



NESTLÉ INDOCHINA

***Independent assurance of compliance
with the world health organisation
(WHO) international code of marketing
of breast-milk substitutes (1981) in
Laos People's Democratic Republic***

November 2011



Independent Assurance Statement by Bureau Veritas

Introduction

Bureau Veritas has been commissioned by Nestlé S.A. to provide independent assurance of Nestlé Indochina's compliance with the World Health Organisation (WHO) International Code of Marketing of Breast Milk Substitutes (1981) and subsequent World Health Assembly (WHA) resolutions (herein known as the WHO Code) and Lao PDR's 'The Regulation of food products for infants and young children in the Lao People's Democratic Republic No. 777/MOH (2007)' (herein known as the Lao PDR Decree). This follows similar work previously conducted by Bureau Veritas for Nestlé SA in other global operations.

Scope of Work and Methodology

The assurance was conducted in Lao PDR between 10 and 22 August 2011 by two assessors from Bureau Veritas UK Limited. The team has extensive experience of undertaking WHO Code compliance related work and was supported by a representative of Bureau Veritas' Bangkok office in Thailand.

Preceding the assurance activities in Lao PDR, Bureau Veritas conducted the following activities:

- completed a Gap Analysis of the WHO Code and Lao PDR Decree to consider where the scope of local decree differed from the WHO Code;
- requested a list of Nestlé Nutrition employees based in the regional head office in Bangkok, Thailand and the local office in Vientiane, Lao DPR, and details of hospitals and healthcare professionals, and distributors based in Lao PDR from Nestlé Indochina;
- identified other external stakeholders (through the Bureau Veritas representative in Lao PDR) and local NGOs concerned with the protection, promotion and support of breastfeeding; and
- independently determined a schedule of audit activities to take place in Lao PDR between 10 and 22 August 2011.

During the assurance Bureau Veritas:

- selected 16 Nestlé Indochina staff for interview and review of their associated records, as part of its evaluation of Nestlé internal processes for managing compliance with the WHO Code and Lao PDR Decree within Lao PDR;
- undertook 1 interview with a key external stakeholder, a representative of one of Nestlé Indochina's distributors in Laos PDR; and,
- selected and visited 103 retail locations to visually assess compliance with the WHO Code and Lao PDR Decree, with particular reference to articles relating to labelling and promotion of products.



Findings

The following is a summary of findings from interviews and document review undertaken with a range of key stakeholders.

Nestlé Indochina

The requirements of the WHO Code and Lao PDR Decree are well embedded throughout the business and are reflected in Nestlé Indochina Policy and Procedures Manual on marketing of breastmilk substitutes. All employees interviewed across a number of key departments demonstrated a good understanding of the requirements it places on their day-to-day responsibilities.

Bureau Veritas identified some areas of improvement in relation to internal management procedures and manual that has been provided to Nestlé Indochina in a separate management report.

Distributors

Representatives of the distributors interviewed demonstrated a good understanding of the requirements for marketing products designated by the WHO Code and Lao PDR Decree within Lao PDR and the requirements it places upon their role and responsibilities.

Government

Despite best efforts, Bureau Veritas was unable to meet with any government officials during the audit.

Multilateral organisations/NGOs

Despite best efforts, Bureau Veritas was unable to meet with any NGO with an interest in infant nutrition and health during the audit.

Healthcare facilities and professionals

Despite best efforts, Bureau Veritas was unable to obtain permission from the national Ministry of Health to enter Government Hospitals and conduct visual inspections of facilities and interviews with healthcare professionals.

Retail

Visual observations in a range of retail establishments indicate there is no systematic or intentional promotion of any Nestlé IF brands within Lao PDR through in-store advertisements, coupon redemption schemes, promotional pricing or any other promotional devices. Consistent pricing was evident at all retailers visited.

However, Bureau Veritas observed promotional materials in 4% of the retail outlets visited during the audit that violate Article 14 of the Lao PDR Decree and, in one case, Article 5.3 of the WHO Code. The material that was observed was advertising products designated by the WHO Code and the Laos PDR Decree that included:



- 1) A poster advertising Bear Brand growing up milk products which displayed a pack shot of Bear Brand 1+ was observed in a market in Vientiane. This was an isolated observation, and Bureau Veritas is of the opinion, that this particular material was either placed some time ago and/or was imported through unofficial channels, since the brand logo is different to the version used in Lao PDR.
- 2) A sachet product hanger and a shelf talker branded with the infant cereal brand name Cerelac were observed in 2% of the retail units visited. These items are considered to have been imported into the market through unofficial channels due to the use of the English language observed on the material.
- 3) A sachet product hanger branded with the infant formula brand name Lactogen Complete was observed in 2 retail units in a market in Phong Hong,

Parallel importing of Nestlé products in Lao PDR, including infant food products designated by the Lao PDR Decree is a significant issue for Nestlé Indochina which is beyond its area of control. Bureau Veritas observed parallel imported products in 28% of the retail units audited.

Article 9 of Lao PDR Decree, requires all milk and food products suitable for infants up to the age of two years to carry a warning in the official national language (Lao) stating the importance of rearing infants on breastmilk. Taking into account the presence of parallel imported products, Bureau Veritas observed Nestlé products on sale without the stipulated warning notice in 63% of retail units visited. Nestlé local management explained that considerable effort had been expended on addressing the labelling issue and since April 2011 all designated products distributed directly by Nestlé Indochina and destined for Lao PDR, have the required labelling attached at the central Nestle Distribution centre before shipment.

Nestlé Indochina has also distributed stickers (accounting for approximately one month's worth of products shipped) with the warning written in Lao and instructed its distributors to retrospectively attach the stickers to designated products already available in the retail environment.

Bureau Veritas opinion

From our assurance activities, evidence or observations, it is Bureau Veritas opinion that

- Whilst no significant evidence came to our attention to indicate that Nestlé Indochina is systematically operating in violation of the WHO Code and Lao PDR Decree in Lao PDR, the presence of promotional materials in 4% of the retail units visited (and identified above) constitute a non-conformance against Article 14 of the Lao PDR Decree and, in one case, non-conformance with Article 5.3 of the WHO Code;
- the presence of Nestlé infant nutrition products in Lao PDR which have been imported through unofficial channels contribute to the risk of non-compliance against the Lao PDR Decree and are considered to have an impact on the results of the audit;
- Nestlé's Policy and Procedures Manual on the Marketing of BMS should be reviewed and updated to ensure consistency against the more stringent requirements of the Lao PDR Decree, and some procedures further strengthened to ensure maximum control of compliance;



- the presence of designated products without the required warning message in Lao constitutes a non-conformance against Article 9 of Lao PDR Decree;
- the absence of the warning message in appropriate language on infant formula and follow-on formula products also constitutes a non conformance against the Nestlé Instructions implementing Article 9.2 of the WHO Code;
- no other evidence (other than that described above) came to our attention to indicate that Nestlé Indochina is operating in contravention of the WHO Code or Lao PDR Decree within Lao PDR.

Bureau Veritas recommendations

Detailed findings and recommendations from our assurance activities have been provided to Nestlé S.A. as part of an internal Management Report.

As a priority, Bureau Veritas suggests that Nestlé S.A. should:

- Work with Nestlé Indochina to fully understand the level of parallel importation of Nestlé infant food products into Lao PDR and how best to address the issues identified to promote compliance with the Lao PDR Decree by third party importers and retailers.

Limitations

- Bureau Veritas was unable to obtain interviews with a number of key stakeholders, including Government officials, healthcare professionals and NGOs
- The interview with the distributor was organised by Nestlé Indochina
- Visual inspections of retail units were limited to Vientiane Capital, Vientiane Province and Phong Hong
- No interviews were conducted with mothers or their families

This limited assurance is not intended to provide a definitive opinion as to whether or not Nestlé Indochina complies with the WHO Code or Lao PDR Decree within Lao PDR. Consequently, neither the limited assurance conducted by Bureau Veritas nor this statement constitutes a guarantee or assurance by Bureau Veritas that infringements against the WHO Code or Lao PDR Decree have not taken place.

Statement of independence, impartiality and competence

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

Bureau Veritas has implemented a Code of Ethics across the organisation 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. This assurance assignment did not raise any conflicts of interest.

Bureau Veritas UK Ltd
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