

Independent Assessment Report on FrieslandCampina's marketing practices in Vietnam in 2023 against the FrieslandCampina Corporate Policy for the Marketing of Infant Foods.



Introduction and Objectives of Work

Bureau Veritas has been commissioned by FrieslandCampina Nederland B.V. ("FrieslandCampina") to provide independent assessment of FrieslandCampina's Operating Company in Vietnam (the 'Operating Company', also referred to as "OpCo" in this document) on their compliance against the following:

- FrieslandCampina Corporate Policy for the Marketing of Infant Foods (v2.0, Dec 2021) (the 'Policy').
- Local legislation implementing the World Health Organization (WHO) International Code of Marketing of Breast-milk Substitutes (WHO Code) in Vietnam (the 'Local Code').

Scope of Work and Methodology

The assessment was undertaken in Ho Chi Minh City, Vietnam, between 13-17 November 2023. The audit programme is part of the FrieslandCampina controls on addressing compliance against the Policy for the Marketing of Infant Foods.

The audit was conducted using one lead auditor from Bureau Veritas UK Ltd ("Bureau Veritas"), supported by a local Bureau Veritas audit team member. The Audit Team roles and responsibilities were as follows:

- Lead Auditor, Bureau Veritas UK: the lead auditor managed the OpCo audit programme from start to finish and conducted the interviews during the head office audit and conducted the market audit.
- Auditor, Bureau Veritas (local office in OpCo country): a local auditor who supported on the market audit and who provided support for translating documents, recordings and other evidence as required.

The methodology followed for this audit was consistent with audits from previous years with other OpCo's.

During the audit, Bureau Veritas undertook the following activities:

- Reviewed the sustained effectiveness of corrective actions relating to non-conformances raised during previous audits against the OpCo.
- Interviewed FrieslandCampina employees and its distributor's employees on-site at the country head office and reviewed of documentation and records relating to specific areas of compliance with the Policy and the Local Code with reference to 'Covered Products'.
Note - Covered Products are defined per country based on applicable Local Code.
- Visually assessed compliance with the Audit Referentials in healthcare facilities (HCFs).
- Visually assessed compliance with the Audit Referentials in retail locations including modern trade, pharmacies, traditional trade, and e-commerce. Bureau Veritas independently selected the retail locations that were visited.

Findings

Any findings identified during the audit have been categorised as per the following:

- **Non-conformance:**
 - A failure to follow a written requirement specified within the Policy
 - A failure to achieve legal or statutory requirements.
 - A purposeful failure of the company to correct nonconformities.
- **Opportunity for Improvement:**
 - A process/activity/document that, while currently conforming to the Policy, could be improved to strengthen the OpCo and/ or Corporate Friesland Campina practices.

Market place coverage: Bureau Veritas visited 10 HCFs and 57 retail locations in Ho Chi Minh City for visual assessment and interviewed 17 OpCo employees and 3 representatives from a distributor.

'Covered Products': For Vietnam, the Local Code includes breast-milk substitute milk products used for children under 24 months of age.

Non-conformances

1. *Promotion to the General Public*

Price promotions on Covered Products were identified on three e-commerce platforms by independent re-sellers and in two physical retail stores. There was no evidence to suggest that these price reduction promotions were placed at the request of the OpCo. In addition, special displays were observed in 11 physical stores which contained Covered and excluded products. Several of these stores are part of a chain with a direct contractual relationship with the OpCo. These are all considered promotion of Covered Products which is not permitted according to the Policy and Local Code.

2. *Information materials for consumers*

Two websites were found to have information about Covered Products that imply equivalence or better than breast milk and one website did not have the relevant statements about the importance of breastfeeding from WHO Code Article 4.2 included. This does not align with the requirements of the Policy and Local Code.

3. *Bonus and Incentives*

The medical team targets and objectives for 2023 include Covered Products and the way this is implemented results in a form of sales target which includes Covered Products. This is considered to be non-compliant with the Policy which requires that bonus and incentive calculations do not include sales targets for Covered Products.

4. *Distributor Contracts*

In one contract with an agency which provides marketing activities there were no clauses relating to the Policy. This is not compliant with the Policy which requires that partners that market Covered Products include provisions in the contracts for the Policy and the Local Code.

5. *Promotion in HCFs*

During a review of medical marketing activities it was observed that there has been a programme for acquisition of new members for the 'Mum Club' which includes approaching women in hospital waiting areas to ask them to sign up. These activities can be perceived as seeking contact with mothers, pregnant women or their family members in a medical setting to promote Covered Products which would not be permitted under the Local Code and Policy.

Opportunities for Improvement:

1. *Contact with Consumers*

Several areas of consumer communication would benefit from improved controls including consumer careline script, age category appropriate information on consumer websites, and chat-function on social media.

2. *Promotional Materials*

For avoidance of doubt relating to age category, the OpCo should ensure that children used in images for non-Covered Product promotional materials appear to be well over 24 months of age.

3. *Contracts with Third-parties*

Transparency could be improved by updating contracts with third-parties to include a specific reference to the Local Code rather than a generic reference to all relevant legislation, in addition to the Policy reference

4. *Advisory service arrangements with health workers*

To ensure consistent application, the process to determine fair market value for speakers fee at events for health workers could be formalised by establishing reasonable and robustly justified payment thresholds. The contracts with such speakers could be strengthened by specifically stating that they cannot promote OpCo Covered Products and referring to the Local Code

5. *Training Materials*

Training materials should be reviewed and updated to have sufficient information and examples of what is compliant for trade sales product placement, with reference to photographic examples.

6. *Monitoring Allegations*

The OpCo could build on the current procedure for monitoring allegations by putting in place a formal and documented process for on-going monitoring of marketplace activities by sales reps and the wider sales team (including distributors) and ensure awareness of the process.

7. Funding of events at Medical Facilities

The OpCo could ensure funding for medical events at hospitals is used for the agreed purpose by making payments directly to hospitals based on a written request, and not to individual HCPs. To ensure compliance with the Local Code, we recommend that OpCo employees do not attend such events.

There were a number of areas identified where the compliant practices are well managed and these instances have been summarised in an internal report to FrieslandCampina.

Limitations

Visual (both in-person and virtual) inspections of healthcare facilities and retail outlets, and external stakeholder interviews are conducted on a sample basis and are geographically limited to the cities as specified above. Some of the statements made by external stakeholders are anecdotal and evidence may not be available to support their claims. Whilst the assessment protocol is designed to provide an objective independent assessment, it remains that in some cases the content of the 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 the Operating Companies comply with the Policy or the Local Code. Neither the assessment conducted by Bureau Veritas, nor this statement constitutes a guarantee or assurance by Bureau Veritas that infringements against the Local Code or Policy 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 190 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 audit team members do not have any involvement in any other projects with FrieslandCampina outside those of an independent audit scope and we do not consider there to be a conflict between the other services provided by Bureau Veritas and that of our audit team. Our team involved in this work has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information and systems, and has extensive experience of undertaking WHO Code assessment related work.



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