

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 2016

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.

Effective from June 1, 2016, Danone revised and updated its Policy. The revised Policy continues to detail areas where employees need to make ethical decisions related to the marketing of breast-milk substitutes. It does not replace the WHO Code, but provides instructions and guidance when undertaking a broad range of marketing activities on BMS.

In conjunction with the revision of the Policy, Danone also updated its Management System Manual. The revised Manual – Danone Procedures Manual for implementing its Policy on the Marketing of BMS (Procedures Manual – BMS), sets forth Danone's internal processes and provides guidelines for consistent application and implementation for all Danone entities doing business within the scope of the Policy.

The external audits that have been undertaken in 2016, and as described further in this report, aimed to assess compliance with the Policy in effect during this period. In 2016, 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 2015 reporting year, these audits were undertaken by Bureau Veritas UK Limited¹, an independent, external audit and verification firm.

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>).

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.

AUDIT WORK CONDUCTED 1 JANUARY TO 31 DECEMBER 2016

Bureau Veritas undertook audits in 2016 in the following locations: Turkey, Poland and Iran. 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).

TURKEY

A. CBU Audit Summary

No areas of concern against the Policy were identified during the site visit.

B. Marketplace Audit Summary

One area of concern was identified against the Policy during the marketplace assessment: the Policy establishes that Danone "does not claim or suggest in Marketing Materials, Informational and Educational Materials, or elsewhere that Covered Products are equivalent or superior to breast-milk." However, during the HCP visits, Bureau Veritas was given one leaflet which referred to Covered Products as follows: "Right nutrition in first 1000 days is the base for health and success for the rest of the life. Successful future starts today via Aptamil with Pronutra, a step closer to breast-milk." A footnote adds that "Breast milk is the only milk that should be given to babies in the first 6 months and should be continued until 2 years old." In response to these findings Danone has taken corrective action and delivered additional training to the CBU reinforcing the requirements of the Policy regarding the advertising and promotion of Breast-Milk Substitutes.

C. Areas of Good Practice:

Bureau Veritas noted that there is a good level of understanding of the Policy across the organisation. The CBU collaborates with the Turkey Ministry of Health, the Paediatric Association and UNICEF to promote breastfeeding and has programmes in place to make its workplace a friendly environment for mothers.

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

POLAND

A. CBU Audit Summary

No areas of concern against the Policy were identified during the site visit, including during mystery shopper calls to the Careline. Documented processes and controls are in place to help ensure compliance with the Policy.

B. Marketplace Audit Summary

No areas of concern were identified during HCP interviews. Bureau Veritas did not observe any non-compliant materials or witness any non-compliant activities being conducted by the CBU in the healthcare facilities visited during the audit. In all retail outlets visited, the Covered Products were observed to be displayed and sold in compliance with the Policy.

C. Areas of Good Practice:

The CBU employees demonstrated appropriate knowledge and awareness of the Policy and were transparent and collaborative during the site visit. All proposed promotions go through a formal review and approval process at the design stage. Formal documented processes and controls are in place to help ensure compliance with the Policy. The creation of a team of Ambassadors to further embed the Policy within the CBU is commended.

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

IRAN

A. CBU Audit Summary

One area of concern was identified during the office-based audit. Bureau Veritas found that two distributors were not aware of the Policy and had not received training on the Policy. In response to these findings Danone has taken corrective action through the delivery of six training sessions to the two distributors in three main cities reinforcing the requirements of the Policy regarding the advertising and promotion of Breast-Milk Substitutes.

B. Marketplace Audit Summary

Two areas of concern were identified during the marketplace assessment. It was found that the CBU had organized events with a limited group of doctors that did not match our Policy requirements. Bureau Veritas also noted four instances of breast pump donations by the CBU to healthcare organisations. The CBU should consider reviewing its practices on sponsorships and donations. Bureau Veritas notes that in response to these findings Danone has taken corrective action within a quarter through the delivery of training to the CBU reinforcing the requirements of the Policy regarding visits by HCPs to Danone facilities and review the Policy on donations to HCP facilities.

C. Areas of Good Practice

Bureau Veritas identified no instances of the CBU directly contacting mothers or the public in general. During its market assessment, Bureau Veritas identified no special displays of Covered Products in Pharmacies.

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