



Nestlé Good food, Good life

LEADING THE WAY

Responsible Marketing
of Breast Milk Substitutes

2022 REPORT



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A message from Serena Aboutboul, Head of Nutrition Strategic Business Unit

I am pleased to present our 2022 WHO Code Compliance Report, which outlines our unwavering commitment to leading the way with respect to the responsible marketing of breast milk substitutes (BMS).

Our ultimate goal is to help ensure that every infant and young child receives the best possible nutrition, giving them a strong foundation for a healthy future.

Proper nutrition is deeply tied to the well-being and future of both mother and child. The choices mothers make about what they eat before, during and after pregnancy, as well as children's diets in the early years of life, can profoundly impact children's long-term health, growth and development. It's a powerful reminder of our immense responsibility. As a mother and the head of Nestlé's business that looks after maternal and early childhood nutrition, this is very close to my heart.

My team and I are privileged to support families in their infant feeding choices and aim to contribute to children's healthy development by providing science-based nutrition. Breastfeeding is the best start in life for babies. That is why we at Nestlé support, promote and protect breastfeeding. In some situations, however, breastfeeding may not be possible, optimal or simply not a choice made by caregivers. The World Health Organization (WHO) recognizes infant formula as the only suitable alternative in these situations.

Nestlé supports the WHO's recommendation of exclusive breastfeeding for the first six months of life, followed by the introduction of adequate complementary foods and continued breastfeeding up to two years of age and beyond. We recently expanded Nestlé's Policy for Implementing the WHO Code and do not promote formula globally for babies under six months of age. Furthermore, in 163 countries, most of which have higher infant mortality and acute child malnutrition rates, we

adopt stricter practices and do not promote formula for babies under 12 months of age.

We foster a culture of compliance, and our industry-leading policies and systems are aligned with our values, rooted in respect. This involves everyone in our business who ensures we operate with integrity and adhere to relevant laws and regulations, as well as our Executive Board, which oversees our efforts.

Our colleagues' dedication has resulted in Nestlé scoring well in the Access to Nutrition Initiative (ATNI) BMS Index and being assessed as highly compliant in our responsible infant formula marketing in several countries. We have also maintained inclusion in the FTSE4Good Index, reinforcing our leadership in implementing the WHO International Code of Marketing of Breast-milk Substitutes.

This report demonstrates our efforts to maintain the highest standards of compliance with the responsible marketing of BMS.

We will continue to improve our marketing practices to adapt to the evolving regulatory landscape and provide optimal nutrition for infants and young children, thus advancing Nestlé's purpose to unlock the power of food to enhance quality of life for everyone, today and for generations to come.

Serena Aboutboul

*Head of Nutrition Strategic Business Unit at Nestlé
Leading transformation in maternal and early childhood nutrition*





About this report

Nestlé's¹ ambition is to bring tasty and balanced diets within reach for billions, today and for generations to come.

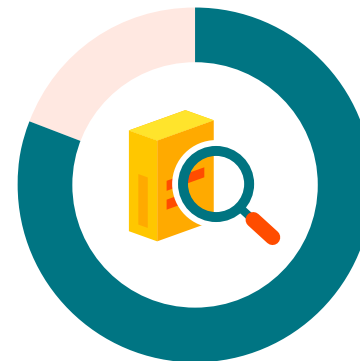
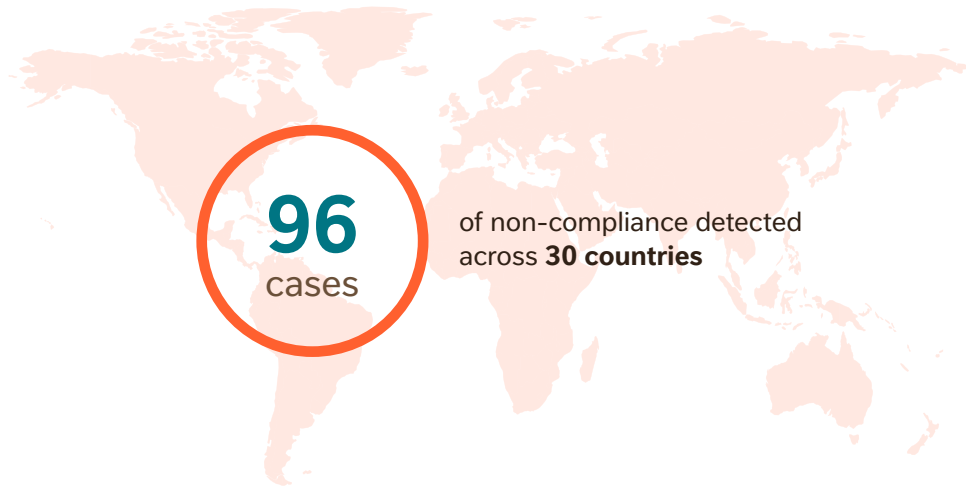
For babies and young children, optimal nutrition is especially important for healthy growth and development. Infants have unique needs, and breast milk offers the ideal nutrition. Yet, breastfeeding—or exclusive breastfeeding—is not possible for every family. In these cases, infant formula is the only suitable breast milk substitute (BMS) recognized as appropriate by the World Health Organization (WHO).

At Nestlé, we are committed to protecting and promoting breastfeeding. As part of this commitment, we market and sell BMS responsibly. We were the first company to voluntarily implement recommendations from the WHO International Code of Marketing of Breast-milk Substitutes (WHO Code)—a set of recommendations to regulate the marketing of BMS, feeding bottles and teats. In accordance with the WHO Code, we publish the Nestlé Policy for Implementing the WHO Code (Policy) on the responsible marketing of BMS. Since 2009, we have reported annually on our compliance with this Policy, which applies to the Nestlé Group and third parties with a direct contractual relationship with Nestlé.

We believe in being proactive and honest about our actions. Nestlé maintains industry-leading governance systems that are overseen by our Executive Board to ensure company-wide compliance. These policies and systems are aligned with our values, which are grounded in respect, to support the health and nourishment of babies and young children and help them thrive.

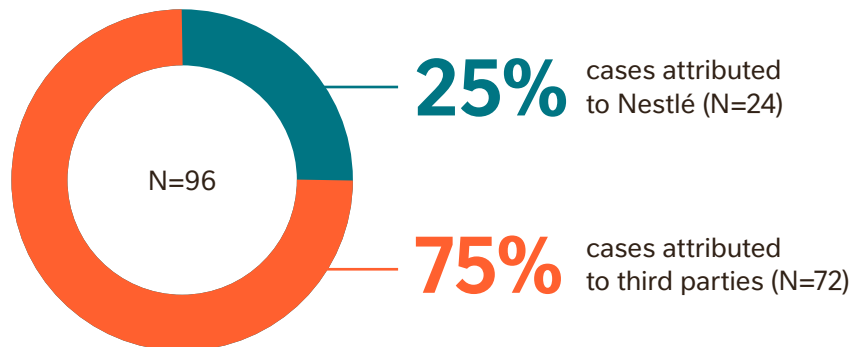
¹ Throughout the report, “Nestlé” refers to the Nestlé Group.

2022 performance at-a-glance



81%
cases of non-compliance detected by Nestlé's comprehensive **WHO Code Management System**, including internal monitoring and our whistleblowing system

Instances of non-compliance



25% cases attributed to Nestlé (N=24)

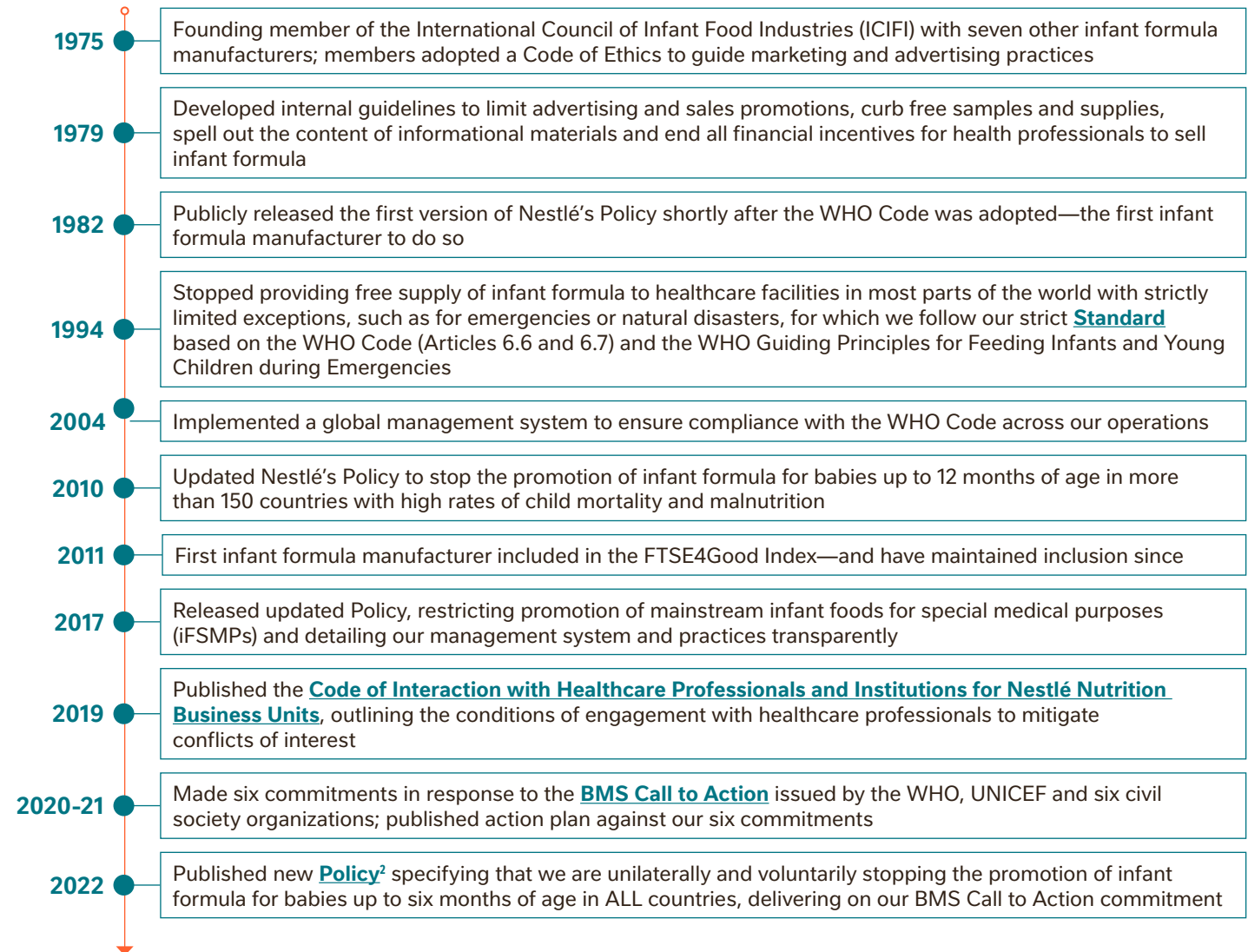
75% cases attributed to third parties (N=72)



39%
of cases of non-compliance connected to **digital and e-commerce concerns**

Advancing our responsible marketing of breast milk substitutes

Our commitment to market BMS responsibly is integral to our business. Our practices have strengthened over time, and expansions to our Policy since the release of the WHO Code aim to advance our progress.



² Policy effective as of January 1, 2023.

Implementing our industry-leading Policy and practices

Nestlé's Policy enables us to support the best possible nutrition for babies in the critical early days of life and do so responsibly—all with the aim of making a positive impact on the lives of babies, parents and caregivers.

Our Policy explains how we promote, protect and support breastfeeding across Nestlé and within our sphere of influence, in line with the WHO recommendations. Our actions to implement an industry-leading Policy to market BMS responsibly are guided by five key principles: compliance, governance, transparency, constructive engagement and continuous improvement.

Our Policy corresponds to each of the articles in the WHO Code and clearly demonstrates how we integrate the recommendations into our daily business activities. Our WHO Code Management System includes specific compliance mechanisms on topics such as product displays at point-of-sale, training sessions for healthcare professionals and relationships with distributors and retailers.

Ensuring accountability

We have several mechanisms to ensure accountability and foster strong stakeholder engagement:

- **“Speak Up” Compliance Reporting System:** Our robust reporting system enables us to listen to anyone throughout our value chain about any non-compliance concern. It is aligned with our Nestlé Corporate Business Principles and reflects our commitment to a strong ethical culture as a non-negotiable foundation of how

we do business. External stakeholders and employees can report potential instances of non-compliance, including WHO Code-related matters, on our global and local corporate websites 24 hours a day, seven days a week. Stakeholders may anonymously file a report through a web form or by calling a toll-free number. We encourage anyone who observes a non-compliant practice to report it.

- **The Code Room:** Our unique web-based platform oversees WHO Code compliance. WHO Code Compliance Managers, appointed in each market, report updates or changes in local legislation and instances of non-compliance. We hold regular meetings to encourage sharing across markets, fostering a community of experts dedicated to the implementation and safeguarding of Nestlé's Policy.

External monitoring of our practices

The BMS criteria of the FTSE4Good Index and Access to Nutrition Initiative (ATNI) BMS Index are the only indices that have defined clear criteria for the marketing of BMS. We voluntarily submit our practices for external verification of our WHO Code Management System and to ensure inclusion in the industry benchmark, which measures performance and helps stakeholders better understand how we compare to the rest of the industry.



Responding to stakeholders' concerns in 2022

We take stakeholder feedback and concerns seriously.

Our engagement with stakeholders helps to strengthen relations in pursuit of our commitment to maternal and early childhood nutrition and health. In 2022, the WHO released two reports on the marketing practices of infant formula manufacturers.

REPORT	OUR RESPONSE
<p><i>“How the Marketing of Formula Milk Influences Our Decisions on Infant Feeding”</i> (February) was based on interviews with parents and health workers in eight countries (Bangladesh, China, Mexico, Morocco, Nigeria, South Africa, United Kingdom and Vietnam) and accused infant formula manufacturers of “pervasive and invasive” marketing practices, alleging such practices influence families’ decisions on how to feed their babies and young children.</p> <p>No companies were highlighted.</p>	<p>This report made no specific allegations of non-compliance against Nestlé. We shared our position externally on supporting the WHO Code, detailing how we have led, and continue to lead, the industry in responsible BMS marketing.</p> <p>Our efforts include: global expansion of new Policy; compliance with the WHO Code as implemented by national governments or our industry-leading Policy, whichever is stricter; advocacy for regulating the promotion of infant formula for babies aged 0-12 months globally; external review of marketing activities by independent third parties (ATNI assessed Nestlé as highly compliant with the WHO Code); implementation of “Speak Up” compliance reporting system for employees and external stakeholders; and swift actions against any non-compliance, which are shared transparently in our annual WHO Code Compliance Report.</p>
<p><i>“Scope and Impact of Digital Marketing Strategies for Promoting Breastmilk Substitutes”</i> (April) alleged infant formula manufacturers use exploitative tactics in digital marketing to undermine breastfeeding.</p> <p>Allegations were made against specific companies, including Nestlé.</p>	<p>This report made 16 references to Nestlé brands or products, which we immediately investigated in detail. Two cases had already been addressed before the implementation of the relevant local regulation. Two cases were related to communications that could no longer be identified, as they were outdated. The remaining 12 cases were in compliance with local regulations and our Policy. Our investigation and conclusions underscore the importance we attach to responsible marketing practices.</p> <p>Our Policy applies to all tangible and electronic forms of communication, including on digital platforms. Our response highlighted that our responsible marketing principles fully apply in the digital space. In addition, our WHO Code compliance efforts ensure online and offline communications meet all regulatory requirements. We comply with data privacy and marketing laws and transparently publish our data policy on our websites. We work to raise awareness among online third-party retailers within our sphere of influence regarding the importance of complying with our Policy and applicable laws.</p> <p>We also noted the important role digital communications play in delivering science-based information on safe feeding practices, which can improve nutrition knowledge and health outcomes. Our response acknowledged the importance of undertaking this responsibly.</p>

Our compliance record in 2022

We investigate all allegations of non-compliance.

The following outlines all instances of non-compliance attributed to Nestlé and to third parties, as well as the sources and root causes. Allegations that were not confirmed or substantiated or were attributed to third parties that do not have a direct relationship with Nestlé are not included.

In 2022, we observed 96 instances of non-compliance (vs. 116 in 2021 and 121 in 2020). Of these, 75% (72 cases) were attributable to third parties that have a direct contractual relationship with Nestlé, and 25% (24 cases) were attributable to Nestlé.

Compliance with our Policy and local regulations is mandatory for all Nestlé employees as set forth in our Corporate Business Principles. When instances of non-compliance are confirmed, we take firm and swift action. As a result of non-compliance with the WHO Code, a total of four employees were disciplined in 2022 and no longer work for Nestlé. This includes two employees in Nestlé's Zone Latin America³—one for inappropriately engaging healthcare professionals and one for failure to comply with policies, including our Code of Interaction with Healthcare Professionals and Institutions for Nestlé Nutrition Business Units. Additionally, two employees in Zone Asia, Oceania and Africa were dismissed for contact with pregnant women or mothers of infants and young children.

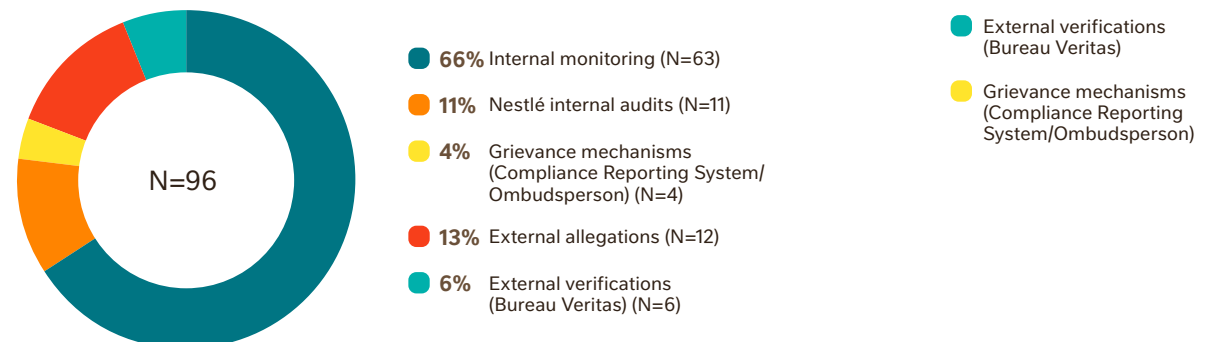
Of the 24 non-compliance instances attributable to Nestlé, 42% (10 cases) were identified by internal audit or internal monitoring, which allow us to prevent or mitigate the non-compliance and reinforce the rules among employees.

Of the total 96 cases of non-compliance, **Nestlé's comprehensive WHO Code Management System—including internal monitoring, audits and our whistleblowing system—allowed us to detect 81% of all cases (78 cases) in 2022.**

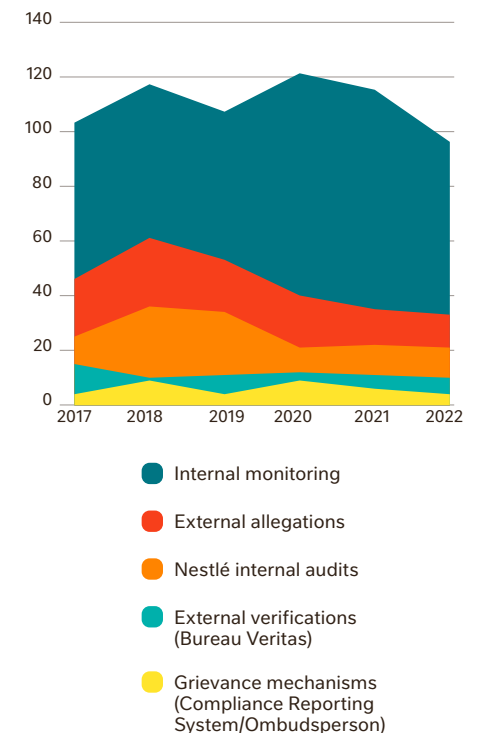
Our [external verifications](#), conducted by Bureau Veritas in 2022, identified 6% of cases of non-compliance (6 cases), which all occurred in South America. The remaining 13% (12 cases) were identified by external stakeholders, including three cases by authorities and nine by consumer associations or others in the industry, which help ensure accountability.

Similar to previous years, slightly more than one-third of cases of non-compliance (39%) were connected to digital and e-commerce concerns. The majority of these cases related to advertisements or promotion of products to consumers, often caused by algorithms on e-commerce sites, which fail to exclude promotional schemes or operate without our consent. Approximately 84% of these cases were attributable to third parties.

Instances of non-compliance by reporting source



Volume of instances of non-compliance



³ In 2022, Nestlé [organized its business into five Zones](#) (Zone Asia, Oceania and Africa; Zone Europe; Zone Greater China; Zone Latin America; Zone North America), and references to geographies within this report follow this Zone structure.

Compliance by geography

In 2022, 96 cases of non-compliance were identified across 30 countries. While higher-risk countries are the main focus of our compliance efforts due to higher rates of mortality and acute malnutrition among infants and young children, we are going to implement the same framework in all countries per our new Policy, which is effective as of January 1, 2023. 15% of cases (14 cases) were already identified in three low-risk countries in 2022—all in Zone Europe, which has infant formula regulation to which markets are obligated to adhere. 85% of cases were identified in 27 high-risk countries across Zone Latin America (64%) and Zone Asia, Oceania and Africa (21%).

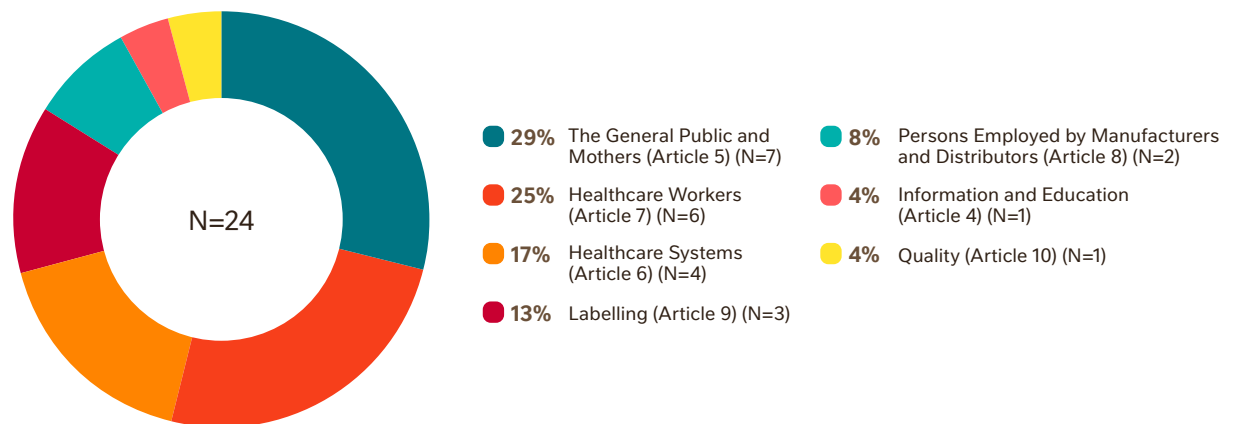
Nestlé's non-compliance

Of the 96 cases of non-compliance in 2022, 25% (24 cases) were attributed to Nestlé. One-quarter of these were identified through internal audit, followed by external allegations (20.5%), external verifications (20.5%), grievance mechanisms (17%) and internal monitoring (17%).

The highest number of cases was related to The General Public and Mothers (Article 5), representing 29% of cases of non-compliance (7 cases). Four of these cases were related to advertisements to the general public. The other three cases were related to deliberate breaches for personal interest, one of which resulted in two employees being dismissed. One-quarter of cases attributed to Nestlé were related to Healthcare Workers (Article 7). Two of these were related to inappropriate medical detailing materials, one was related to sponsorship of healthcare professionals, one was related to product sampling for healthcare professionals and two were related to deliberate breaches for personal interest, which resulted in the dismissal of two employees. The third largest category of non-compliance related to Healthcare Systems (Article 6), and all four cases were connected to donations of in-scope products for emergencies or of equipment and materials that were not permitted.



Instances of non-compliance attributable to Nestlé by type





Root cause analysis

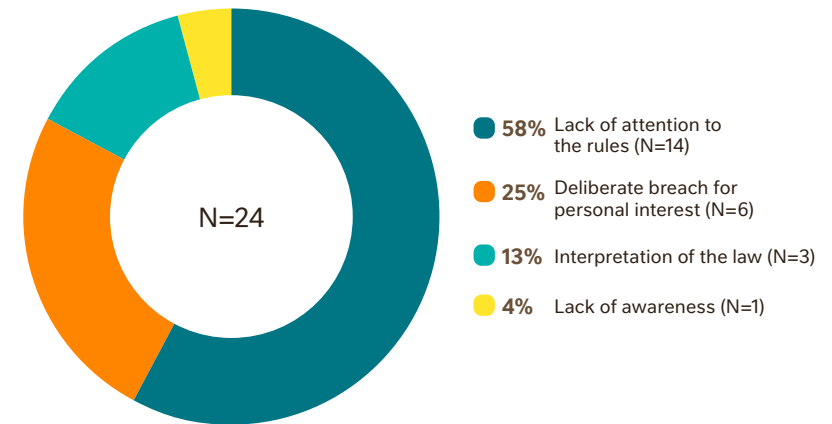
More than half (58%) of cases attributable to Nestlé were due to lack of attention to the rules. We actively work to train our employees to mitigate this lack of understanding and ensure proper education on rules and regulations. Furthermore, for verified repeat cases, cautions or formal warnings are communicated to employees depending on the nature of the breach. We train our 11,000 Nestlé Nutrition employees after they join and at least once every three years of employment. We regularly report our progress in our annual Creating Shared Value and Sustainability Report. One-quarter of all cases attributable to Nestlé were related to deliberate breaches for personal interest, and half of these (three cases) resulted in the four total employee dismissals.

Third-party non-compliance

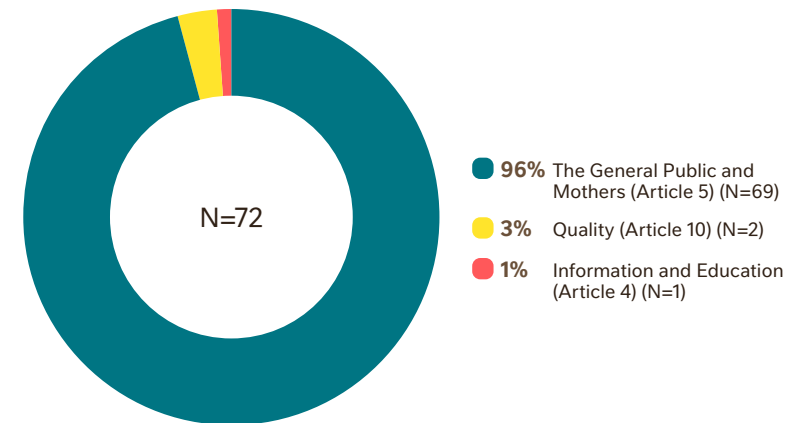
While our impact on third-party businesses with whom we have direct service relationships is limited, we take substantial efforts to ensure they abide by our Policy as they share a responsibility to implement the WHO Code. We include WHO Code compliance clauses in our formal agreements with third parties involved in BMS marketing and/or sales where it is permitted under local regulation.

In 2022, 75% of cases of non-compliance (72 cases) were attributable to third parties with a direct contractual relationship with Nestlé. Of these 72 cases, the instances were mostly detected through our internal monitoring system (82%), followed by external allegations (10%), internal audit (7%) and external verifications (1%). The largest share of cases (96%) was related to The General Public and Mothers (Article 5). These were mostly related to promotion at point of sale, including discounts and rebates (57%), advertisements to the general public (23%) and special displays (20%).

Root causes of non-compliance attributable to Nestlé by type



Instances of third-party non-compliance by type



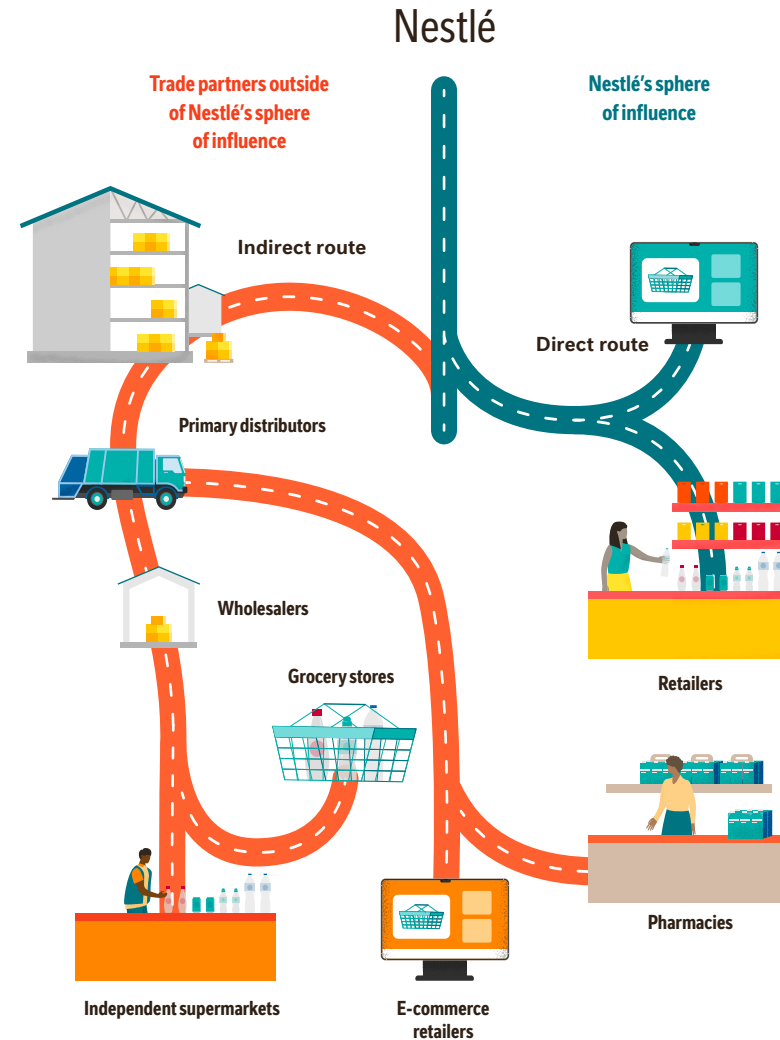
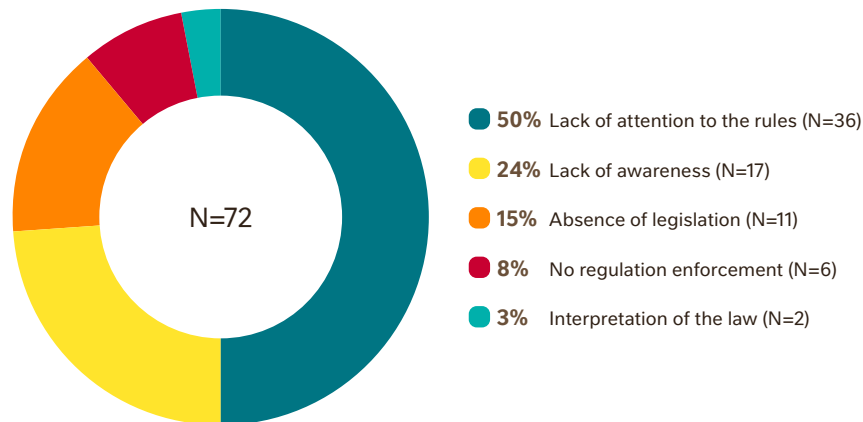
Root cause analysis

The most common root cause of third-party non-compliance was lack of attention to the rules (50%), followed by lack of awareness (24%).

To mitigate these leading root causes among third parties, we encourage training to ensure our distributors are aware of the rules. Given our limited oversight, it is challenging to guarantee that our reminders to distributors are cascaded to all field operators working in stores. This could create gaps between the management of distributors and retailers, who are aware of the rules, and their staff in stores. The WHO Code defines a distributor as a person, corporation or other entity in the public or private sector engaged (directly or indirectly) in the business of marketing a product within the the scope of the WHO Code at the wholesale or retail level.

Nearly one-quarter of third-party non-compliance cases were due to absence of legislation (15%), no regulation enforcement (8%) or interpretation of the law (3%), generating a gap between applicable laws in a given country and Nestlé’s rules, which are often stricter. In these situations, Nestlé is often seen as restrictive by retailers. There can also be “price wars” between online and offline retailers to attract consumers to their platforms or stores. E-commerce retailers and brick-and-mortar stores do not face legal risk for offering promotions for in-scope products due to lenient enforcement of the regulation. Nestlé supports the implementation of legislation and enforcement by authorities to ensure all industry players do not promote infant formula.

Root causes of third-party non-compliance by type



Improving our compliance

Every year, we take robust, corrective actions to address instances of non-compliance and advance our WHO Code compliance record.






Actions in response to 2022 report

The following will be implemented in 2023:

- Roll out new, mandatory Nestlé Nutrition Fundamentals eLearning module to all Nestlé Nutrition business employees to support Policy implementation
- Host local, in-person workshops with WHO Code Compliance Managers (after three years of travel restrictions due to the COVID-19 pandemic)
- Update internal compliance reporting system with regular reporting of several key performance indicators (KPIs)
- Support increased comprehension of, and compliance with, our Policy among third-party partners in our sphere of influence (e.g., retailers) and outside of it (e.g., distributors)

Update on actions in response to 2021 report

 Complete  Ongoing

ACTION	STATUS	COMMENTS
Update Nestlé's Policy to reflect the BMS Call to Action commitments (public release and rollout is planned for end of 2022)		The new Policy is effective as of January 1, 2023 and available on Nestle.com.
Issue updated training materials and conduct an awareness campaign to prepare employees for the release of Nestlé's new Policy		Our Policy was translated into local languages, and virtual workshops were conducted with WHO Code Compliance Managers detailing key updates. Many markets also included the Policy in annual trainings.
Adapt the WHO Code Management System to reflect changes to Nestlé's Zone structure		Two newly-created Zones (Greater China, North America) implemented WHO Code compliance governance in line with our Policy and filled one new Compliance Manager role.
Conduct analyses in each market comparing Nestlé's procedures manual and local laws to identify any gaps or potential areas of misinterpretation, monitor risk areas and develop action plans to address them, as necessary		There was an internal review of the internal governance for Products for Professional Evaluation (PPE). Clarification of essential mentions required in communications materials (e.g., digital, print) was shared, and markets reviewed existing materials. Communications were shared to increase awareness of "Speak Up" reporting system. New, stricter authority guidance was implemented in one country.
Maintain engagement with the Call to Action signatories and other companies to drive further industry progress and support implementation of the WHO Code into national law		We have continued our engagement through the Call to Action by participating in the consultation process and providing updates on our actions. We have also engaged with various stakeholders and have publicly expressed our support for well-drafted and well-implemented regulation as a way to secure full WHO Code compliance.

Sharing responsibility

In 2022, our monitoring of WHO Code compliance shows most deviations are caused by business partners in or outside our sphere of influence, which limits our ability to implement our WHO Code Management System.

Where possible, we worked with partners to help them correct instances of non-compliance. When we observed deliberate breaches of the rules, we took action, such as issuing warning letters to third parties with whom we have a direct relationship.

We recognize these types of non-compliance instances are an ongoing challenge. There are numerous limitations placed on our engagement with third parties. All our activities, including advocacy activities, must be conducted in line with anti-trust policies and regulations, in particular interactions with competitors, suppliers, trade partners and trade associations. According to competition law, we cannot contractually influence distributors' price mechanisms and may not be able to act with respect to their pricing and marketing policies, such as by issuing warnings or suspending deliveries. Nevertheless, we are continuing to develop solutions to encourage distributors to responsibly market BMS.

Working with partners in our sphere of influence

The WHO Code and Nestlé's Policy indicate trade partners across distribution channels have the same responsibility as manufacturers to market BMS responsibly.

In higher-risk countries, Nestlé provides regular training to help third parties (with whom we have a direct service relationship) comply with our Policy and national legislation implementing the WHO Code. Distributors and manufacturers bear the same responsibility to their networks, and we offer solutions to improve responsible marketing practices through our distribution channels.

We are dedicated to working with all partners to support WHO Code compliance, as outlined in our Call to Action commitment to work with global and regional retailers and e-commerce players to help contribute to a common high level of adherence to the WHO Code.

Examples of how we engage partners to reinforce WHO Code compliance and Nestlé's Policy



Vietnam: Piloted automatic monitoring system to identify non-compliance with the local code on various e-commerce platforms

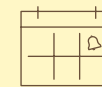


China: Implemented monitoring system to automatically send letters to e-commerce managers when non-compliance is detected

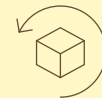
Key actions to support responsible marketing practices through our distribution channels



Training for Nestlé employees and third parties in our sphere of influence



Reminders of WHO Code compliance rules to trade partners each year and WHO Code compliance clauses in contractual agreements, where permitted



Return policy to allow our trade partners to return unsold products



No sales incentives on volumes of infant formula for distributors



Detection of non-compliance by Nestlé Internal Audit and by sales representatives in the field



Corrective actions taken and integrated in trainings and procedures

Leading the way

Compliance with local regulations and our Policy implementing the WHO Code is a priority at all levels of Nestlé.

It is also imperative to our purpose to unlock the power of food to enhance quality of life for everyone, today and for generations to come. As such, we continuously improve our practices and our systems. In 2022, we delivered on our BMS Call to Action commitment with the publication of our new Policy, which unilaterally restricts the promotion of infant formula to babies up to six months of age in ALL countries and builds on our existing commitment to not promote infant formula for babies up to 12 months of age in 163 countries (80% of the world). This reflects our continuing ambition to support strong compliance with the WHO Code, foster engagement with our stakeholders and demonstrate industry leadership.

Each day, Nestlé delivers safe and nutritious food to millions of families around the world. We take this very seriously, and it comes with a responsibility to market all our products responsibly. Our new Policy extends to third-party businesses with direct service relationships with Nestlé, holding them to the same responsible marketing practices. It also extends to digital marketing efforts. In addition, we published a new guide to ensure all healthcare provider engagement around infant nutrition follows appropriate standards and meets relevant regulations.

At the same time, we support actions to advance WHO Code compliance beyond Nestlé because greater change is only possible with broader industry activation. Changing dynamics, including the role of technology in information sharing and purchasing, continue to present challenges and drive us to continuously assess and evolve the actions that we and our direct partners can take. Digital communications

play an important role in delivering science-based information, such as safe feeding practices, and improving nutrition knowledge, and we endeavor to do this responsibly. We acknowledge remaining challenges with non-compliance and strongly believe increasing transparency will support improvements across the industry and advance collaboration with civil society organizations and governments.

Well-drafted and well-implemented legislation is the most effective way to establish WHO Code compliance across our industry. This is why we support regulating promotion of infant formula for babies aged 0-12 months globally and engage with stakeholders to support WHO Code adoption by Member States, which is reiterated in our BMS Call to Action commitments. Legislation would ensure the private sector uses the same responsible framework to operate uniformly within countries. Additionally, country-specific legislation implementing the WHO Code and subsequent relevant resolutions would consider country health indicators and all additional barriers to optimal nutrition for mothers and children. As we advocate for such legislation, we ensure our efforts are in line with the Responsible Lobbying Framework.

Nestlé is committed to these efforts because we support optimal nutrition during the critical first years of life. Compliance with the WHO Code and applicable laws is non-negotiable and the right and ethical way to do business.

Through continued engagement to enhance compliance both within and outside of Nestlé, we are working to drive collective progress and contribute to a healthier future for generations to come.

