

Danone's Report on External Audits Undertaken on Compliance with its Policy for the Marketing of Breast-Milk Substitutes For the twelve months ended 31 December 2017

DANONE AND RESPONSIBLE MARKETING PRACTICES

The World Health Organisation ("WHO") adopted *The International Code of Marketing of Breast-milk Substitutes (the 'WHO-Code')* in 1981, as a minimum requirement to protect appropriate marketing practices for infant and young child feeding. The WHO-Code is a set of recommendations to regulate the marketing of Breast-milk Substitutes ("BMS").

At Danone, we acknowledge the importance of the WHO Code and, via our Danone's Policy for the Marketing of Breast-Milk Substitutes (Policy), we aim to clarify the minimum standards of behaviour expected from all employees.

As a company, it is important that we are consistent, clear and transparent. It is also imperative that we continually monitor our marketing practices, ensuring compliance with our Policy and local/national regulations at all times.

MONITORING OUR PRACTICES AT DANONE

The purpose of monitoring our practices is for continuous improvement and to identify whether the Policy is being followed in all Country Business Units (CBU). Verifications, audits and/or reviews can be undertaken by both internal and external resources. To undertake external audits, Danone has engaged suitably qualified third-party experts.

The external audits that have been undertaken in 2017, and as described further in this report, aimed to assess compliance with the Policy in effect during this period. In 2017, we had committed to an annual external audit plan – in which a minimum three (3) CBUs were audited. As it was the case for the 2016 reporting year, these audits were undertaken by Bureau Veritas UK Limited¹, an independent, external audit and verification firm.

Bureau Veritas have provided detailed audit findings to the CBUs and to the Early Life Nutrition (ELN) Divisional Headquarters of Danone. Each relevant CBU has reviewed the detailed audit findings, and documented actions required to address the findings. We appreciate the objectivity provided by Bureau Veritas, as their thorough audit processes have highlighted areas where we can further improve our processes and practices in compliance with our Policy.

¹ Bureau Veritas is an independent professional services company that specialises in quality, health, safety, social and environmental management advice and compliance with more than 180 years of history in providing independent assurance services. (<http://www.bureauveritas.com>).

AUDIT WORK CONDUCTED 1 JANUARY TO 31 DECEMBER 2017

Bureau Veritas undertook audits in 2017 in the following locations: China, Indonesia and Romania. These countries have been selected by Danone based on risk management elements which include in-market business developments and rates of children malnutrition and mortality. The scope of each of the Bureau Veritas' audits includes interviews and document review with the CBU, visual inspections of retail outlets and interviews with Health Care Professionals (HCP). Detailed findings and recommendations from the audit have been provided to the relevant CBU as part of an internal management report.

If, during the audit, Bureau Veritas noted that processes or controls are not in place, or that there are systematic deviations from the Policy, this has been reported as an Area of Concern. For each audit undertaken, the following results are noted below, including a summary of the corrective actions taken:

- A. A summary of the CBU Audit, and
- B. A summary of the Market Place Audit, and
- C. Areas of good practice identified from the audit (if applicable).

INDONESIA

A. CBU Audit Summary

No areas of concern were identified during the audit.

B. Marketplace Audit Summary

One area of concern was identified during the Marketplace audit:

Bureau Veritas identified two instances of promotion on selected e-commerce sites, which constituted an infringement of article 3.3 of the Policy. In one case a percentage discount was advertised next to the price of a Covered Product and in another case a baby bottle was included as a gift, both of which may be seen as inducement for sale of BMS. In response to these findings, Danone has taken prompt corrective action in collaboration with the e-commerce partner to stop the activity initiated by the reseller. Several initiatives have also been rolled out to increase the awareness amongst e-commerce partners of regulations related to the marketing of breast-milk substitutes through the delivery of training and development of communications reinforcing the requirements of the Policy regarding the advertising and promotion of Breast-Milk Substitutes.

C. Areas of Good Practice

The following areas of good practice were identified during the Audit:

1. Systems and processes to implement the Policy throughout the CBU were rigorous with significant efforts and resources invested into implementing the same amongst business partners;
2. The training programme on the WHO Code and Policy was established and thoroughly implemented.

[Link to the Bureau Veritas Summary Audit Statement for the Indonesia Business Unit.](#)

CHINA

A. CBU Audit Summary

No areas of concern were identified during the audit.

B. Marketplace Audit Summary

No areas of concern were identified during the marketplace audit. However, two areas where attention is needed were identified:

1. Misinterpretation of promotional activities by using point of sale material in areas where Covered Products are displayed;
2. Cross-promotion associated with similar presentation across various age-groups within a product range.

C. Areas of Good Practice

Bureau Veritas identified there was general compliance with the Policy across all functions in the CBU and in the marketplace. During calls made to Careline, there were consistent recommendations of breastfeeding over the use of Danone BMS products.

[Link to the Bureau Veritas Summary Audit Statement for the China Business Unit.](#)

ROMANIA

A. CBU Audit Summary

One area of concern was identified during the CBU audit:

Bureau Veritas found that there was no documented process for the approval of contributions made to/on behalf of a Health Worker for fellowships, conferences and symposia and similar information and educational programmes. As per article 5.5 of the Policy, the CBU should ensure 'a transparent process is followed and documented'. While the written requests for educational supports for HCPs were already documented, the CBU will take corrective action and complete the full documented process with the implementation of an events module in their reporting system, which will be fully rolled out in 2018.

B. Marketplace Audit Summary

No areas of concern were identified during the Marketplace audit.

C. Areas of Good Practice

The following areas of good practice were identified during the Audit:

1. Employees demonstrated a high level of knowledge and awareness with regards to the WHO Code and the Policy;
2. The marketplace audit revealed a compliant approach for the sales and marketing of Covered Products between all marketing and medical representatives and third-party stakeholders (distributors, retailers, and healthcare professionals).

[Link to the Bureau Veritas Summary Audit Statement for the Romania Business Unit.](#)