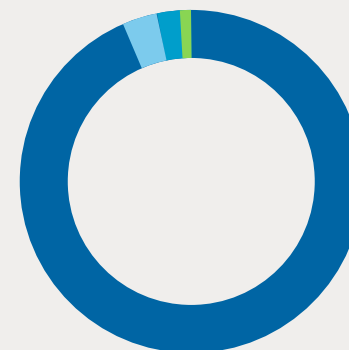
In 2020, 69% of cases were attributable to third parties with a direct contractual relationship with Nestlé.

Instances of non-compliance by distributors and retailers procuring directly from Nestlé were detected through:

- Internal monitoring (75%)
- External allegations (18%)
- Grievance mechanisms (5%)
- Internal audits (2%)

The largest share of cases attributable to third parties (93%) was related to The General Public and Mothers (article 5). These consisted of promotions at point-of-sale (52%), advertisements to the general public (28%) and special displays (13%).

Instances of third party non-compliance by type



- 93%** The General Public and Mothers (article 5)
- 4%** Information and Education (article 4)
- 2%** Quality (article 10)
- 1%** Persons Employed by Manufacturers and Distributors (article 8)

Root causes of non-compliance attributable to third parties

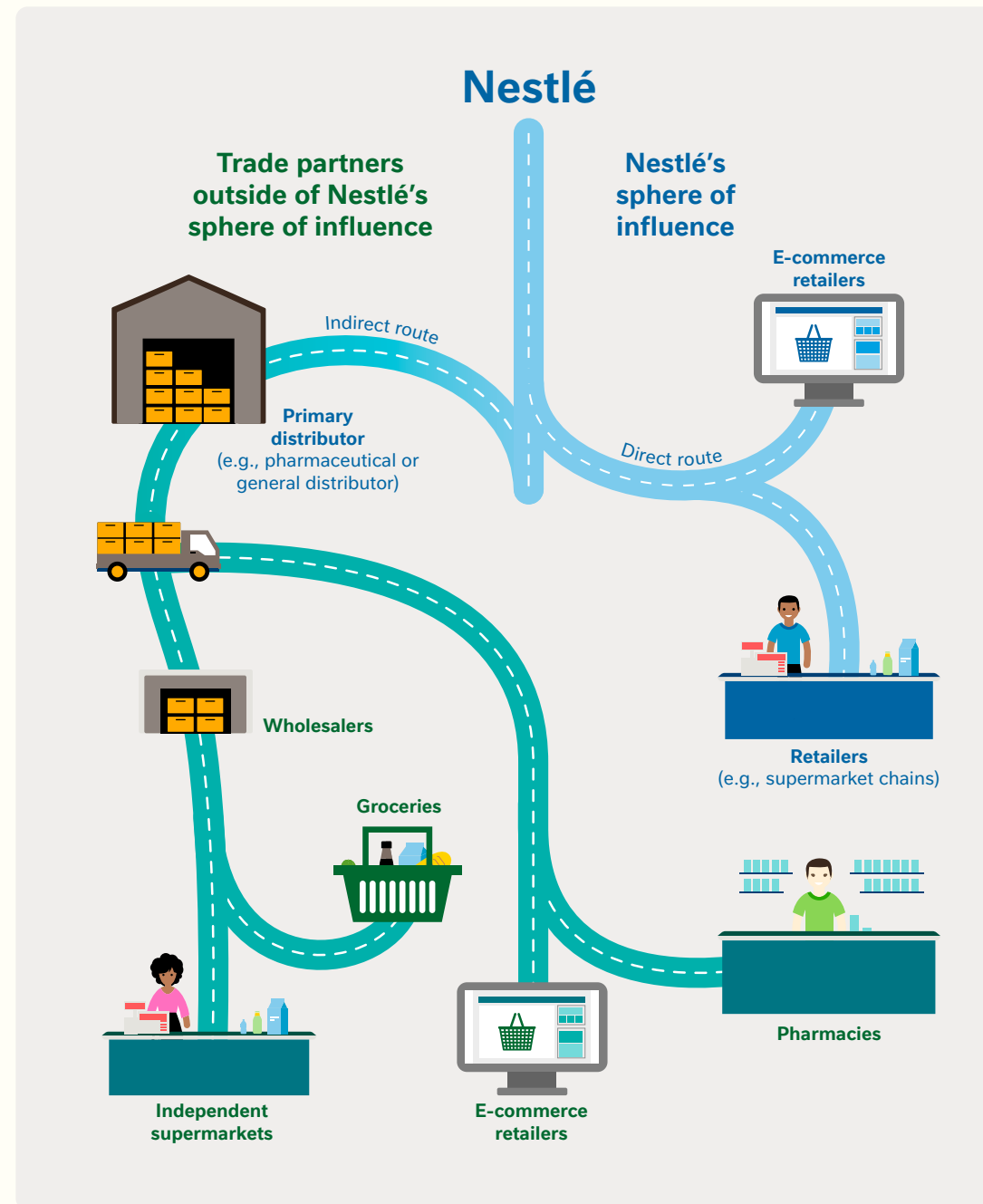
The root cause of non-compliance most commonly reported within our distribution channels is lack of awareness of the rules (30%).

Although this provides some insight, we need to better understand the shortcomings, particularly as we invest significant resources in training distributor staff and making them aware of the rules. Awareness of the rules remains an issue among our direct distributors and retailers due to high staff turnover. They are often not properly equipped to understand the local law, as well as Nestlé's rules and those of our competitors. This might explain the poor execution and negligence we frequently observe (29% of cases). In addition, Nestlé sends annual reminders to direct customers, which may not be properly cascaded to field operators working in the stores. This creates gaps between distributors' and retailers' management, who are aware of the rules, and their staff, who work in marketing on a daily basis.

Depending on the market, there are also issues related to gaps between the local regulation implementing the WHO Code and its improper implementation or enforcement by the authorities (14%). This does not contribute to a conducive environment for responsible marketing.

Our review found 12% of cases were due to a gap between Nestlé's rules and applicable laws in a given country, as Nestlé's rules are often stricter. In such situations, Nestlé is perceived as restrictive by retailers in the marketplace. Some markets referred to "price wars" between online and offline retailers to attract consumers to their platforms or stores. Many e-commerce retailers can be highly aggressive, attempting to gain website traffic by offering promotions for stage 1 and stage 2 infant formulas. Due to lenient regulation, e-commerce retailers do not face legal risk. In addition, products from Nestlé well-recognized by consumers are used by online platforms to leverage this strategy. Nestlé supports clear implementation of legislation and non-negotiable enforcement by authorities to ensure retailers do not promote infant formula.






In 7% of cases, there were issues caused by e-commerce platforms with improper algorithms that do not exclude infant formula from automatic promotional schemes.



Actions taken to advance WHO Code compliance

Each year, we identify corrective actions to address instances of non-compliance with the WHO Code. Below is an overview of actions undertaken as a result of our 2019 report, as well as actions Nestlé will take to address the outcomes of this report and advance our WHO Code compliance.

Actions resulting from 2019 report

| Action | Status | Comments |
|---|--|--|
| Develop an online training tool on WHO Code compliance for both desktop and mobile devices to complement existing materials. Roll out tool from Nestlé markets to direct and indirect customer organizations in late 2020 and 2021. Monitor outreach. |  Ongoing | The tool (video) was developed and pilots were successfully rolled out. Global roll-out has commenced and will be implemented at scale over the course of 2021, taking into account the COVID-19 pandemic. |
| Use FTSE4Good and ATNI assessments on the marketing of BMS to educate their auditors and assessors on sensitive practices (e.g., donations) and distributors' responsibility (per the WHO Code). |  Complete | Multiple engagements between Nestlé Headquarters/Philippines/Mexico and PwC (FTSE4Good)/ATNI occurred in 2020 as part of the FTSE4Good BMS verification assessment and ATNI BMS Index. The role of retailers and distributors was discussed in depth. Although it is now clear to the auditors that distributors have their own responsibility to apply the WHO Code, this is not yet reflected in the methodologies. In their opinion, Nestlé as a manufacturer is still held responsible for instances of non-compliance of third parties. Nestlé acknowledges this only for distributors under Nestlé's control or with a direct service contractual relationship and within the limits of competition and anti-trust laws. |
| Ensure WHO Code compliance annual report is written in language understandable by a wider audience. Share 2019 report with employees through communication from the Executive Board to increase education and engagement. |  Complete | A comprehensive communications plan was implemented following the release of the 2019 report. This report was made available on Nestle.com and prepared with a communications agency, which supports design and copyediting. A press release was published and employees were engaged through Nestlé's internal social media platform (Workplace). |
| Release HCP Code Implementation Guidelines as a follow-up to the HCP Code published in 2019. |  Complete | Implementation guidelines were included in the updated Guidelines and Dos and Don'ts for the Nestlé Policy and Procedures for the Implementation of the WHO Code, which were provided to Nestlé's local markets. |
| Review internal investigation practices and consider merging guidelines to standardize processes for improved efficiency, where possible. |  Complete | Internal guidance was released on complaints reaching Nestlé's top management, outside of the use of grievance mechanisms (e.g., direct email to Nestlé CEO, members of Nestlé Executive Board, market CEOs). It was approved by the Executive Board. |

Actions to be taken following this report

The following actions will be implemented by Nestlé in 2021:

- 1 Continue rollout of digital training for external staff.
- 2 Raise awareness within the broad Nestlé organization of the new “Speak Up” reporting system to foster a speak-up culture.
- 3 Review tracking for mandatory training on WHO Code to prevent gaps in employee awareness.
- 4 Review findings of the FTSE4Good BMS verification and ATNI BMS Report and take corrective actions, where required.



Ongoing solutions fostering compliance by trade partners

All instances of non-compliance, which are outlined in this report, have been corrected. When we observe deliberate and severe breaches of the rules, we take actions, such as dismissals and warning letters against employees or third parties in our sphere of influence.

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



Training
for Nestlé employees and third parties



Returns policy
allows trade partners to return unsold products



Review
of instances of non-compliance with trade partners during the negotiation cycles develops awareness



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



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



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

A joint approach

Nestlé recognizes we cannot operate in a vacuum when it comes to the WHO Code and Nestlé's Policy and Procedures. Our efforts to be compliant must be supported by our partners across our distribution channels, as well as the entire industry and national guidance on WHO Code adoption. True impact requires collective action, clear legislation and enforcement by authorities in the different countries in which we operate.

Our response to the Call to Action from the WHO, UNICEF and civil society organizations

The WHO Code was first established because of the collective action of civil society organizations to highlight the issue of BMS marketing, especially in low-income countries.

In 2020, to advance WHO Code adoption, the WHO, UNICEF and other civil society organizations issued a [BMS Call to Action](#) (CTA) to companies manufacturing BMS to help ensure all infants and young children worldwide are optimally breastfed and consume a healthy diet.

CTA Asks

- Commit to full compliance with the WHO Code and resolutions by 2030
- Commit to update BMS marketing policy to cover infants up to 12 months globally by 2020
- Commit to support national legislation aligned with the WHO Code
- Agree to provide information to ATNI

Nestlé [responded](#) to the CTA and is pleased that, in total, 17 out of 20 BMS companies officially responded. As a result of the CTA, seven companies will introduce a BMS marketing policy for the first time. In at least two cases, existing policies are being unilaterally strengthened, including Nestlé's. All but a handful will provide information to ATNI, which will drive greater transparency on industry BMS policy and practice. Many companies expressed interest in continued dialogue and pledged to advocate for regulation.

We also share the CTA's ambition of full WHO Code compliance across the industry and global implementation of the WHO Code by 2030.

The spirit of the CTA bolsters our ongoing dedication to collective action with civil society organizations, governments and others to ensure breastfeeding and optimal nutrition for all mothers, infants and young children worldwide.

Looking ahead, we plan to update our Policy and Procedures to reflect our commitments in response to the CTA. We will also take into consideration the findings from FTSE4Good and ATNI reports to guide areas for improvement.

Nestlé's Response to the CTA

Not promoting infant formula for babies up to six months of age in ALL countries

- extending our existing Policy and Procedures to the few countries where it has not applied to date, which is particularly relevant to the US, Canada and Japan, where no regulations currently exist
- beginning process now, to be completed by December 2022

Engaging stakeholders to encourage implementation of WHO Code

- advocating for WHO Code adoption by Member States
- advancing industry commitments to regulate the promotion of infant formula for babies up to 12 months of age in ways that respect anti-trust laws
- reconfirming our support to ATNI and continuing to participate in different indices hosted under this initiative

Driving cross-industry responsibility

The WHO Code and Nestlé's Policy and Procedures recognize that trade partners across distribution channels have the same responsibility as manufacturers to market BMS responsibly. According to the WHO Code, a distributor is a person, corporation or any other entity in the public or private sector engaged (directly or indirectly) in the business of marketing a product within the scope of the WHO Code at the wholesale or retail level.

In higher-risk countries, Nestlé has a responsibility to provide regular training to help third parties with whom we have a direct service relationship comply with our Policy and Procedures and national legislation implementing the WHO Code. Distributors and manufacturers, in turn, bear the same responsibility to their subsequent network, and we implement solutions to improve responsible marketing practices through our distribution channels.

Nestlé's monitoring of WHO Code compliance shows most deviations are caused by business partners both in and outside Nestlé's sphere of influence, which limits our ability to implement our WHO Code compliance framework. Recognizing this challenge, our CTA response included our commitment to work with global and regional retailers and e-commerce players to help contribute to a common level of adherence to the WHO Code.

Guided by legislation implementing the WHO Code

The most effective way to secure WHO Code compliance is through well-drafted and well-implemented legislation. It is instrumental to level the playing field and ensure the private sector operates uniformly within the same framework. This both supports success and ensures there will not be a shift from those adhering to ethical practices to those eschewing them.

Nestlé advocates for country-specific legislation implementing the WHO Code and subsequent relevant resolutions that take into account country health indicators and barriers to optimal nutrition for mothers and children in the first 1,000 days of life. Our advocacy efforts support an evidence-based approach to policy making, clearly respecting independent, peer-reviewed science. This was reiterated in our CTA response, where we noted our support for regulating promotion of infant formula for babies up to 12 months of age globally and our desire to engage with stakeholders to advocate for WHO Code adoption by Member States. We also committed to strengthen our advocacy practices in line with the [Responsible Lobbying Framework](#).

Collective engagement by diverse stakeholders, such as civil society organizations, industry players, distributors and retailers is essential for action to responsibly market BMS, given the complexity of the situation. The recent CTA is a reflection of what can happen when a large group of parties come together.





Leading the way

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

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

Our comprehensive WHO Code Management System is aligned with the FTSE4Good Criteria, which we have committed to go beyond in the future, and holds us accountable to ensure we market and sell our products responsibly. We publicly report our record of WHO Code compliance each year. In 2020, a year that challenged each and every one of us, we did not compromise on our compliance. We continued to implement our robust monitoring and adapted, as needed, to maintain responsible operations.

Each year, when presented with new challenges, we reflect on the areas in which we need to improve. We continue to work on the key challenge related to training third party partners. With our size and footprint, we are able to deliver nutritious food to more families around the world. Yet, we also have a responsibility to market responsibly and ensure everyone in our sphere of influence is held to the same responsible marketing practices. We acknowledge the difficulties we face and strongly believe that increasing transparency can help inspire improvements across the industry and foster collaboration with civil society organizations and governments. We have already witnessed some of these changes and look forward to seeing continued improvements in WHO Code compliance, particularly as a result of commitments made in response to the CTA.

With a shared goal of contributing to a healthier future, we look forward to continued progress through constructive engagement and collaboration.
