
DANONE'S PROCEDURES
MANUAL FOR IMPLEMENTING
ITS POLICY ON THE
MARKETING OF BREAST-MILK
SUBSTITUTES (PROCEDURES
MANUAL – MARKETING BMS)



DANONE

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01

INTRODUCTION

The World Health Organisation (“WHO”) adopted the International Code of Marketing of Breast-milk Substitutes, as a minimum requirement to protect and promote appropriate marketing practices for infant feeding.

Danone acknowledges the importance of, and supports the principles of, the International Code of Marketing of Breast-milk Substitutes and subsequent relevant World Health Assembly (“WHA”) resolutions, hereinafter collectively referred to as the “WHO Code”. The WHO Code is a set of recommendations to regulate the marketing of Breast-milk Substitutes (“BMS”).

The Danone Policy for the Marketing of Breast-Milk Substitutes (“Danone Policy – Marketing BMS”), clarifies the minimum standards of behaviour that are expected of all employees in the performance of their duties, and details areas where employees and Partners need to make ethical decisions related to the marketing of foods for infants. The WHO Code forms the basis for the Danone Policy – Marketing BMS.

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 the WHO Code, and local laws and regulations at all times.

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SCOPE OF APPLICATION

Danone created this Procedures Manual for Implementing its Policy on the Marketing of Breast-Milk Substitutes (hereinafter referred to as "Procedures Manual – Marketing BMS"), to set forth Danone's internal processes and provides guidelines for consistent application and implementation by all Danone entities, doing business within the scope of the Danone Policy – Marketing BMS, and specifically focuses on the following four key areas:

1. Assessment and Verification of the Danone Policy – Marketing BMS
2. Managing Allegations Related to the Danone Policy – Marketing BMS
3. Reporting (Internal & External) of Non-Compliance on the Danone Policy – Marketing BMS
4. Responsibilities of Danone Employees in relation to the Danone Policy – Marketing BMS

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RESPONSIBILITIES FOR IMPLEMENTATION

The responsibility for the implementation of the Danone Policy for the Marketing of Breast-milk Substitutes, and Danone's Procedure's Manual for Implementing its Policy for the Marketing of Breast-Milk Substitutes, lies with the Chief Executive Officer (CEO) of Danone SA.

The responsibility for the day to day management, implementation and monitoring compliance with the Danone Policy – Marketing BMS, is delegated by the CEO of Danone SA to the Executive Vice President (EVP) of the Early Life Nutrition ('ELN') Division – who is also a member of the Danone Executive Committee ('COMEX'), and to the Early Life Nutrition Compliance Committee (ELNCC). The membership of the ELNCC includes (but is not limited to) the following persons:

- General Counsel
- Chief Financial Officer
- Vice President Human Resources
- Regional / Zone Vice President.

Danone reserves the right to change membership of the ELNCC from time to time, but such membership will always respect the importance of the responsibilities assigned to it.

The General Counsel of Danone ELN Division is responsible for the global implementation and monitoring of the procedures outlined in this Procedures Manual – Marketing BMS.

Whilst this Procedures Manual – Marketing BMS, is defined at a corporate level, country specific legislation, guidelines or practices must also be respected. Therefore, the General Manager of each Country Business Unit (CBU) is responsible for the local implementation and monitoring of the procedures of the Danone Policy – Marketing BMS.

The CBU BMS Policy Manager is responsible for supporting the local implementation and monitoring of the procedures outlined in this document.

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ASSESSMENT & VERIFICATION OF THE DANONE POLICY – MARKETING BMS

4.1 Purpose

A process is in place to ensure that the Danone Policy – Marketing BMS, and the procedures outlined in this document, have been effectively implemented. Assessment and verifications conducted are aimed at ensuring:

- Danone fulfils its commitments to market BMS responsibly at all times
- That we monitor compliance with our Policy, local laws and regulations
- Our marketing practices are in conformance with the Danone Policy – Marketing BMS
- Identifying deficiencies in our internal control processes and systems
- Recommending corrective actions for the deficiencies identified.

Any non-conformance identified with the Danone Policy – Marketing BMS, is duly reported, assessed, escalated appropriately, and followed up by corrective actions and improvements.

4.2 Assessments

An assessment is undertaken by a business unit on its own activities. Each business unit of the ELN division undertakes regular self-assessments versus pre-established criteria.

4.3 Verifications, Audits and/or Reviews

Verifications, audits and/or reviews are undertaken by an independent third party (external) or an internal Danone function that does not report to the CBU management in question, to guarantee impartiality. Verifications, audits and/or reviews can be performed by either internal or external resources.

Internal: As part of the established Internal Audit protocol of Danone, internal verifications will be conducted on business units operating within the scope of the Danone Policy – Marketing BMS. The Internal Audit Plan is agreed between Corporate Internal Audit and the General Counsel of the ELN Division. The yearly agreed plan is then presented for final approval to the ELNCC.

External: Suitably qualified, independent third party experts, are engaged to undertake external verifications, business reviews and/or audits.

An external verification plan recommendation, which includes location, timing and extent of work to be conducted, is proposed each year by the General Counsel of the ELN Division. The plan is approved by the ELNCC.

A minimum of 3 Country Business Units are subject to an external verification, review and/or audit each year.

Reporting: For each internal and external verification and/or review undertaken, a full report is prepared and discussed with the business unit. Included in the reporting is a summary of management recommendations to address any shortcomings and/or deficiencies in internal controls and processes.

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MANAGING ALLEGATIONS RELATED TO THE DANONE POLICY – MARKETING BMS (INCLUDING WHISTLEBLOWER)

5.1 Purpose

A clear process is in place to define the handling of allegations of non-compliance with the Danone Policy – Marketing BMS by both Danone Employees and/or local laws and regulations related to the marketing of BMS.

5.2 Procedure

Allegations of non-compliance with Danone Policy – Marketing BMS may be received through any communication means, including, but not limited to, email, Danone websites, telephone or letter. This allegation procedure relates only to alleged non-compliance and reports involving the Danone Policy – Marketing BMS. Allegations of non-compliance with the Danone Policy – Marketing BMS will be assessed and, will be forwarded as appropriate.

On receipt of a complaint of non-compliance, the General Counsel of ELN and the Cluster Compliance Manager, will be immediately informed. Depending on the severity of the alleged non-compliance, the ELNCC will also be informed.

All review actions are documented and the outcome recorded regardless of whether the allegation is substantiated or not. The investigation of the alleged non-compliance will be conducted and a formal response will be given to the complainant within 4 weeks. If allegations are substantiated, appropriate remediation will be taken.

5.3 Non Retaliation Principle

Danone does not tolerate retaliation against, or unfair treatment of, any person (including Employees) who makes in good faith, a report regarding a violation or possible violation of applicable law, or the Danone Policy – Marketing BMS or who participates in any investigation conducted internally or by a government enforcement agency.

5.4 Internal Tracking and Registration

On receipt of alleged non-compliance with the Danone Policy – Marketing BMS it will be recorded in a specific database detailing:

- City and Country
- Date
- Nature of alleged non-compliance (full description) including pictures/photos if appropriate
- Complainant's details.

On completion of the allegation review, the database will be updated with the matter details, corrective actions taken and a copy of the response to the complainant. All remediation will be tracked, and no allegation may be reported as complete, without confirmation that the corrective action has been fully implemented.

5.5 Employee Reporting including Whistle-blowing system (DIALERT) related to compliance with Policy

A process is in place to enable employees to report alleged incidents of non-compliance with the Danone Policy – Marketing BMS, in a confidential and anonymous manner.

Any Employee who notices or believes there has been a breach of the Danone Policy –Marketing BMS, has a responsibility to report it as soon as possible. Reporting can be via the following means:

- Informing within the CBU, the hierarchical or functional manager, the internal controller (or the local internal auditor, if applicable), CBU BMS Policy Manager, a representative of the Human Resources Department or, the Legal Department
- Directly notifying Danone Management. In such case, the employee can use the internal Whistle-blowing system (DIALERT) through either an internet or postal address.

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REPORTING (INTERNAL & EXTERNAL) NON COMPLIANCE ON THE DANONE POLICY – MARKETING BMS

6.1 Purpose

A process is in place to:

- a) Ensure that accurate and complete data on compliance with the Danone Policy is generated and maintained at both the ELN Divisional level and Danone SA level;
- b) Ensure that Danone is fully transparent in relation to compliance with the Danone Policy – Marketing BMS including concrete corrective actions in cases of substantiated non-compliance.

6.2 Internal Reporting

Within each ELN CBU BMS Policy Manager is appointed, who reports to the General Manager of the ELN Country Business Unit.

The CBU BMS Policy Manager, coordinates the implementation and monitoring compliance of the Danone Policy – Marketing BMS, at a local CBU level and is responsible for maintaining the following:

- Policy related complaints, breaches and allegations (number, source and type);
- Result of Allegation Review (findings);
- All communications received and issued; and
- Corrective actions taken.

Each business unit sends its bi-annual report to the General Counsel of ELN Division.

6.3 Reporting on the Implementation of the Danone Policy – Early Life Divisional Level:

On a bi-annual basis, General Counsel of the Early Life Nutrition Division reports to the Early Life Nutrition Compliance Committee on:

1. Progress report and status update on Country Business Units (CBU) self-assessment activities
2. Progress report and status update on internal verifications and reviews conducted on any ELN businesses
3. Verification plan recommendation, including location, timing and extent of work to be conducted by external, independent third party auditors
4. Progress reports and status update on external verifications and reviews conducted
5. Review and approval of final external audit reports, prior to publication
6. A summary of all alleged non-compliance activities (both internal & external) including nature, status and corrective actions proposed and/or taken
7. Summary of training completions and any other relevant human resource updates, as collated by the human resources function.

It is the responsibility of the General Counsel of the ELN Division to maintain a complete and accurate record of the ELN Compliance Committee meeting.

On a yearly basis, a full report (Early Life Nutrition Division Compliance Report) is prepared by the General Counsel of ELN, on all matters related to management and compliance with the Danone Policy – Marketing BMS, and this report is presented to the ELN Compliance Committee within 8 weeks from the end of the fiscal year.

6.4 Reporting on the Implementation of the Danone Policy – Marketing BMS – Danone SA Level:

On an annual basis, the head of the ELN Compliance Committee prepares a report to the Danone SA Board of Directors (or designated sub-committee of the Board of Directors) on:

1. Top line results of Country Business Units (CBU) self-assessment
2. Summary results of internal verifications and reviews conducted
3. Progress reports and status update on external verifications and reviews conducted
4. Approval of external verifications and reviews prior to publication
5. Review of alleged non-compliance activities (internal and external)
6. Review of training and other human resource related activities.

6.5 External Reporting

On an annual basis, the Company will publish a report on the management and compliance relating to the Danone Policy – Marketing BMS, such report will include:

- Summary of external audits and verifications conducted during the last year
- Summary of alleged non-compliance activities – reported from all sources.

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RESPONSIBILITIES OF DANONE EMPLOYEES IN RELATION TO THE DANONE POLICY – MARKETING BMS

7.1 Purpose and scope

A process is in place to ensure that Danone Employees responsible for the manufacturing, marketing, distribution and/or selling of Covered Products, understand the aims and principles of our Danone Policy – Marketing BMS, and their individual responsibilities in adhering to it.

7.2 Employment Contracts

The Employment Contract or letter of appointment (or local equivalent) of Danone Employees responsible for the manufacturing, Marketing, distribution and/or selling of Covered Products, includes the following commitments:

- Respecting local laws and regulations in relation to the marketing of Breast-milk substitutes
- Complying with all provisions of the Danone Policy – Marketing BMS
- Undertaking induction and regular training on the Danone Policy – Marketing BMS
- Reporting to management any unethical or inappropriate activities in relation to the marketing of BMS.

The responsibility for ensuring the Employment Contracts of all Employees involved in the manufacturing, Marketing, distribution and/or selling of Covered Products, include the commitments noted above, resides with the Human Resources Department of the CBU.

The Human Resources Department of the CBU will report (bi-annually) to the Vice President of Human Resources on the number of Employment Contracts concluded in the previous six month period, which include the commitment statement noted above.

7.3 Training

All Danone Employees involved in the manufacturing, Marketing, distribution and/or selling of Covered Product receive relevant and regular training, which includes:

- The aims and principles of the WHO Code
- The Danone commitments to responsible marketing as outlined in the Danone Policy – Marketing BMS
- Local laws and regulations concerning the marketing of Breast-milk substitutes.

Training is conducted initially on commencement of employment, and at regular intervals during the year.

The responsibility for ensuring that training is conducted and that training records are maintained, resides with the Human Resources Department of the CBU. All relevant training completions will be tracked and monitored via the Danone Learning System – CAMPUS.

The Human Resources Department of the CBU will report (bi-annually) to the Vice President of Human Resources on training completion of the previous six month period.

7.4 Other Communications

A comprehensive communication programme is in place to ensure all Danone Employees are aware of the Danone Policy – Marketing BMS.

The Danone Commitments to the Marketing of Breast-Milk Substitutes are clearly displayed in all Danone Early Life Nutrition offices.

7.5 Sanctions for Non-Compliance with the Danone Policy – Marketing BMS

In the event of non-compliance with the Danone Policy - Marketing BMS, or this Procedural Manual – Marketing BMS, such non-compliance will be brought immediately to the attention of the ELN Compliance Committee. Appropriate disciplinary action will be taken, depending on the severity and regularity of the non-compliance activity. Disciplinary actions can range from a written warning to termination of the employment agreement/relationship.

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APPROACH TO LOBBYING

Danone supports the sensible and consistent application of local government regulation relating to the WHO Code and believes it has an important role in assisting Governments to achieve this aim. The Early Life Nutrition Division complies with Danone's Global Lobbying Policy and ensures that any lobbying related to the implementation of the WHO Code adheres to these respective principles. In detail, this means:

- Danone seeks regular and consistent relations with external stakeholders in order to share its perspective.
- Engagement and advocacy activities, either direct, or via industry associations, must be transparent and fact based.
- Danone seeks to ensure that the trade associations and industry policy groups, to which they belong, operate to the same high standards with Membership of such organisations being disclosed¹. In the event that Danone disagrees with the decision of a trade association or other companies' positions, Danone will make all parties aware of this disagreement. Danone will endeavor to amend such decisions or positions and ensure that the company is not associated with any position with which we do not agree.
- Danone is transparent with regard to its positions and communicates them to stakeholders involved.
- Lobbying activities are carried out according to the local regulations, where existing.
- Any third party or agent undertaking lobbying activity relating to the application of the WHO Code on behalf of Danone must adhere to this policy.

¹ [http://www.danone.com/fileadmin/150812 - ELN Association.pdf](http://www.danone.com/fileadmin/150812_-_ELN_Association.pdf)

APPENDIX I: DEFINITIONS

Breast-milk Substitute means any food being marketed or otherwise presented as a partial or total replacement for breast-milk, whether or not suitable for that purpose

CBU means Country Business Unit

CBU BMS Policy Manager means Country Business Unit Breast-Milk Substitute Policy Manager

CEO means Chief Executive Officer

Cluster means a grouping of CBU's within a particular pre-defined geography

COMEX means Danone Executive Committee

Covered Product means:

Worldwide:

- Infant Formula (formulated to meet the normal nutritional requirements of infants up to the age of six months) and information concerning their use
- Any other food or beverage that is presented to be a partial or total replacement for breast-milk, for infants up to six months of age, whether or not suitable for that purpose, and information concerning their use
- Delivery products (such as bottles and teats) and information concerning their use

Additionally for Higher Risk Countries:

- Follow-on formula (intended for infants from six to twelve months of age) and information concerning their use
- Complementary (weaning) foods and drinks for use by infants under six months of age.

Distributor means a legal entity external to Danone, in the public or private sector, who is warehousing, distributing / reselling our products to their own customers (sub-distributors, retailers, pharmacies, hospitals). Distributors may provide a wide range of services including import, promoting / marketing our Covered Products, medical sales, key account management, and participation in tenders on our behalf.

ELNCC means Early Life Nutrition Compliance Committee

ELN means Early Life Nutrition

EVP means Executive Vice President

Employee means any person employed under a permanent or temporary contract, or at-will employment with Danone, a Danone subsidiary or a joint ventures over which Danone has operational control. For purposes of this Policy, Employee does not include individuals providing services as a consultant or independent contractor or individuals who are employed by another entity, such as agency workers.

GM means a General Manager (of a CBU)

Marketing means product promotion, distribution, selling, advertising, product public relations, and information services.

Marketing Material means any material, whether written, aural, or visual, related to the sale or purchase of a specific brand of product including, but not limited to, point-of-sale advertising, special displays, labels, television, radio, internet, social media and print advertisements.

Partner means any party acting on behalf of Danone or in collaboration with Danone regarding Covered Products, including, but not limited to, Distributors, agencies, and Health Care Organisations.

WHO means World Health Organisation

WHO Code means International Code of Marketing of Breast Milk Substitutes of the World Health Organisation

ZVP means Zone Vice President