

REPORT 2019

Our approach to
**Responsible
MARKETING
of Breast MILK
Substitutes**

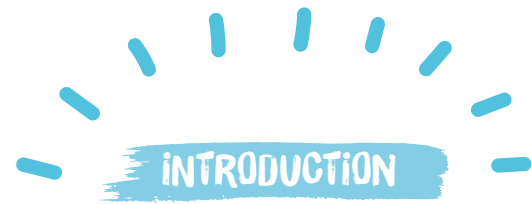


DANONE
ONE PLANET. ONE HEALTH



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INTRODUCTION

At Danone, our mission is to bring HEALTH through FOOD to as many people as possible.

It means everything we do is driven by inspiring healthier and more sustainable eating and drinking choices for everyone and we hold ourselves to high standards as we do so.

Our Specialized Nutrition business, which includes early life nutrition, exists to bring health through food to those with specific nutritional needs, at different stages in life.

In early life, we know that the right nutrition during a baby's first 1,000 days is crucial for babies' lifelong health and wellbeing, and we are focused on giving them this best possible nutritional start in life.

We strongly believe that breast milk is the best way to do that. That is why we are committed to supporting and protecting breastfeeding, and why we have been researching breast milk for over 40 years as the inspiration for our quality products for families who choose not to, or are unable to, breastfeed.

We are committed to adhering to and promoting responsible marketing of breast milk substitutes. We do that by adhering to the principles of the International Code of Marketing of Breast-Milk Substitutes as set by the World Health Organisation (WHO), also known as the "WHO Code", and embedding them across our business through our policy for the Marketing of Breast Milk Substitutes (BMS Policy) – which also sees us often go beyond local market regulation.

We are proud to be setting the standard in this area. In recognition of our progress, in 2018 we were ranked first in the global Access to Nutrition Index (ATNI) (Marketing of Breast-Milk Substitutes category). We are also a constituent member of the FTSE4GOOD (Financial Times Stock Exchange for Good) Index Series.

ABOUT THIS REPORT

This report forms part of our ongoing commitment to report openly on our support of the principles of the WHO Code and compliance with our BMS Policy. It is a valuable part of how we evaluate our progress and how we maintain an open and honest dialogue with customers, stakeholders and partners.

This document provides an overview of instances of non-compliance attributable to both Danone and the third parties with whom we work, as well as the steps we are taking to ensure we continue to set the standard for our industry.



AS A LEADER IN SPECIALIZED NUTRITION, DANONE HAS A RESPONSIBILITY TO MAINTAIN THE HIGHEST STANDARDS OF PROFESSIONAL PRACTICE, AND WE TAKE THAT VERY SERIOUSLY. PARENTS AND HEALTHCARE PROFESSIONALS PUT A LARGE AMOUNT OF TRUST IN US AND WE AIM TO REPAY THAT TRUST BY ACTING WITH OPENNESS AND TRANSPARENCY. THAT IS WHY WE HAVE CHOSEN TO PUBLISH THIS REPORT, AND WHY WE WORK HARD TO SET THE STANDARD FOR THE ENTIRE INDUSTRY.

Setting the Industry STANDARD

AT DANONE WE UNDERSTAND THE CHALLENGES FACED BY PARENTS IN RAISING THEIR CHILDREN. WE BELIEVE THAT ALL PARENTS SHOULD HAVE ACCESS TO THE RIGHT INFORMATION TO ALLOW THEM TO MAKE THE CHOICES THAT ARE RIGHT FOR THEM AND THEIR FAMILIES.

That is why we ensure ethical marketing practices and actively promote the benefits of breast feeding.

We believe that our approach to ethical marketing sets the standard in the industry, and our aim is to continue raising the bar wherever we can to bring health to babies and families.

We do this through our BMS Policy which is embedded through our business. We:

- ➔ Are committed to the principles of the WHO Code and fully support the WHO's recommendation that babies should be exclusively breast-fed for the first six months of life and continued breast-feeding up to two years and beyond, combined with the safe introduction of appropriate complementary foods.
- ➔ Are the first and only company to apply a voluntary global policy meaning that we never promote infant formula for children aged 0-6 months anywhere in the world to the general public, even if permitted by local laws.
- ➔ Have voluntarily extended our advertising and promotion prohibition to the general public to up to 12 months of age, often going beyond local legislation, in countries with high levels of infant mortality and acute malnutrition.

- ➔ Follow applicable local laws and regulations on BMS marketing if these are stricter than our policy.

- ➔ Work with business partners, trade associations, industry groups and multiple stakeholders to establish and promote responsible marketing practices across the sector

Our global BMS policy was revised and updated in 2018. It clarifies our approach and provides consistent, clear and transparent information for our employees and partners with whom we have a contractual relationship. It does not replace the WHO Code but provides instructions and guidance for those undertaking a broad range of marketing activities related to BMS.

The BMS Policy can be found on our website.

We were ranked first in the Marketing of BMS category of the 2018 ATNI Global Index, with our management systems considered to be the strongest of those evaluated.



We are proud of our inclusion in the FTSE4Good Index Series, which focuses on the countries that have the highest rates of child malnutrition and mortality.

SETTING THE INDUSTRY STANDARD

With DANONERS...

ALL OF US AT DANONE, FROM OUR SCIENTISTS TO THOSE WORKING IN MARKETING, DISTRIBUTION AND SOURCING, TO OUR CHIEF EXECUTIVE, ARE RESPONSIBLE FOR MAKING SURE WE CONSISTENTLY MEET THESE HIGH STANDARDS.

To ensure that all of us have the knowledge and tools we need to meet our strict standards, we have a number of robust internal processes and guidelines in place. This is in addition to commitments written into our employment contracts.

Key elements of our governance include:

- ➔ **Training:** All Danone employees involved in the marketing, distribution, selling, education and/or governance of covered products, as defined in our BMS policy, receive relevant and regular training so that they fully understand their individual and collective responsibilities.
- ➔ **Self-initiated internal assessments:** as part of the established Internal Audit protocol of Danone, internal assessments are carried out in business units within the scope of the BMS policy.
- ➔ **External assessments:** every year, qualified external experts undertake an assessment of no less than three business units, the results of which are published, and any areas of concern are acted upon.
- ➔ **Reporting on non-compliance:** At both divisional level and Danone group level there is a clear process in place so that employees know how to identify non-compliance and can report any issues. Every report is logged, and appropriate action is taken promptly to prevent further occurrences.

DANONE ETHICS LINE

The Danone Ethics Line is a tool that enables both employees and third parties to report potential non-compliance anonymously and outside their normal management reporting line. The ethics line operates independently of Danone, with the aim of empowering all people to call out anything of genuine concern without fear of repercussions.

The line can be easily access online and people can open a confidential post box to communicate with a number of authorized employees at Danone's head office in Paris. Every issue raised is then followed up and appropriate action taken if non-compliance is found.

www.danoneethicsline.com

Beyond responsible marketing, Danone supports employees to promote and encourage breast feeding. Lactation rooms are available in offices with more than 50 people and we also have job-protection policies, flexible working hours and return-to-work programmes that support the different needs of parents and caregivers.

Our Global Parental Policy lays out the ways in which Danone ensures employees are fully supported during pregnancy, during their child's first 1,000 days and during the transition back to work. The policy applies globally, whether they be mother, father, adoptive parent or any other caregiver.

7,291 employees were trained in 2019 on the WHO Code and the Danone Policy for the Marketing of Breast-Milk Substitutes

SETTING THE INDUSTRY STANDARD

With our PARTNERS and SUPPLIERS

WORKING CLOSELY WITH OUR PARTNERS AND SUPPLIERS TO ENSURE THEIR COMPLIANCE TO OUR BMS POLICY IS AN IMPORTANT PART OF OUR APPROACH TO RESPONSIBLE MARKETING. ADDITIONALLY, WE BELIEVE THAT IN AN INTERDEPENDENT WORLD, WE CAN LEARN FROM AND WORK WITH OUR PARTNERS TO ENSURE OUR CUSTOMERS BENEFIT FROM OUR COLLECTIVE KNOWLEDGE AND STRENGTHS.

All partners that we work with on a contracted basis must fully comply with our BMS Policy and we provide them with comprehensive training.

For third party organizations, such as retailers and pharmacies, we actively support them to encourage best-practice BMS marketing compliance. Whilst there are some limitations to the extent of our influence in these cases, as organizations are not obliged to follow our policy, we believe that we have a duty to promote and advocate responsible business practices across our supply chain and partnerships.



Our commitment to OPEN and TRANSPARENT Reporting

ENSURING RESPONSIBLE MARKETING OF BMS IS FUNDAMENTAL TO EVERYTHING WE DO BECAUSE WE DEEPLY VALUE AND RESPECT THE TRUST FAMILIES, CARERS AND HEALTH CARE PROFESSIONAL PUT IN US.

We are committed to openly and transparently sharing our compliance with our policy and we are focused on ensuring continued accountability for our actions.

Occasionally there are circumstances where we, or third parties, fall short. We take these instances extremely seriously. When this does happen, we act to understand why and put in place processes that prevent it happening again.

Our BMS Policy and governance help us to detect any instances of non-compliance. We are constantly reviewing our processes and reporting to make sure we continue to set the standard.

Qualified third-party experts regularly audit and measure our progress. In the next section of this report you can find the results of those audits for 2019, and details of actions we have taken to address any areas of concern or non-compliance.

We receive allegations of non-compliance with our BMS Policy in different ways, including email, Danone websites, telephone and the Danone Ethics Line (www.danoneethicsline.com).

In our reporting we categorise allegations as either substantiated or unsubstantiated when compared with our BMS Policy and/or local regulations. We follow a strict process of evaluation of each allegation received from our local business units – irrespective of how or from whom, the allegation is reported.

We review compliance according to:

- Interaction with the general public
- Interaction with health workers
- Labelling of covered products
- Information and education to the general public

Sustained allegations are then further classified as either:

- Actions conducted by Danone (which includes all subsidiary companies)
- Actions conducted by third parties such as independent retailers or pharmacies

Our PERFORMANCE in 2019

EVER SINCE WE SET UP OUR BMS POLICY IN 2011, WE'VE FOCUSED ON MAKING SURE THAT EVERYONE IN OUR COMPANY AND OUR PARTNERS AND SUPPLIERS FULLY UNDERSTAND OUR BMS POLICY AND THE BEHAVIOURS AND ACTIONS REQUIRED TO ENSURE COMPLIANCE. THIS INCLUDES ENCOURAGING THEM TO FLAG ANY POTENTIAL SITUATIONS AND STRENGTHENING OUR GOVERNANCE STRUCTURE.

As a result of this progress, in the last year we saw an increase in allegations between 2018 and 2019. The significant majority of substantiated allegations were due to actions by third parties.

The next section of this report shares more details on the actions we are taking to address this.

Allegations in 2019

WE RECEIVE ALLEGATIONS IN A NUMBER OF DIFFERENT WAYS AND REVIEW ALL FACTS BEFORE AN ALLEGATION IS CONSIDERED AS SUBSTANTIATED OR UNSUBSTANTIATED.

An analysis of substantiated allegations (related to either our own actions or those of our Partners) is included in the Appendix.

In summary, for the period 1 January to 31 December 2019, we had 106 substantiated allegations, in which an incident of non-compliance, as defined by our BMS Policy is believed to have occurred across our markets. We also received 26 unsubstantiated allegations, for which there was no evidence of violations of our BMS Policy or local regulations.

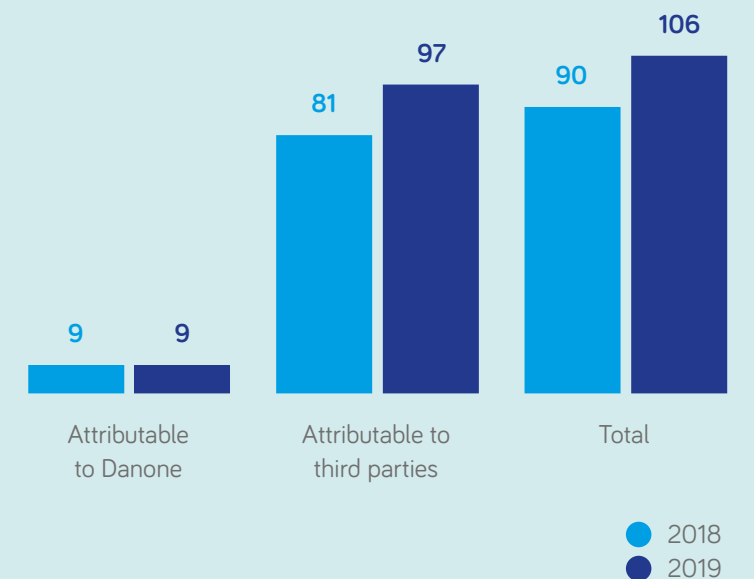
- ➔ A total of 132 allegations were received
- ➔ 106 were assessed as being substantiated:
 - 9 due to actions by Danone
 - 97 due to actions of third parties
- ➔ Substantiated allegations resulted from the actions of third parties increased by 20% compared to 2018 (81 vs 97)
- ➔ 26 allegations were found to be unsubstantiated

ANALYSIS OF SUBSTANTIATED ALLEGATIONS 2019 VS. 2018

➔ Total substantiated allegations increased from 90 to 106 vs. 2018 due to increased awareness and encouragement of the need to flag allegations.

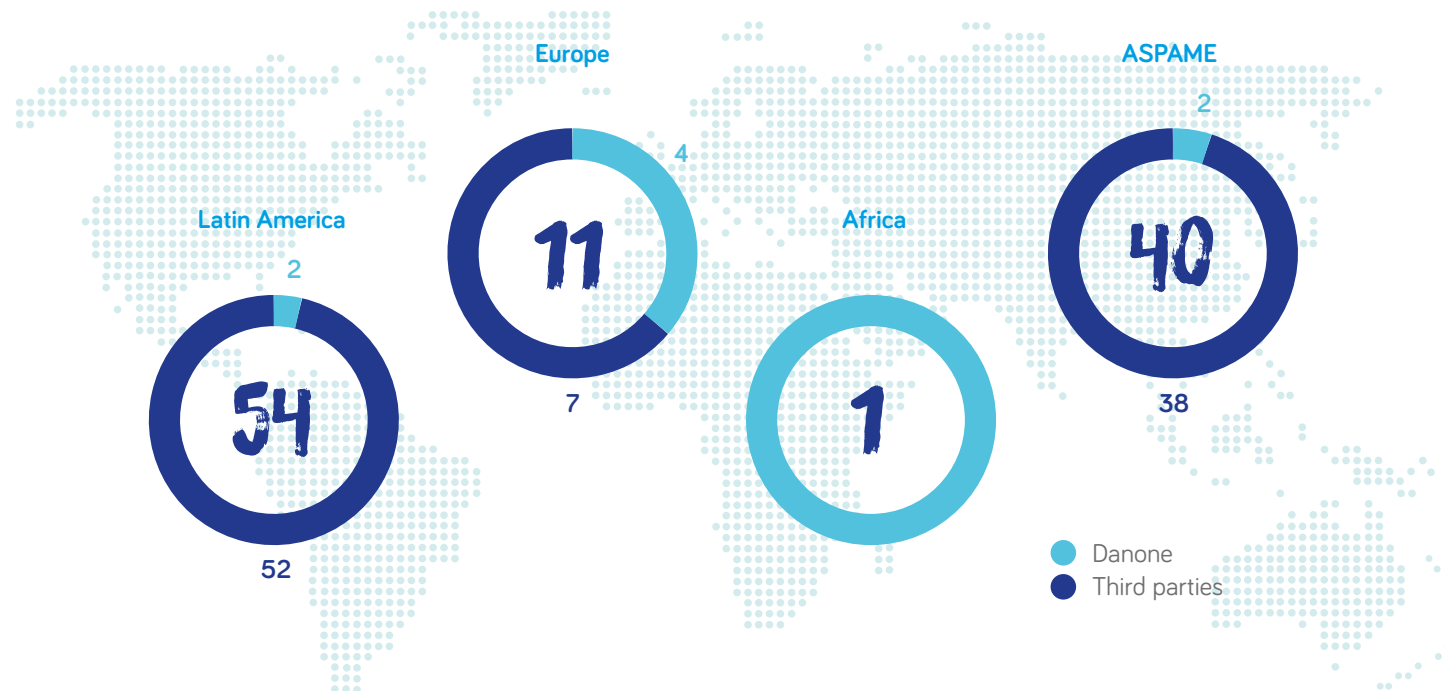
➔ The number of substantiated allegations attributable to Danone was 9, the same as in 2018.

➔ The substantiated allegations resulted from actions undertaken by third parties increased by 20% compared to 2018 (from 81 to 97), mainly due to on line activities by medium to small companies in many countries we operate.



External audits in 2019

ANALYSIS OF SUBSTANTIATED ALLEGATIONS 2019



CATEGORIES OF SUBSTANTIATED ALLEGATIONS

Of the 106 substantiated allegations, the significant majority were found to be in relation to interactions with the general public:

- ➔ Interaction with general public: 100
- ➔ Information / education to the general public: 3
- ➔ Interaction with health workers: 1
- ➔ Labelling of covered products: 2

REDUCING ALLEGATIONS RELATED TO INTERACTIONS WITH THE GENERAL PUBLIC

Wherever substantiated allegations are identified, we always take swift corrective actions. These include continuing to send letters to third parties to re-iterate our commitments and the importance of their compliance with our BMS Policy. We also continue to train and monitor the performance of third parties and Danoners in relation to compliance with our BMS Policy.

WHERE SUBSTANTIATED ALLEGATIONS TOOK PLACE VS 2018

The geographic distribution of all substantiated allegations in 2019 remained similar to that in previous years.

For example, in 2018, 26% (23 out of 90) of all substantiated allegations were reported in the Asia Pacific and Middle East region. In 2019, 38% (40 out of 106) of substantiated allegations were reported in that region.

Similarly, in 2019 and 2018, most substantiated allegations were reported in Latin America (51%, 54 out of 106, in 2019 compared with 60%, 54 out of 90, in 2018).

In 2019, Bureau Veritas, an external auditor, undertook audits in Brazil, Malaysia and Senegal. We selected these countries for audit based on the following:

- ➔ The rate of infant's acute malnutrition and mortality
- ➔ Business developments in the market itself

In order to assess level of compliance, Bureau Veritas conducted interviews and reviewed documents within Danone and with our distributors. They also visited retail outlets in which our products are sold and interviewed healthcare professionals with whom we work.

To avoid risk of bias, the auditors did not disclose that Danone was the manufacturer being assessed.

In these three countries, the audits found areas of best practice. These findings included:

- 1 High levels of employee knowledge and awareness of the BMS policy in Brazil
- 2 Excellent training of product advisers in Malaysia
- 3 An effective compliance careline in Senegal.

However, there were also areas where we can do better, and we have identified corrective action to rectify these issues.

The three country statements can be found on www.Danone.com

BRAZIL

IMPROVING RETAIL PRACTICES AND HOW WE COMMUNICATE WITH HEALTHCARE PROFESSIONALS

In Brazil, there were some instances of non-conformance around retail discounts and communication with healthcare professionals. We also fell short when it came to the training of our partners.

Where there were findings of non-compliance, we moved quickly to address these areas. We have worked with stores to remove discounts, established training for partners and ensured that our materials and communications with healthcare professionals are clear and include all the necessary information.

In terms of best practice findings, our internal review process was praised in Brazil, and it was found that our employees were highly knowledgeable, and that data and information was well recorded.





CONCLUSIONS AND PRIORITIES

SETTING the STANDARD for the RESPONSIBLE marketing of BMS.



OUR COMMITMENT TO THE PRINCIPLES OF THE WHO CODE AND COMPLIANCE WITH OUR BMS POLICIES ARE FUNDAMENTAL TO OUR WORK EVERY DAY TO SET THE STANDARD FOR THE INDUSTRY ON RESPONSIBLE MARKETING OF BMS. WE ARE PROUD TO BE THE FIRST AND SO FAR, THE ONLY COMPANY THAT DOES NOT ADVERTISE OR PROMOTE INFANT FORMULA FOR CHILDREN AGED 0-6 MONTHS, ANYWHERE IN THE WORLD, EVEN IF PERMITTED BY LOCAL LAWS.

MALAYSIA

PROVIDING CLEAR DISCLOSURE ON OUR MATERIALS FOR HEALTHCARE PROFESSIONALS

In Malaysia, Bureau Veritas found that some of the material for healthcare professionals did not contain all the correct mandatory statements. It was also found that some products and consumer communications materials were not positioned appropriately in stores.

In response, we have updated our materials for healthcare professionals so that all information is included and clearly communicated. We are also working closely with our retailers to ensure that they understand and fully comply with our BMS policy with regards to where our products are positioned in store.

In terms of positive, it was found that employees, and in particular product advisers, were well trained on the BMS policy.

SENEGAL

ENSURING IN-STORE DISPLAYS ARE COMPLIANT

In Senegal, Bureau Veritas found displays at pharmacies that included BMS products, which should not have been the case. These displays have now been removed. It was also found that we needed to share our BMS Policy with partners in the country, and that our ethics statement was not in contracts with healthcare professionals. Finally, there was an omission in employee contracts in which it was not stated that they had to undertake regular training. All of these findings have now been corrected and lessons have been learnt for the future.

Our employees in Senegal were found to have a good overall awareness of our BMS policy, and our compliance careline in particular was praised.

Supporting breastfeeding as the gold standard of nutrition for babies will remain at the heart of our approach. For those families that can't or choose not to breastfeed, we are committed to investing into pioneering research so that our products provide a safe and nutritional alternative.

We are trusted to provide nutrition to those at the very start of their lives. It is our aim to repay this trust with an ethical and responsible approach to everything we do and to take accountability when we fall short.

In light of the findings of this report, we will continue to take swift action to stop instances of non-compliance. We continue to train and engage our people so that we can be confident we are providing health through food to the people we serve in a responsible way.

We remain committed to working closely with business partners, trade associations, industry groups and other stakeholders to establish awareness and promote responsible marketing practices. With a continued focus on education and training, especially when it comes to retailer and consumer interaction, collectively we can raise the standard for ourselves and the rest of the industry.

Maintaining an open and honest dialogue is important. We will continue to share our progress and audit results with all of our stakeholders, whether it be consumers, governments or medical professionals, so they too feel confident we are acting as an ethical and responsible business.

And we encourage people to report to us instances of alleged non-compliance with our BMS Policy or local regulations so we can go even further.

APPENDIX 1

SUBSTANTIATED ALLEGATIONS concerning activities by Danone

Month	Category	Summary of Allegation	Comments	Summary Corrective Actions	Region
April	Interaction with General Public	Brand name displayed on a device in a TV commercial (TVC).	In line with our Policy, infant formula brand names should not be advertised or promoted.	The TVC was stopped immediately.	Europe
April	Interaction with General Public	Connection between breast/bottle-feeding and brand name on social media.	In line with our Policy, bottle-feeding in general should not be advertised or promoted.	The banner was removed.	Europe
June	Interaction with General Public	Journalist was invited for internal distributor event and posted in the media for general public.	In line with our Policy, covered products should not be communicated directly to the general public.	The article was removed. Re-iterated to the distributor our commitments and the importance of compliance to our Policy.	Africa
June	Interaction with General Public	Link to live online event for HCPs was accessible for the general public.	In line with our Policy, content for HCPs should be restricted to HCP access only.	Link was deleted. More secure control mechanisms in place for future events.	Latin America
June	Interaction with General Public	HCP materials were displayed in area for the general public.	In line with our Policy, materials intended for HCPs should be used by HCPs only and not be distributed to the general public.	The guidance regarding HCP material has been reinforced towards the medical representatives.	Latin America
July	Information and Education Materials	Online illustration similar to covered product and reference was made to an infant formula study.	In line with our Policy, infant formula should not be advertised or promoted, even if illustrated.	The content of the website was corrected immediately.	ASPAME
July	Interaction with General Public	Digital communication could be interpreted as making a connection between breastmilk and products.	In line with our Policy, the use of formula should not be compared to breastmilk.	The link was removed from the website immediately.	Europe
October	Information and Education Materials	Marketing material on an e-commerce platform about covered products.	In line with our Policy, marketing material on covered products should not be available for the general public and should be approved via the communication validation procedure.	The materials were removed immediately. Refresher training on the validation of materials was done. This allegation had personal consequences for the relevant employee. Re-iterated to the Country Business Unit (CBU) our commitments and the importance of compliance to our Policy.	Europe
November	Interaction with Health Workers	Procedures on interactions with HCPs.	In line with our Policy and local regulations, a different procedure should have been followed.	Local team was trained on approval of Healthcare Systems (HCS) activities and local rules to be reflected in the light of HCS requests and approvals. Re-iterated to the distributor our commitments and the importance of compliance to our Policy.	ASPAME

APPENDIX 2

SUBSTANTIATED ALLEGATIONS concerning activities by third parties

Number of Allegations	Category	Summary of Allegation	Comments	Summary Corrective Actions
51	Interaction with General Public	Promotion of infant formula and follow-on formula using point of sale material.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Third party was informed immediately that such point of sale material is not permitted, and the materials were removed. Re-iterated to the third party our commitments and the importance of compliance to our Policy.
30	Interaction with General Public	Promotion through discounted price of infant formula and follow-on formula in retail outlet.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Discounted price was adjusted immediately by third party. Re-iterated to the third party our commitments and the importance of compliance to our Policy.
11	Interaction with General Public	Promotion of infant formula and follow-on formula using a special display.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Third party was informed immediately that such special display is not permitted, and the products were removed. Re-iterated to the third party our commitments and the importance of compliance to our Policy.
5	Interaction with General Public	Promotion of infant formula and follow-on formula on social media.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Third party was informed immediately that such special display is not permitted, and the products were removed. Re-iterated to the third party our commitments and the importance of compliance to our Policy.



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