



Nestlé S.A.

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

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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 Indonesia, including Wyeth Nutrition Indonesia (jointly, the Market), 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 Indonesia. In Indonesia, the Government has implemented aspects of the WHO Code through various local regulations, including: Government Regulation no. 33 year 2012 Granting of Exclusive Breastfeeding; Decree of Minister of Health no. 39 year 2013 on Infant Formula Milk and Other Infant Products; Decree of Ministry of Health no 58 year 2016 on HCP Sponsorship (collectively, the Local Code). In Indonesia, covered products are infant formula products intended for infants aged between 0-12 months.

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 Indonesia between 3-14 September 2018, using two verifiers from Bureau Veritas UK Ltd (Bureau Veritas) and a local verifier from Bureau Veritas Indonesia who also acted as a translator (as applicable). The core team of Bureau Veritas UK has extensive experience of undertaking WHO Code assessment related work.

During the verification, Bureau Veritas undertook the following activities:

- Visited the Market head-office in Jakarta city and regional office in Semarang, interviewed 44 employees, and conducted a review of Nestlé documentation and records relating to specific areas of compliance with the Policy;
- Interviewed a selection of personnel from third party commercial partners: 7 employees from two distributors and 4 employees from two marketing agencies;
- Interviewed a total of 29 healthcare professionals (HCPs). Nestlé was not disclosed as the client prior to the interview in order to avoid bias during interviews, nor was the Market informed of who was interviewed;
- Visually assessed compliance with the Policy in 12 healthcare facilities (HCFs) and 81 retail locations including modern trade, pharmacies, and traditional trade. Bureau Veritas independently selected the locations that were visited in Jakarta and Semarang.

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 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 retail visits, we saw no evidence of any discounts being offered on Nestlé/Wyeth Covered Products
2. During HCF visits, we saw no evidence of:
 - samples of Nestlé / Wyeth products being provided to HCPs
 - any Nestlé / Wyeth branded materials being given to HCPs
3. The Market staff, marketing agencies, and distributors have a good awareness of the Local Code, the WHO Code, and the Policy.

Non-Conformances:

1. *Placement of Point-of-sale Material (POSM) in stores*

During visual retail inspections, we identified two instances of POSM relating to Stage 3 (non-covered) products that were placed under covered products in stores and is perceived as a promotion of covered products. One of these referenced the Lactogen 3 and 4 'Grow Happy' campaign and the other was a store offer relating to non-covered products. We note that there was no evidence that the placement of the POSM was done at the request of the Market.

Opportunities for Improvement:

1. *Third party agency agreement*

From the sample of contracts reviewed with distributors and marketing agencies, there was one instance where there was no agreement in place expressly referencing the requirements of the WHO Code/Policy/ Local Code with the third party agency that supports on the planning of medical events. As, this is a requirement of the internal procedures, Market should have the relevant contracts in place with reference to the WHO code requirements. We note that the relevant individuals from the agency had undertaken the required WHO Code training and were aware of the relevant requirements.

2. *HCP Sponsorship reporting to Ministry of Health and KPK.*

A misalignment was seen in the information reported for one of the events to Ministry of Health and KPK (Indonesian anti-corruption agency) for one of the sampled months. As this reporting is a legal requirement, the process should be strengthened and care should be taken in compiling this information so that it accurately reflects the details of the sponsorships given.

3. E-commerce marketplace discounts

Instances were noted on e-commerce sites containing covered products that are either discounted or made to appear as discounted. As per Nestlé Do's and Don'ts, discounts (or the appearance of a discount) on e-commerce sites are not allowed. We note that the cases identified were being offered by independent sellers on the marketplace where the Market does not have direct control. The Market also issued reminders regarding the requirements of the Policy and local regulation. The Market should continue to liaise with the e-commerce platform owners to notify of any instances of discounts being offered, including independent sellers in the marketplace, and establish a procedure to monitor e-commerce platforms, including independent sellers.

4. Internal Procedure updates to align with APPNIA

The Market is part of a national industry association, APPNIA. The APPNIA Code of Ethics from 2016 sets a limit of 200,000 Rp for the cost of 'gimmicks' given during medical and scientific events. The internal procedures preceding the APPNIA Code of Ethics establish a larger threshold for any low-value gifts given during events. The Market should ensure that their procedures are updated with the thresholds set out in the APPNIA Code of Ethics as this constitutes industry-agreed best practice in Indonesia.

5. Roundtable Discussions

Nestlé hosts roundtable discussions in which HCPs are invited to present for a set fee. Payment is through a third party agency and documentation is maintained on proof of payment. Bureau Veritas recommends that speaker fees should be agreed in writing prior to all events, including roundtable discussions, as is the requirement of Nestlé guidelines.

Limitations

Visual inspections of healthcare facilities and retail outlets and external stakeholder interviews were limited to the cities of Jakarta and Semarang. 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. 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.

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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