



Nestlé S.A.

Independent verification of Nestlé's marketing practices in Bolivia against the Nestlé Policy and Procedures for the Implementation of the WHO International Code of Marketing of Breastmilk Substitutes in Bolivia

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Independent verification report by Bureau Veritas

Introduction

Bureau Veritas has been commissioned by Nestlé S.A. (Nestlé) to provide an independent verification of Nestlé's business in Bolivia (the Market) on compliance with the Nestlé Policy and Procedures for the Implementation of the WHO International Code of Marketing of Breastmilk Substitutes – September 2017 ('the Policy') and the local legislation implementing the WHO Code in Bolivia. In Bolivia, the Government has implemented aspects of the WHO Code through the following regulations: Ley Numero 3460 and Decreto Supremo Numero 0115 ('the local code').

Products covered in Bolivia by the Policy and the local code include infant formula and follow on formula products intended for infants aged between 0-24 months (Covered Products).

This verification follows similar work previously conducted by Bureau Veritas for Nestlé in other global operations.

Scope of Work and Methodology

The verification was conducted in Bolivia between 8-17 July 2019, using two verifiers from Bureau Veritas UK Ltd (Bureau Veritas) and a local verifier from Bureau Veritas Bolivia.

During the verification, Bureau Veritas undertook the following activities:

- Visited the Market head-office in Santa Cruz de la Sierra and regional office in La Paz, interviewed 15 employees, and conducted a review of Nestlé documentation and records relating to specific areas of compliance with the Policy;
- Interviewed a selection of third parties/commercial partners: 4 employees from one distributor and 1 external HealthCare Professional consultant
- Interviewed a total of 20 external stakeholders, including 19 HealthCare Professionals (HCPs) and 1 representative and NGO focussed on infant nutrition. Nestlé was not disclosed as the client prior to the interviews in order to avoid bias during interviews, nor was the Market informed of who was interviewed;
- Visually assessed compliance with the Policy in 15 healthcare facilities (HCFs) and 94 retail locations including pharmacies and traditional trade. Bureau Veritas independently selected the locations that were visited in Santa Cruz de la Sierra, La Paz and El Alto.

Any findings identified during the verification have been categorised as per the following:

Non-conformance:

- Any failure to follow a written requirement specified within the Policy
- A failure to achieve local legal or statutory requirements as per our interpretation
- A purposeful failure of the company to correct non-conformances

Opportunity for Improvement:

- A process/activity/document that, while currently conforming to the Policy and local code and directives, could be improved to further strengthen the Market's practices

The following is a summary of key findings which includes areas of good practices, non-conformances, and opportunities for improvement.

Areas of good practice:

1. During the Head office review, supporting documentation was comprehensive and readily available.
2. Personnel had good awareness of the requirements of the Policy and the local regulation.
3. During Health Care Facility visits, we saw no evidence of any Nestlé branded Covered Product samples nor any non compliant Nestlé materials relating to Covered Products.
4. During our review of Point of sales (POS), we saw no evidence of discount promotions of any Nestlé branded covered products.

Non-Conformances:

1. *Medical Detailing Materials*

A sample of the detailing materials being used by Nestlé to present to HCPs was reviewed. Bureau Veritas found that digital material used by medical delegates for one sampled cycle did not include points (b)-(e) of Article 4.2 of the WHO Code. As per article 7.2 of the Policy, information materials intended for HCPs must mention the information specified in Art. 4.2 of the Code.' This has been classified as a non-conformance against article 7.2 of the Policy

2. *Special display of Covered Products in retail*

During the marketplace assessment, Bureau Veritas visited 94 sale outlets for visual inspections. In traditional trade, we identified one instance of a branded shelf unit for Stage 3 growing-up milk which contained stages 1 and 2 but not stage 3. This constitutes a special display of Covered Product and is classified as a non-conformance against Article 5.3 of the Policy.

Opportunities for Improvement:

1. *Incentives wording for distributor personnel monthly 'variable salary'*

Bureau Veritas reviewed the remuneration and incentives documentation for a sample of distributors' employees. The monthly target for the purposes of the sales representatives' 'variable salary' is a percentage related to total value of sales per month, including Covered Products. Bureau Veritas also noted that the sales target is strictly based on monthly demand planning and there is a disincentive to prevent overselling. Bureau Veritas recommends that the requirement and the basis for the monthly sales bonus scheme should be more clearly stipulated in documentation setting out the incentive structure, so that it remains clear that this is based on demand planning and that there is no relation between the value of Covered Products sales and the remuneration for distributor sales personnel.

2. *Denominational point of sale materials ('POSM')*

During the marketplace assessment, Bureau Veritas noted numerous instances of display of POSM indicating

“Fórmulas Infantiles” (Infant formula). The POSM was purely denominational and did not include any product branding. However, in many cases the products on display were not infant formula but stage 3 growing-up milk for 2 years and above. Such use of the described POSM can be deceptive for the consumer since it refers to a product that is not on display. Furthermore, it can be perceived as an indirect promotion of Covered Product. Bureau Veritas recommends that denominational POSM should be used only in relation to the corresponding product.

Limitations

Visual inspections of healthcare facilities and retail outlets, and external stakeholder interviews were limited to the cities of Santa Cruz de la Sierra, La Paz and El Alto. Some of the statements made by external stakeholders are anecdotal and evidence may not be available to support their claims. Whilst the verification protocol is designed to provide an objective independent assessment, it remains that in some cases the verification of such statements is dependent solely on the credibility of the party presenting the evidence.

This statement is not intended to provide a definitive opinion as to whether or not the Market complies with the Policy or the local code. Neither the limited assurance conducted by Bureau Veritas nor this statement constitutes a guarantee or assurance by Bureau Veritas that infringements against the Policy and local legislation have not taken place.

It is also not within Bureau Veritas’ scope of work to provide an opinion or assessment over the appropriateness of the Policy for the implementation of the WHO Code.

Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 180 years history in providing independent assurance services.

Bureau Veritas has implemented a Code of Ethics across its business which ensures that all our staff maintains high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest.

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

The core team of Bureau Veritas UK has extensive experience of undertaking WHO Code assessment related work. Our team completing the work for Nestlé has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information and systems, and through its combined experience in this field, an excellent understanding of good practice in corporate responsibility, assurance and the WHO Code.



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Bureau Veritas UK Ltd

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