



B4

General Assembly resolution on Nestlé

1. Background

General Assembly adopted the following resolution in Loughborough last year based on the recommendation from the Facilitation group established to reconsider Mission Committee's resolution related to the rescinding of the URC's boycott of Nestlé products:

Resolution 4

Facilitation group recommendation

General Assembly resolves that if Nestlé obtains listing on the FTSE4Good index, Mission Council be instructed to rescind the boycott of Nestlé products outlined in the Assembly 1992 resolution.

This was resolved by agreement following a lengthy debate and represented a compromise position which recognised the fact that despite improvements by Nestlé in the management and reporting procedures related to their marketing of breast-milk substitutes (BMS), there were still concerns with aspects of their marketing of these products in high risk countries which needed to be addressed. Assembly members were of the view that the long-standing boycott on Nestlé products had impacted negatively on the company's reputation in the UK which had proven effective in bringing about change to the company's marketing practices. It was therefore hoped that by maintaining the boycott of the company's products a clear message would be sent to the company to continue to address reported contraventions of international codes. However, members also recognised that by seeking listing on the FTSE4Good Index, Nestlé was demonstrating good faith and transparency in responding to these concerns and that achieving listing would provide an objective basis for the URC to rescind their product boycott

2. Nestlé listing on FTSE4Good Index

The URC received notice from the FTSE4Good press office on 11th March 2011 that after an independent assessment by EIRIS on their management and reporting practices Nestlé has been listed on the FTSE4Good Index under their newly formed BMS division. Their listing is the start of a process which will include on-going verification of Nestlé's marketing and management systems as outlined in the following section of their press release:

“Once a BMS manufacturer meets the criteria and is included in the index, FTSE, together with third parties, will commission a verification assessment of the company's practices. The independent verification is not a one-off assessment but an on-going annual requirement, following inclusion into the index, whereby BMS manufacturers need to demonstrate that the practices on the ground follow their policies

This includes aspects such as whistle blowing procedures, senior executive responsibility, training of sales and marketing staff, internal monitoring, compliance mechanisms and responding to allegations. The verification will take place in the following places:

- *Global Headquarters*
- *Country operations in two 'higher-risk' countries*
- *Site visits to clinics, hospitals, and health centres and any other sites as appropriate, in the two 'higher-risk' countries.*

This process aims to encourage improved practices and focuses on how companies can develop systems for continuous improvement. The results will form the basis for positive engagement and dialogue with companies but would also inform committee decisions regarding a company's eligibility for deletion from the indices, if there is evidence they are no longer meeting the criteria and failing to take this issue seriously. PricewaterhouseCoopers (PwC) has been appointed as the assessor for the first cycle and the verification assessment will be commissioned in collaboration and consultation with a number of organisations.”

The URC was subsequently asked to participate with other agencies in helping to develop the assessment criteria and a country risk matrix together with PwC and the BMS Committee. India and Zambia were selected as the outputs of the risk assessment matrix based on their high overall risk ratings. The verification assessment has now been undertaken by PwC to determine whether Nestlé's practices on the ground in these two countries are in-line with their stated policies. However, the findings of PwC's report have not yet been made public as they still need to be discussed with Nestlé but an undertaking has been given by FTSE4Good that a letter summarising the key findings of this process will shortly be forthcoming. A verbal report will therefore be given to Mission Council to update members on these findings when this report is discussed.

Baby Milk Action (BMA) have challenged the process followed by FTSE4Good in listing Nestlé ahead of verifying their country operations in two 'higher-risk' countries and a letter was written by The International Baby Food Action Network (IFBAN) outlining BMA's concerns. A copy of the letter of response from FTSE CEO, Mark Makepeace, addressing each of these concerns is attached for your information.

3. Mission Committee resolution

The issue of Nestlé's listing on the FTSE4Good Index was discussed by Mission Committee at their May meeting (5-6 May 2011) and based on this discussion resolved the following:

“Pursuant to 2010 General Assembly Resolution 4 (see above) regarding the rescinding of the boycott of Nestlé products, Mission Committee has now received notification that Nestlé has been listed on the FTSE4Good Index after an independent assessment by EIRIS.

Mission Council acting on behalf of General Assembly therefore instructs Mission Committee to rescind the boycott on Nestlé products outlined in the Assembly 1992 Resolution based on the following condition:

Mission Committee will continue to monitor Nestlé's response to the issues raised in the PwC Assessment Report and their compliance with the FTSE's BMS criteria in higher risk countries and will advise Mission Council of any changes to their current status.”

Frank Kantor
25th October 2011