

RESPONSES TO QUESTIONS

A. Infant Formula Marketing

1. Baby Milk Turnover

Infant formula 1% of turnover

Infant formula and follow on formula 2% of turnover

Mead Johnson is number one infant formula supplier globally

-In 1982 Nestlé took the (then) unprecedented step of instituting measures to implement the WHO Code in advance of national measures. Thus, in developing countries Nestlé published, together with the entire International Code, the Nestlé Instructions. These were reviewed and refined in 1984 in consultation with WHO, UNICEF and the International Nestlé Boycott Committee. As a result the International Nestlé Boycott was terminated, as there was a clear agreement between INBC and Nestlé that our policies were in line with the Code (later revisions of our Instructions reflect new WHO policy changes adopted by the WHA). Furthermore our Instructions and policies have been discussed with relevant authorities in all countries where we apply them, and they are accepted as a valid implementation of the International Code by those governments.

The instructions were revised in 1996, to reflect WHO policies and we are now finalising a further revision incorporating the latest WHO recommendations.

Developing countries are said to be "All countries or territories of Africa, Middle East, Asia, Latin America, the Caribbean Nations, and Pacific Nations except Japan, Australia, New Zealand, Republic of Korea, Singapore, Taiwan and Hong Kong.

In Eastern Europe the Nestlé Instructions apply in those countries that are not members of the European Union".

In developed countries Nestlé respects national codes, regulations, and/or other applicable legislation relating to the marketing of infant formula, such as the European Union Directive 91/321/EEC on Infant Formulae and Follow-on Formulae which applies to all EU member states.

In terms of the Nestlé Instructions, it applies to the marketing of infant formula, which includes follow-up formula when these have the same brand name as the starter formula (eg., Nan1 and Nan2).

2. Baby Milk History

In the 60s infant formula was marketed directly to the public in a number of countries. We accept the WHO's statement that "The general decline in breastfeeding in many parts of the World, related to sociocultural and other factors, including the promotion of manufactured breast-milk substitutes". In fact our CEO, Peter Brabeck has publicly stated that we have "learned the lessons" of the 70s".

The further background is as follows:

Breastfeeding is best for babies. Chemist Henri Nestlé stated this in his Treatise on Nutrition soon after founding our company in 1867, and it is still true today.

Nestlé began when Henri Nestlé invented a milk and cereal food that saved the life of a neighbour's baby who could not be breastfed.

In the early 1970s, concern was raised about declining breastfeeding rates in the developing world. Health professionals, women's groups, charities and other organisations highlighted the issue and cited the advertising of infant formula as a contributing factor, alongside other sociocultural factors.

There was a concern that, in developing countries, women would be persuaded to try the product instead of breastfeeding. There was a risk that women who could not really afford the product would try it as a result of infant formula promotion and then be unable to afford to continue it or would dilute it to make it last longer. And with higher illiteracy rates in the developing world, some mothers would be unable to understand properly the safe usage instructions on the product labels. There was concern in particular that women who did not have the proper conditions for preparing infant formula would mix it with water that had not first been boiled properly.

At this time, promotion of infant formula to the public, including radio and print advertisements, was taking place in some developing countries. In response to these concerns, the World Health Assembly (WHA) in 1978 took up the issue and recommended that its member states should give priority to preventing malnutrition in infants by promoting breastfeeding.

In January 1981, the Executive Board of the WHO recommended that the draft Code be approved as a recommendation to Governments and was passed as a recommendation in May 1981.

- (ii) In "Infant Feeding in the Developing World" – Nestlé's CEO, Peter Brabeck says "Having learned the lessons of the 1970s, Nestlé was the first company to voluntarily implement the Code throughout the developing world in 1982....."

Who in 1992 clarified that.....

"WHO has made no statement quantifying the impact on either morbidity or mortality of infants being fed on bona fide infant formula, i.e breast-milk substitutes manufactured in accordance with the relevant standards of the Codex Alimentarius.

WHO has estimated that (this) number of infant deaths... could be averted annually through effective breast-feeding promotion, and this is irrespective of the breast-milk substitutes used to feed them or, for that matter, the feeding utensils employed for this purpose."

Further, the then Director General - WHO in her statement at its 107th session in 2001, said:

"Science is also the foundation for all our work on infant nutrition. Some 1.5 million children still die every year because they are inappropriately fed."

This would include cow's or goat's milk, plain tea, rice water, corn starch water and other water based home made traditional substitutes.

3. The WHO Code

The WHO Code, as well as subsequent World Health Assembly resolutions, are global in the sense that they are recommendations to all Member States of the WHO to be implemented "as appropriate to their social and legislative framework, including the adoption of national legislation/regulations or other suitable measures. This is clearly stated in WHA Resolution 34.22, including the WHO Code and adopted in 1981. Governments have the full sovereignty to implement the WHO Code as they find appropriate according to their social and legislative framework. In addition Resolution 34.22 stresses that other activities, apart from implementing the WHO Code, to protect healthy practices in respect to infant and young child feeding, are required.

Resolutions passed after the adoption of the WHO Code have the same status as the Code – they are recommendations to all of its member governments. This was reiterated and reinforced in a statement by the WHO director General, Gro Harlem Brundtland, to advocacy and industry NGOs in meetings held in November 1998.

“Member States are sovereign; they may, if they choose, implement WHO’s recommendations to the letter, they may actually go beyond these recommendations; or they may simply ignore them altogether ...”

Nestlé supports all governments in their efforts to implement the Code as it provides clarity for us and better ensures that all companies meet the same marketing standards. We also strongly support countries setting up official Code monitoring bodies.

Nestlé universally follows all countries’ implementation of the WHO Code. Our decision, two decades ago, to voluntarily and unilaterally implement the WHO Code in all developing countries and regions where governments had not yet taken any measure to implement the Code (or where the national Code is weaker than Nestlé’s Instructions for implementing the WHO Code) is due to the fact that the economic, social and hygienic circumstances in most of those countries differ substantially from the situation in developed countries like the US or the EU countries.

In the 21 years since the adoption of the International Code, It is clear that public health authorities in most developed countries have decided how the WHO Code should be interpreted and applied according to the needs of their society. An example of this is the EU “Commission Directive on infant formulae and follow-on formulae” and the UK’s decision on how to implement the Directive. Thus, in developed countries we follow the Code as implemented by Governments through laws, Regulations, Directives etc.

What is Nestlé’s position re Infant Formula and HIV/AIDS?

First and most importantly, Nestlé fully supports the UNAIDS/WHO/UNICEF Collaborative Policy Statement on HIV and Infant Feeding, which states that HIV can be transmitted by breastfeeding. The statement refers to studies, which indicate that between 25-33% of infants born to HIV-positive mothers are also infected. It is also estimated that about 20% of babies are infected through breastfeeding.

The Statement recognises that if infants born to HIV positive women can be ensured uninterrupted access to nutritionally adequate, safely prepared breast-milk substitutes, they are at less risk of illness or death if they are not breast-fed.

Nestlé believes that governments, NGOs, the international health community and the infant food industry should work together to ensure that safe alternatives to breastfeeding, and the necessary educational back-up, are made available to all mothers at risk. These measure must

pay particular attention to mothers in poor communities where the risks of incorrect feeding are highest.

As such Nestlé will respond to requests made by Governments to provide infant formula to HIV mothers through government or similar programmes. We would have no involvement in the development or implementation of such programmes, nor any contact with the mothers concerned.

Nestlé is also Founding Corporate Sponsor of the International Red Cross and Red Crescent Societies' Africa Health Initiative 2010. Our contribution focuses initially on an educational project of young people in Nigeria seeking to prevent the transmission of HIV/AIDS. This project has now been extended to Kenya.

4. Monitoring Code Compliance

As an infant foods manufacturer we have a clear responsibility to monitor our own practices. We take this responsibility very seriously, and have put various procedures in place to do our best to ensure our compliance with National regulations and the WHO Code, which include

- Detailed instructions on WHO Code implementation
- Education and training of our staff,
- Regular audits on a worldwide basis of our marketing practices relating to infant formula. Audits are reported to the CEO plus to an audit committee reporting to the main board
- If requested providing our assistance to health authorities towards promotion of breastfeeding, and raising Code awareness;
- Seeking governments' opinion of our Code compliance;
- Commissioning independent external audits where appropriate, in cases of multiple, broad-scale allegations about a Nestlé company's adherence to the WHO recommendations on infant formula marketing
- Implementing an internal WHO Code Ombudsman System (in 2002) allowing any Nestlé employee to raise concerns about Code compliance in a confidential way, outside of line management.

We are continuously looking for further improvements to ensure Code compliance.

The company regards a material breach as a breach of national law or the Nestlé Instructions.

An example occurred in Lithuania when we advertised Nan 2 in a magazine in 2001 and 2002. However, since 2000 national legislation had prohibited such activity. The ad was stopped immediately. The staff involved are no longer with the company. This is the only confirmed violation from the IBFAN 2004 report.

Pakistan

A former Nestlé medical delegate, Syed Aamir Raza in 1997, made various allegations about Nestlé's marketing practices in Pakistan more than six months after leaving the company. These allegations have been repeated in a campaign document, "Milking Profits".

As with any allegations received, Nestlé fully investigated the claims made by Raza, and by the campaign organisations supporting him. Raza's claims were originally investigated by an internal investigation in 1998 by Nestlé Milkpak and reviewed by Nestlé S.A.

Following these detailed examinations, Nestlé SA was satisfied that, with minor exceptions, Nestlé Milkpak was implementing the WHO Code and the allegations were either false or based on a distorted interpretation of the WHO Code.

However, following Nestlé's new policy of commissioning independent external audits where there are multiple allegations, the first of these audits was of Nestlé Milkpak (Pakistan) and the audit report was published. The audit, done by Emerging Market Economies (EME), found that the WHO Code is "embedded in the policies, procedures, structure and resource allocation of all of the company's functions and work processes".

Overall, Nestlé S.A was pleased that the alleged pattern of Code violations by Nestlé Pakistan has no basis in fact in the audit which covers Nestlé's current implementation of the WHO Code in Pakistan.

However, as one of Nestlé's four basic management principles is a commitment to 'continuous improvement', the company announced its intention to take action to implement the recommendations of the audit team. In response to specific suggestions intended to help Nestlé solidify its commitment to the Code, Nestlé has committed:

- ❑ To correct the three specific instances of Code violation identified;
- ❑ To develop more formalised tools (such as checklists and procedure manuals) to help managers monitor on an ongoing basis compliance with the Code;

- To examine what mechanisms might be appropriate for employees who want to report what they believe to be violations by other personnel, such as a designated ombudsman;
- To explore the most appropriate way to help promote understanding of the WHO Code amongst health professional in Pakistan
- To explore the idea of a government sponsored panel including NGOs, health professionals and industry, to facilitate reporting of alleged violations and taking corrective action, where violations are confirmed

5. **Alleged Code Violations**

This relates to differences in Code interpretation as outlined elsewhere.

6. **Ethiopia**

Please see attached responses which outline the background and how the settlement proceeds were disbursed to charity. We did not turn down an offer of \$1.5m in 1999. In fact mediation, under the auspices of the Multilateral Investment Guarantee Agency (MGA) of the World Bank did not start til 2001. In the meantime the Ethiopian government had obtained \$8.7m from the sale of the business in question in 1998.

Nestlé shares the view of World Bank, DFID and even NGOs that investment is vital to economic development and protection of property is important for business confidence.

However, in pursuing this policy, we listened to what people were saying in the campaign and adopted what we believe is a reasonable position which balances the principle of laws being upheld in order to attract investment with concern for a country in a desperate situation.

7. **Coffee Prices**

Our brochures "What can be done" and "Faces of Coffee" set out full details of our actions in this area. We are developing our activities much more towards sustainability, covering social, environmental and economic aspects.

Fair trade relies on a fixed price. We believe that if this was applied more broadly it would encourage over production

- Kraft is not purchasing any fair trade certified coffee, as far as we are aware

We recognise the fair trade movement plays an important role and has helped raise awareness of the problems of low coffee prices. For some small farmers organised into a co-operative it has proved invaluable.

However, other solutions are needed. That is why Nestlé is pioneering a number of sustainability initiatives in Central America and Africa under the Sustainable Agriculture Initiative Platform which Nestlé helped found. We are working with small farmers on social, environmental and economic aspects to help them improve the income they get from their farms. In addition our other activities, as outlined in our materials, are contributing to farmers well-being e.g our direct purchase scheme which enables the farmer to obtain a better price by cutting out middlemen.

8.Slavery on Cocoa Plantations

In response to allegations of cocoa being produced using slave labour

- Nestlé and Industry signed an International Protocol witnessed by partners including ILO, IUF (organised labour), government of Cote d'Ivoire, Free the Slaves in September 2001.
- In terms of the protocol an independent survey was conducted by the IITA and ILO
 - 4,586 farms surveyed with a population of 43,600
 - c 23,300 children under 15 on these farmsReport found no evidence of child slavery, but recorded concerns relating to use of machetes, exposure to pesticides etc.
- Established International Cocoa Initiative (ICI) (1 July 2002), comprising equal numbers of industry and non-industry representatives
- Together with West African governments, organised labour, NGOs and experts, developed and launched pilot programmes in West Africa
- Support programmes in partnership with NGOs, governments and farming networks (ILO, USAID, IITA and others), eg, West African Commercial Agricultural Programme, Sustainable Tree Crops Program, Farmer Field Schools, Launch of a region-wide radio messaging programme

- Support the design and implementation of a sustainable, robust and credible certification system of the cocoa supply chain against ILO Convention 182 in Ghana and Ivory Coast by July 2005.

9. **Obesity**

The UK does not so far seem to be following the US example on lawsuits. The Government has recently issued its Public Health White Paper "Choosing Health" which talks of partnership between government, the people, communities, local government, voluntary agencies and business. Hopefully the approach in the UK will therefore be less adversarial and more consensual.

As regards advertising to children, as the world's leading food and beverage company, we are committed to communicating responsibly with all our consumers, particularly children, whose level of knowledge, sophistication and maturity should always be respected.

Nestlé strictly conforms to the regulatory codes for both print and broadcast advertising, which state that advertisements should not encourage children to eat or drink frequently throughout the day, should not condone excessive consumption, and should not suggest that confectionery or snacks replace balanced meals. The codes are regularly reviewed to ensure that they are up-to-date with new developments in marketing and advertising techniques, including those used on the Internet.

To ensure the highest standards of responsible communication, we have developed our own corporate communication framework, the Nestlé Consumer Communication Principles which outline additional principles on responsibly communicating with children. All Nestlé consumer communications must adhere to these principles.

Nestlé is committed to responsible communication about all its products, and to clear and "user-friendly" nutrition labelling, together with nutrition programmes and support materials, to help consumers make well-informed food choices. Facts, figures and advice on achieving a balanced diet are also available through our consumer services line and via <http://www.nestle.co.uk/wellbeing>.

In addition, we encourage all employees to take an interest in maintaining a personal sense of health and wellness in their lives. Our mindbodysoul programme provides employees with advice and information on nutrition, health and wellness. We also provide

gym facilities for many staff that are free of charge and nutrition training programmes for all commercial teams.

Our commitment to nutrition, health and wellness is also borne out by our long-standing support of a range of sports and nutrition programmes. These include: partnerships with the British Nutrition Foundation - a programme on nutrition information delivered to young people in Make Space clubs; partnerships with Youth Sports Trust, which involves the organisation of nutrition workshops and the production and distribution of nutrition leaflets; the Nestlé Exercise Your Choice programme; and our support for grassroots tennis, which has been a major part of the company for over forty years.

In addition to these programmes, Nestlé continues to support and collaborate closely with government and public health bodies, such as the British Nutrition Foundation, and industry groups, such as the Biscuit, Cake, Chocolate and Confectionery Association and the Food and Drink Federation, on addressing and seeking long-term solutions to the issue.

10 GMO's

Nestlé UK and Nestlé Ireland recognise consumer concerns about different aspects of Genetically Modified Organisms (GMOs) and therefore continue to provide products made only from ingredients from conventional crops.

In the UK and Ireland:

- We will continue to purchase conventionally derived ingredients or to use alternative ingredients where conventional crop sourcing cannot be guaranteed.
- EU law requires labelling of ingredients and additives made from a GMO. In the UK and Ireland, Nestlé does not use anything requiring labelling as we source ingredients only from conventional crops.
- Nestlé UK and Nestlé Ireland work closely with suppliers, co-manufacturers and licensees to ensure that ingredients are sourced only from conventional crops.

As always, the Nestlé aim is to produce quality products that our consumers have come to expect.

11 Water

Please see attached information on water usage.

On Brazil, Nestlé Waters took over the ownership of Sao Lourenco in 1992, as part of the Perrier acquisition.

The facility includes a bottling factory and the operation of two wells: Oriente for Sao Lourenco mineral water and since 1999, the Primavera well for the production of Nestlé Pure Life.

In Brazil, like elsewhere around the world, Nestlé always respects local legislation. Each spring on the Sao Lourenco site has obtained an extraction license from the DNPM (National Department of Mineral Production) stipulating a daily maximum extraction.

Nestlé Waters has always respected the regulations imposed by the authorities, and extractions are always well below the approved levels of extraction.

The DNPM have conducted at least 3 different studies on the extraction level, each time finding that the Nestlé extractions are conducted in a sustainable manner, well inside the set limits.

No links between the springs used by Nestlé Waters and the allegedly declining water level in other springs on the Sao Lourenco site have been proved scientifically.

In December 2001, a Brazilian court ruled the Sao Lourenco extraction operation illegal. The court ruling was overturned upon appeal four days after the initial ruling. The appeals court ruled the company's activities legal and that ruling remains the final ruling regarding this specific case. Since then changes in local legislation have led to Nestlé Waters' decision to cease production on 31st October 2004.