

# Breast Milk Substitutes marketing criteria assessment

PwC verification assessment report - Corporate Head Office and Philippines visit

Danone

March 2021



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# 1. Introduction and context

## 1.1. Introduction

In September 2010, the FTSE4Good Policy Committee of FTSE International Limited (FTSE) approved the addition of a FTSE4Good Breast Milk Substitutes (BMS) Marketing Inclusion Criteria (the “Criteria”) to its FTSE4Good Index Series. The Criteria, based on the World Health Organization (WHO) International Code of Marketing of Breast Milk Substitutes (the “Code”) and subsequent World Health Assembly resolutions\*, sets requirements for company policies, lobbying, management systems and reporting, and requires that companies included on the index are subject to verification assessments. Inclusion into this index is governed by an independent FTSE4Good Breast Milk Substitute Committee (the “BMS Committee”).

### 1.1.1. Overview of the criteria

There are differences between the Criteria and the Code in terms of geographical remit and product scope. An overview of the approach to the verification is set out in FTSE Russell’s context document: 2021 Update on BMS Verification Data Used for the FTSE4Good Index Series.

The products under the scope of the Criteria are infant formula and follow-on-formula products for the use of infants under the age of 12 months, complementary (weaning) foods and drinks for the use of infants under the age of six months, and delivery products (i.e. teats and bottles).

### 1.1.2. External verification

Danone is subject to an independent verification assessment conducted at the Corporate Head Office and in 2 higher risk countries, defined in terms of infant mortality and malnutrition, conducted by a professional audit firm.

The verification assessment reviews compliance with the Criteria. A large part of the assessment is examining whether Danone’s Corporate Head Office policies align with the Criteria and have been implemented in the 2 countries selected for the verification.

In previous verifications cycles, PwC produced a report for each company that included the findings from interviews with staff at Corporate Head Office and in two higher risk country local offices. Due to restrictions resulting from the COVID-19 pandemic, the second country assessment had to be delayed. As a result, PwC split the reports into two.

This report contains the assessment of policies, procedures and implementation in the first higher risk country selected. A second report contains the assessment performed for the second higher risk country selected.

There are cases where there are differences in interpretation of the Code, so it is important to note that PricewaterhouseCoopers LLP (PwC) do not act as a judge with regards to specific allegations but rather to assess whether Danone practices are in line with the Criteria and their stated policies regarding implementation of the Criteria.

In a change to how verification assessments have been undertaken previously, PwC was engaged by Stichting Access to Nutrition Foundation (operating as Access to Nutrition Initiative, or “ATNI”) to perform a verification assessment of Danone’s BMS marketing policy and practices against the Criteria, using the FTSE4Good BMS Marketing Verification Tool (the “Tool”) based solely on interviews and desk-based research. ATNI provided to PwC the results from the NetCode study conducted by Westat, for Danone’s in-scope products. See further details about the collaboration between ATNI and PwC in section 1.2.

The Tool provides a consistent basis to assess Danone’s policies and practices against a set of 103 principles which constitute the Criteria. In the 154 countries considered to be higher risk by FTSE Russell, Danone’s policy is to follow the stricter of its global policy for implementation of the Code or in-country legislation or guidance over the implementation of the Code (National Code), in line with the requirements of the Criteria.

PwC has worked with FTSE Russell since 2011, and in collaboration with ATNI for this verification, to help develop an assessment process to meet the needs of the BMS Committee in making decisions on inclusion in the FTSE4Good Index Series under the Criteria.

The verification assessment forms part of FTSE Russell’s overall assessment of Danone’s BMS marketing practices against the Criteria. PwC has applied procedures agreed with and directed by ATNI, using the Tool, to conduct interviews at Danone’s Corporate Head Office and in the first higher risk country selected for the verification.

The first higher risk country selected for a site visit by ATNI, based on a combination of its own and FTSE Russell selection criteria, was the Philippines. The output of PwC’s work is this Verification Assessment Report.

Danone has responded to PwC’s requests for information by making staff available for interviews, and by providing documents such as policies, procedures and other supporting documents. This is the second time that Danone’s BMS marketing practices have been assessed against the requirements of the Criteria.

\*Subsequent resolutions include: WHA 39.28 (1986), WHA 45.34 (1992), WHA 47.5 (1994) WHA 49.15 (1996), WHA 54.2 (2001), WHA 55.25 (2002)

## 1.2. Collaboration between ATNI and PwC

### 1.2.1. Why collaborate?

In previous years, ATNI and PwC have conducted similar but separate in-country assessments/verifications of BMS marketing. Given the duplication of effort, it was decided that the assessments would be aligned. This synergistic approach was supported by ATNI, PwC and the BMS Committee.

### 1.2.2. Methodology Applied

The change in approach had no impact on the FTSE4Good assessment methodology or Criteria. PwC continued to perform a verification assessment against the BMS Marketing Criteria within FTSE's ESG Rating methodology and as part of the FTSE4Good Index BMS Marketing Criteria. The change in approach also had no impact on how ATNI carries out its research for its Indexes or assesses companies, which remains an evaluation of the extent to which companies comply with the Code and all subsequent WHA resolutions, and local laws and regulations, where stricter. As a result, the number of findings included by PwC and ATNI in their respective reports may differ.

### 1.2.3. Revisions to the Verification Process

The following changes in approach, from the prior verification performed in 2016/17, were applied:

#### Responsibility for Country Selection

For previous verifications, countries were selected for site visits by FTSE Russell and the BMS Committee using a risk assessment matrix developed by PwC with FTSE Russell, profiling the higher risk countries per the Criteria, using objective, publicly available data.

For this verification, ATNI used a combination of its own and FTSE Russell selection criteria to make the country selection. The selection criteria included the following risk factors, which were consistent with previous assessments performed for the FTSE4Good BMS verification and were agreed with FTSE Russell and the BMS Committee:

- Child mortality;
- Malnutrition (including both stunting and wasting rates);
- HIV/AIDS;
- Corruption;
- Human development;
- Access to improved water;
- Countries or territories where PwC or ATNI have recently conducted BMS marketing assessments;

- The incorporation of the Code in local legislation as per the 'State of the Code by Country' (IBFAN); and
- Number of allegations made in the IBFAN Breaking the Rules, Stretching the Rules 2017 report.

Data was gathered from a range of external sources including UNICEF, The United Nations Development Programme, WHO and Transparency International.

Additional factors were the presence of all three FTSE Russell Index companies, companies assessed by ATNI and the feasibility of doing studies in the country (e.g. safety, ability to get governmental approval, predominant language).

#### Data collection locations

For previous verifications, PwC has performed data collection in one urban and one rural location per country. In this verification, Westat data collection did not include a rural location.

#### In-country data collection

For previous verifications, PwC inspected health care facilities (HCFs) and retailer outlets and engaged a third party to perform media monitoring.

For this verification, Westat, a large US-based health research company, commissioned by ATNI, collected data using the [2017 NetCode Protocol\\*](#). This included interviews at 43 HCFs with mothers and health care professionals (HCPs), and observations of informational and educational materials and equipment in those settings. They also visited 43 large and small physical retailers, and monitored 5 major online retailers, to capture their marketing practices. Further, traditional and social media advertising and marketing was captured, and the labels and inserts of all products assessed. PwC were provided with the findings of the Westat studies for products within the scope of the FTSE4Good Criteria (excluding the results of the interviews with mothers). These findings have been reported in section 3.2.

#### Joint interviews

ATNI joined PwC to carry out interviews with relevant staff in Corporate Head office and in-country Head Office, as well as a sample of in-country distributors.

#### Notification to Companies of location

No notice was given to Danone before Westat started data collection in HCFs and retailer outlets and media monitoring was performed. Danone was notified that the Philippines was the first higher risk country selected one week in advance of PwC and ATNI's in-country visit to conduct local office interviews.

\*<http://apps.who.int/iris/bitstream/10665/259441/1/9789241513180-eng.pdf?ua=1>

### 1.3. Scope of work performed by PwC and Westat

The scope of PwC’s work was determined collaboratively in discussion with ATNI, the Director of Environmental Social Governance at FTSE Russell, the Principal Advisor of Responsible Investment at FTSE Russell and the BMS Committee. It has also been codified in the procedures required under the Tool. The procedures PwC performed consisted of:

- Reviewing company BMS policies and procedures at the Danone Head Office through reviewing documentation and conducting interviews;
- Reviewing company BMS policies and procedures at the in-country Head Office through performing an in-country site visit to the Philippines to review documentation and conduct interviews;
- Conducting interviews with a sample of distributors in-country;
- Reporting Westat data collection findings; and
- Reporting key factual findings.

The 2019/20 verification was extended to incorporate the RB business. Confirmation that RB met the FTSE4Good BMS criteria and therefore retained inclusion on the FTSE4Good index series took place in December 2018, following its acquisition of Mead Johnson in June 2017. As such the 2019/20 verification assessment includes Danone, Nestlé and RB. The results of the Nestlé and RB verification assessments are presented in separate reports.

#### 1.3.1. PwC evidence gathering methodology

PwC evidence gathering procedures at the Danone Head Office and in the country selected for a site visit were based on interviews and inspections. Where issues or items for further consideration emerged, PwC sought evidence to support these issues where possible. This is described in the factual findings (section 3.1).

PwC assessment procedures were based on historical information and the projection of any information or conclusions in PwC’s report to any future periods would be inappropriate.

In the context of the procedures described in the adjacent table, the factual findings outlined in section 2.1 are any policies or procedures inspected, any practices observed and any statements made by Danone employees or distributors, identified in the course of interviews performed, which do not satisfy the Criteria in the Tool. Further details are provided in section 3.1.

| Level  | Evidence gathering activity  |
|--|--|
| <b>Corporate Head office</b>                     | <p>Reviewed Danone’s policies and procedures relating to the Criteria;</p> <p>Held a series of interviews with key individuals charged with responsibility for overseeing or implementing the relevant policies and procedures that PwC reviewed at the Danone Specialised Nutrition Head Office in Hoofdoorp, the Netherlands; and</p> <p>Performed limited testing of evidence to corroborate the application of the Criteria.</p>   |
| <b>In-country Head office in the Philippines</b> | <p>Visited the office of Danone in the Philippines to perform procedures detailed in the Tool regarding the approach to implementing the requirements of the Criteria in-country; and</p> <p>Performed limited testing of evidence to corroborate the application of the Criteria.</p> <p>Danone was notified of PwC and ATNI’s site visit 1 week in advance of arrival.</p> <p>Note: Danone’s Philippines office is based at the sole importer and distributor office site.</p> |
| <b>Distributors in the Philippines</b>           | <p>Interviewed 1 contractual distributor for Danone.</p> <p>Note: Danone operate on a distributor model in the Philippines. It has one sole importer and distributor, hence there were no further distributors to be interviewed.</p>  |

The factual findings from PwC’s procedures are in section 3.1.

### 1.3.2. Westat data collection methodology: Netcode

#### Guidance notes:

Westat followed the [NetCode 2017 Protocol for Periodic Assessment\\*](#) designed to monitor the marketing of breast milk substitutes and complementary foods for products from birth to 36 months of age.

#### Steps included the following, the scope of which is wider than the requirements of the FTSE4Good verification assessment:

- Comparison of local laws and regulations and The Code, to identify where local provisions are stronger, in order to assess companies' marketing practices against those.
- Adaptation of standard NetCode data collection forms to the Philippines context.
- Institutional Review Board (IRB) approvals for Westat and the local research partner, from government. The IRB members are responsible for the review of the technical and science component of research protocols i.e. appropriateness of the research design and methods, sample size calculation, soundness of the inclusion and exclusion criteria, internal and external validity of study tools and procedures.
- Selection of the 43 health facilities using a two-stage sample design, within the National Capital Region (NCR), taking into account population size, geography, number of female patients aged between 15-49 in each sub-region of the NCR. This was to ensure a representative random sample of 33 HCFs from a total of 728, including both public and private facilities, and 10 maternity facilities from a total of 306.
- The NetCode protocol calls for interviews with 5 mothers of children under 6 months and 5 mothers of children 6-24 months (2 years) old, conducted over a period of a single day, at each HCF. The Nutrition Center of the Philippines (NCP), the local research partner, achieved this threshold of 165 for each age group; mothers with infants of these ages were asked whether they would take part voluntarily; there were no refusals. Interviews with mothers are not included in the scope of the FTSE4Good verification assessment performed by PwC.
- At each facility, NCP asked for the names and designations of all HCPs who had contact with mothers of young infants up to 24 months and who were present during the days the team would visit. Three HCPs agreed to be interviewed at most facilities; only two were available at 3 facilities. 126 were interviewed in total.
- The NetCode protocol specifies data collection at one small retailer or pharmacy in proximity to each HCF and visits to 10 large retail stores that sell a high volume and variety of products under the scope of the study. The 10 large retailer selection was based on local knowledge of NCP. The 33 smaller stores were identified by NCP by asking staff at the HCF for the location of the closest store or by walking around the area near the facility.
- The online retailers monitored for the Philippines were the largest in the country; Lazada, Shopee, Galleon and Carousell. Note: Danone only had a formal contract with Lazada at the time of performing procedures, therefore no findings are included in relation to the other three e-retailers. A contractual relationship with Shopee has since begun in July 2020.
- NCP conducted online searches and visited retailers to compile a list of a total of 185 distinct BMS and CF 6-36 month products made by 22 companies (including parallel imports). Not all were available to purchase. ATNI checked with each company which products were legitimate BMS products and which were parallel imports; for the 3 FTSE4Good companies, a total of 68 legitimate products were confirmed and their labels analysed (there were no inserts).

\*<http://apps.who.int/iris/bitstream/10665/259441/1/9789241513180-eng.pdf?ua=1>

### 1.3.2. Westat data collection methodology: Netcode (continued)

- For traditional media, NCP entered directly into an agreement with Organic Intelligence (OI), a local independent media monitoring organization. OI obtained data for six months, from October 2019 - March 2020. In total, OI monitored 4 television channels and 81 radio channels. This represented more than 70% of the market.
- For online media monitoring, Westat identified the company and brand websites as well as the available social media platforms associated with each of those websites (Facebook page, Instagram, YouTube channel and/or Twitter feed). Only websites and social media pages that appeared to originate from the Philippines or targeted a Filipino audience were included in the monitoring. Westat did not monitor global company and brand websites or their social media pages. Westat trained NCP staff to monitor the selected websites weekly for eight weeks (5 February to 25 March 2020). NCP staff followed this process once a week over the eight-week period for online media monitoring. The data collectors visited the media and scanned them for promotions, capturing screenshots each week including 6 company websites, 8 brand websites, 3 YouTube pages, 9 Facebook pages, 2 Twitter pages, and 1 Instagram page associated with the major international company and brand websites. Ten mother and baby websites were included in the monitoring, selected based on the local partner's knowledge, as well as 7 YouTube pages, 10 Facebook pages, 7 Twitter pages, and 7 Instagram pages associated with the parenting and child websites.

|   | no.             | %             |
|---|-----------------|---------------|
| <b>Characteristics of HCs</b>                     |                 |               |
| Private   | 7               | 21.2%         |
| Public  | 26              | 78.8%         |
| <b>Total HCs</b>                                  | <b>33</b>       | <b>100.0%</b> |
| Private Maternity Facilities                      | 10              | 100.0%        |
| Public Maternity Facilities                       | 0               | 0.0%          |
| <b>Total HCFs</b>                                 | <b>43</b>       | <b>100.0%</b> |
| <i>Characteristics of Mothers</i>                 |                 |               |
| Mothers with a child < 6 months of age            | 165             | 50.0%         |
| Mothers with a child 6-24 months of age           | 165             | 50.0%         |
| <b>Total mothers interviewed</b>                  | <b>330</b>      | <b>100.0%</b> |
| <b>Total HCPs interviewed</b>                     | <b>126</b>      | <b>100.0%</b> |
| <i>Characteristics of Physical Retail Outlets</i> |                 |               |
| Small retailers (1 in proximity to each facility) | 33              | 76.7%         |
| Large retailers                                   | 10              | 23.3%         |
| <b>Total retail outlets visited</b>               | <b>43</b>       | <b>100.0%</b> |
| <b>Total online retailers monitored</b>           | <b>4</b>        |               |
| <b>Total mother + baby websites</b>               | <b>10</b>       |               |
| <b>Traditional media duration</b>                 | <b>6 months</b> |               |
| <b>Total products assessed (labels, inserts)</b>  | <b>126</b>      |               |
| <i>FTSE companies – legitimate BMS products</i>   | <b>68</b>       |               |

#### Acronyms:

HCF: Health Care Facility, comprising:  
 HC: Health Centres  
 MF: Maternity Facilities  
 HCP: Health Care Professional

In the context of the procedures described, the factual findings from Westat's procedures are outlined in section 3.2.

Note; the 126 total products includes those all products found in the market, made by all companies, assessed by ATNI. A total of 68 products were made by the three FTSE4Good companies.

## 1.4. Limitations

As noted in section 1.3.2 above, the findings in section 3.2 were based on procedures performed and data collected by Westat. PwC have not undertaken any additional verification procedures in relation to that underlying data.

Some of the procedures performed by PwC and data collected by Westat are interview based, resulting findings can be subject to recall bias by the person being interviewed with no materials available to verify details, such instances are noted throughout this report.

The procedures PwC performed and the associated findings are listed in section 3.1. PwC's work did not constitute as an assurance service in accordance with independent assurance standards and accordingly PwC do not express any assurance conclusions. Had PwC performed additional procedures, other matters might have been identified and included in this report.

## 1.5. Purpose of this report

This report explains the procedures PwC performed and includes PwC and Westat's factual findings. It is produced for the use of the FTSE4Good BMS Committee, but is being shared publicly as part of reporting on the overall assessment process in response to stakeholder feedback on the need for transparent reporting. This report will be published on ATNI's website, as ATNI is responsible for overseeing the grant and the work of PwC and will be referenced through the use of a hyperlink from the BMS section of FTSE Russell's website.

PwC's findings are presented for the BMS Committee's consideration. It is the responsibility of FTSE Russell and the BMS Committee to decide on the appropriate course of action with regard to decisions on the inclusion of Danone in the FTSE4Good Index Series.

## 1.6. Use and distribution of this report

This report has been prepared solely for the use of ATNI and its Board of Directors and solely for the purpose of reporting on compliance with the FTSE4Good Breast Milk Substitutes (BMS) Marketing Inclusion Criteria, in accordance with the terms of our agreement dated 20 June 2019, and subsequent variation letters dated 9 September 2019 and 21 January 2021. No part of this report shall be copied or used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ATNI and its Board of Directors, for this report or for the results of our work, save where terms have been expressly agreed in writing. We have extended our assumption of duty to FTSE Russell and its BMS Committee, in accordance with the terms of the letter between us dated 20 June 2019.



## 2. Executive Summary

Following its inclusion in the FTSE4Good Index Series in March 2016, Danone was been subjected to its second FTSE4Good verification assessment. Interviews were held in November 2019 at the Danone Specialised Nutrition Head Office in Hoofddorp, the Netherlands (Corporate Head Office), followed by a site visit to the Philippines in March 2020.

The Corporate Head Office interviews demonstrated that suitable governance structures and a number of appropriate policies and procedure documents are in place that meet the requirements of the Criteria. The site visit also demonstrated awareness of the Criteria at the in-country level and appropriate allocation of responsibilities. Additionally, we noted that policies and procedures in the Philippines are adapted for local requirements; Executive Order No. 51 (the “Milk Code”) and Revised Implementing Rules and Regulations of Executive Order No. 51 (RIRR).

In addition to some overall company context, summarised in this section are the inconsistencies noted in the application of the Criteria. These have been highlighted for the consideration of the BMS Committee in its review of the inclusion of Danone in the FTSE4Good Index Series. All key factual observations from the procedures performed are documented in section 3.

We also noted that some of the factual findings raised in our previous verification remained relevant and open. These are documented in section 4.

## 2.1. Context

### 2.1.1. Approach to implementation of the criteria

#### Company context

1. **Background:** Nutricia entered the Danone group in 2007 and represents Danone’s Specialised Nutrition business division which specialises in therapeutic food and clinical nutrition and products range includes infant formula and specialised nutrition for babies with specific needs and for breastfeeding mothers. Globally, there are 22 Specialised Nutrition Country Business Units (CBUs). Danone state that they do not advertise or promote infant formula for children aged 0-6 months, *anywhere* in the world even if permitted by local laws.
2. **Relevant updates:** Since the verification assessment performed in 2016/17, a new Health Care Systems (HCS) Policy has been established (2017) which is designed to ensure that any interactions within the HCS are conducted in an ethical, open, transparent and responsible manner and are compliant with applicable laws and regulation. This is a global policy applicable to all countries, not subject to local adaptation. The former policies and procedure documents (“blue book” and “green book”) have been consolidated into a single, external-facing, policy document.

#### Country background

1. **Awareness of the Code:** The government has a National Code over BMS marketing practices; the Philippine Code of Marketing of Breast Milk Substitutes, Executive Order 51 (EO51), 1986, also known as the “Milk Code”, and the revised Implementing Rules and Regulations of the Milk Code, 2006 (“RIRR”) which followed. The National Code in the Philippines is more stringent than the Code and applies to BMS (starter and follow up formula) and growing up milk for infant and young children (aged 0-36 months). Complementary foods are also included.

EO51 stipulates the following sanctions upon conviction for any violation of the Milk Code:

- Individuals: imprisonment of two months to one year and/or a fine of PHP 1,000-30,000.
  - Corporate/partnership: the penalty noted for individuals would be imposed on the chairman of the board of directors, president, general manager or partners and/or persons directly responsible. Suspension/revocation of license, permit or authority for pursuit of business.
  - Health worker: revocation of license, permit or authority for the practice of profession/occupation.
2. **Breastfeeding trends:** According to the 2017 Philippines National Demographic and Health Survey (NDHS):
    - Breastfeeding is very common in the Philippines, with 93% of children breastfed.
    - More than half (57%) of children are breastfed within the first hour of life, and 85% within the first day.
    - The prevalence of children under age two currently breastfeeding declines with age, from 94% among children less than two months to 54% of children age 18-23 months.
    - Among children under 6 months, 85% are currently breastfeeding and 9% are consuming complementary foods, against recommendations.

### 2.1.1. Approach to implementation of the criteria

- Among children age 6-8 months, 80% consume complementary foods.
- More than half of children age 6-8 months are both breastfeeding and consuming complementary foods (58%).
- The median duration of breastfeeding is 19.8 months for children born in the 3 years before the survey.

#### Local operating context

1. **Market share:** Danone accounts for approximately 0.1% of the total infant formula market share (as confirmed with Danone) in the Philippines. Danone first introduced products to the market in the Philippines in September 2019. They operate sales through a distributor model, with one exclusive importer and distributor, JR&R Distributors Inc. (JR&R). Danone has no other contractual partners in the Philippines. JR&R import products from the Netherlands and sell on to retailers. Danone products are only distributed to the capital, Manila.
2. **Channels to market:** BMS are sold to retailers and wholesalers through Danone's sole third party distributor. BMS are sold to consumers through supermarkets, drugstores, and an e-commerce platform (Lazada). A contractual relationship with a second e-commerce platform (Shopee) began in July 2020. As such, the relationship was not in place when PwC or Westat procedures were performed.

## 2.2. Key findings

PwC findings are indicated by areas shaded in **yellow**. No findings were noted by Westat with respect to the FTSE Criteria.

| Finding   | Detail   | HO | PH |
|---|--|----|----|
| 1. Foods for Special Medical Purposes (FSMPs) are excluded from the products covered by the Danone BMS Policy   | The Danone BMS Policy states excluded products, which are described in line with FSMPs, are not included in the scope of the BMS Policy. FSMPs are implicitly covered by the Code. Although not explicit in the FTSE4Good criteria, it is implied and hence the BMS Policy should include FSMPs as they are infant formula products for infants under the age of 12 months.  |    |    |
| 2. Sale incentives are based on total company sales or market share of Danone's Specialised Nutrition division  | <p>The Tool requires that for persons employed by manufacturers and distributors, systems of sales incentives for marketing personnel must not include the volume of sales of products within the scope of the company policy in the calculation of bonuses.</p> <p>In line with the Code and the Criteria, the BMS Policy states that “bonus or incentive calculations for Danone Employees do not include volume or value targets or quotas set specifically for Covered Products.” However, the Policy goes on to say that “this does not prevent the payment of bonuses based on overall sales of products marketed by Danone.”</p> <p>In the Philippines, incentives are based on total company sales or market share of Danone's Specialised Nutrition division. Infant Formula (IF) is a subset of the total company sales or market share.</p> <p>Furthermore, within the JR&amp;R contract with Danone, there is a performance bonus based on total invoiced sales. The contract details various sales brackets, and the associated bonus percentage.</p> |    |    |
| 3. Whistleblowing portal is not fully accessible  | The Tool requires Whistleblowing procedures to be accessible to all employees and that procedures are in place to raise awareness amongst employees of the Whistleblowing procedures. Danone's whistleblowing hotline is Danone Ethics Line (DEL) which enables employees and external stakeholders to raise any concerns they may have with Danone anonymously. This is only available via an online portal and cannot be found on the Danone website, neither on the 'Contact' page. Employees and third parties will only know of the whistleblowing hotline, and have the link to access it, if they seek it out in one of the Danone policy documents.  |    |    |
| 4. Awareness of the company policy is not raised to all relevant stakeholders outside its boundaries of control | The Tool requires that stakeholders outside its boundaries of control (e.g. retailers) are made aware of the requirements of the company policy. While actions have been undertaken to meet this criteria, this has not been fully met.  |    |    |

| Finding   | Detail   | HO | PH |
|---|--|----|----|
| 5. Specific requirements are not included within the sample HCP detailer inspected                  | <p>Informational or educational materials must include specific requirements detailed by the Tool. During interviews performed in Philippines, an Aptamil detailer (material providing details or scientific information to HCPs on a product’s potential uses, benefits, side/adverse effects) was inspected. It did not include points (c) and (d) of Article 4.2 of the Code.</p> <ul style="list-style-type: none"> <li>• (c) the negative effect on breast-feeding of introducing partial bottle-feeding</li> <li>• (d) the difficulty of reversing the decision not to breastfeed</li> </ul> |    |    |
| 6. Corrective actions against third parties regarding non compliances have not been clearly defined | <p>The Tool requires a procedure to ensure that all relevant third parties are aware of the potential corrective actions regarding non-compliances. The Danone BMS Policy is appended to distributor contracts, however the Danone BMS Policy does not explicitly include corrective actions with respect to third parties. On inspection of the JR&amp;R contract with Danone, no corrective actions, penalties, disciplinary measures or similar were noted.</p>   |    |    |
| 7. Analysis over timeliness of response to allegations is not performed                             | <p>As well as being required to have a procedure to investigate allegations of non-compliances by external stakeholders, the Tool also requires companies to monitor their own performance for responding to allegations of non-compliances in a timely manner (i.e. actual versus target timelines). While response timeframes are established for all allegations, these are not formally monitored or reported on.</p>  |    |    |

# 3. Factual findings

## 3.1. PwC factual findings

Interviews with staff from the Danone Specialised Nutrition Head Office were performed in November 2019. The country site visit to the Philippines was performed in March 2020. The fieldwork assessment in both instances entailed inspection of relevant policies and procedures provided to us and interviews with the relevant staff to understand processes in place against the Criteria included within the Tool. The factual findings from these activities performed both at Head Office and in-country are provided in the table below.

| Area  | Factual Findings   |
|---|--|
| <b>3.1.1. Company policies and procedures</b> | <ol style="list-style-type: none"><li data-bbox="394 377 1848 585"><b>Governance structure:</b> The responsibility for the management, implementation and monitoring of compliance with the Danone BMS Policy is overseen by the Danone Specialised Nutrition Head Office in Hoofddorp, the Netherlands. Country specific manuals have been created for approximately half of the countries in which Danone Specialised Nutrition operates. These manuals are created by the country’s BMS Compliance Manager, who has knowledge of the National Code in the particular market, with guidance from Head Office, who review the final version. The BMS Compliance Manager role has been introduced since the last verification. Responsibility for advising on, and supporting of, the application of the BMS Policy through the adoption of appropriate procedures (including where local regulations are different to Corporate Head Office policies), country manual, provision of trainings, monitoring and internal reporting of any non-compliance is allocated to the in-country BMS Compliance Manager.</li><li data-bbox="394 612 1848 740"><b>Implementation of BMS policies and procedures:</b> The ‘Danone Policy for the Marketing of Breast Milk Substitutes’ is publicly available on the Danone corporate website and provides instructions and guidance when undertaking marketing activities on Breast Milk Substitutes. The ‘BMS Compliance Directive’, which provides additional guidance around Danone’s marketing and sales practices of BMS, is available internally for Danone employees. The Country Manual produced and applied by Danone in the Philippines includes the ‘Danone Policy for the Marketing of Breast Milk Substitutes’ and the ‘BMS Compliance Directive’, and identifies any additional requirements derived from the National Code.</li><li data-bbox="394 767 1848 871"><b>Knowledge of the Criteria:</b> Wide ranging interviews were performed with Corporate and in-country Head Office functions involved in Danone’s application of the Criteria and relevant national legislations. Detailed Criteria knowledge was noted across the individuals interviewed (refer to Appendix 1), who stated their commitment to adhering to the BMS marketing practices required by the Criteria. In the Philippines, Danone confirmed that the requirements of the Criteria, the National Code and Danone Head Office policies are implemented.</li><li data-bbox="394 898 1848 1054"><b>Scope with respect to FSMPs:</b> As per the Danone BMS Policy, <i>“This BMS Policy does not apply to Excluded Products: Excluded Products are all products, other than Covered Products, produced or sold by Danone, including products intended for use by infants with special medical conditions. These infants have limited, impaired or disturbed capacity to take, digest, absorb, metabolise or excrete breast milk or certain nutrients contained therein or metabolites, or other medically-determined nutrient requirements, whose dietary management cannot be achieved only by modification of the normal diet alone. These products are specially formulated to be compositionally distinct from Infant Formula intended for healthy infants.”</i></li></ol> |

FSMPs are covered by the Code. As such, the Criteria should be applied to, and the BMS Policy should include, FSMPs, as they are infant formula products for the use of infants under the age of 12 months.

### 3.1.2. Lobbying and trade associations

- 1. Head Office support of public policy (Government lobbying):** Danone stated that it continues to support efforts by governments to implement the Code. Within each Country Business Unit (CBU) an allocated individual is responsible for developing the local position and a monthly call is in place to exchange relevant communications on Head Office and in-country positions. Danone's membership to trade associations and industry policy groups is publicly available on the Danone website, and most easily found within the Appendix of the Danone Policy on Advocacy.
- 2. In-country support of public policy (Government lobbying):** Since entry to the Philippines market in September 2019, Danone has not become a member of any trade associations specific to Philippines.

### 3.1.3. Health Care Professionals and Health Care Entities

- 1. Health care events and sponsorship:** Danone has a Health Care System (HCS) Policy and Directive in place. Detailed knowledge of the provisions of these documents were noted across the individuals interviewed both at Head Office and in the Philippines (refer to Appendix 1). Corporate Head Office confirmed that a procedure is in place to disclose to the institution to which a health worker is affiliated any contribution made to him/her or on his/her behalf for fellowships, study tours, research grants, attendance at professional conferences or similar support. For the one event in Philippines that Danone had invited HCPs to over the last 12 months, we were unable to inspect evidence of this procedure in practice as the HCPs were all self-employed health-workers, therefore there was no institution to be informed.
- 2. Information and education materials:** An Aptamil detailer (material providing details or scientific information on a product's potential uses, benefits, side/adverse effects) was inspected. This document is to be presented to HCPs during hospital visits by Danone medical staff. It did not include points (c) and (d) of Article 4.2 of the Code.
  - (c) The negative effect on breast-feeding of introducing partial bottle-feeding
  - (d) The difficulty of reversing the decision not to breastfeed

### 3.1.4. Employees

- 1. Infant nutrition team:** Danone employs a dedicated, senior team experienced in infant nutrition to oversee the implementation of the Criteria as well as implementation and monitoring of the Danone BMS Policy.
- 2. Training and awareness:** Training and awareness of the Danone BMS Policy is a mandatory part of every Danone Specialised Nutrition employee's induction, which is performed within 3 months of joining the Specialised Nutrition department. Following that, training is completed at least once a year, and more frequently for the marketeers and solutions team. There is a BMS e-learn available in multiple languages, but where the e-learn is not available in the local language, the training will instead be performed face-to-face. A BMS call is hosted by the Corporate Head Office team with all BMS Compliance Managers every two months. As part of the BMS call, important updates, BMS news and lessons learned are discussed in a 'train the trainer' approach.

The Head Office Compliance team also provide face-to-face trainings during location visits; they try to cover operations globally, and go to key countries every other year. In-country managers are responsible for creating and updating training materials, and adapting them for the local market, using a “toolbox” of training materials and resources provided by Corporate Head Office. The training programme in each country is defined by the particular market. Induction training and annual refresher training was appropriately completed in the Philippines for our sample selected.

3. **Raising allegations:** Danone’s whistleblowing hotline, DEL, enables employees and external stakeholders to anonymously raise any concerns they may have with Danone via an online portal. DEL is operated by a third-party company specialised in the handling of whistleblowing hotlines. During the Philippines visit, employees demonstrated good knowledge of the DEL whistleblowing hotline. Instruction to first seek advice or guidance before making a complaint is included within the Danone Integrity Policy.
4. **Rewarding compliance for employees:** The Tool requires companies to provide incentives/compensation to reward compliance with the requirements of company policy. The methodology that Danone uses to conduct performance appraisals for employees within the Specialised Nutrition division includes BMS Compliance as a component.
5. **Contracts/ Job descriptions:** The Tool requires formal job descriptions for relevant sales and marketing personnel that are linked to the requirements of the company policy. At Head Office, it was confirmed that, as detailed in the Danone BMS Policy, employment contracts should include explicit reference to the Danone BMS Policy, and that upon induction, employees are also required to sign a separate BMS declaration. In the Philippines, the employment contract and job description inspected did not include explicit reference to the Danone BMS Policy, however the separate BMS Declaration with relevant wording was inspected.
6. **Bonuses:** Although incentives at Head Office and in the Philippines are not based on volume or value of Specialised Nutrition sales, they are based on total company sales or market share of Danone’s Specialised Nutrition division. Infant Formula (IF) is a subset of the total company sales or market share.

### 3.1.5. Contractual third parties

JR&R Distributors Inc. (JR&R) is the sole importer and distributor in the Philippines. Danone has no other contractual partners in the Philippines.

1. **Contracting:** As confirmed to us during our Corporate Head Office visit, Code compliance clauses, and Danone’s BMS Policy and BMS Compliance Directive are part of distributor contracts. The Legal department in each country is responsible for including the clauses in the agreements. For JR&R, we inspected the contract in place with Danone and confirmed that an obligation was included for the distributor as well as their employees and sub-contractors, if any, to ensure compliance with the Danone BMS Policy and BMS Compliance Directive and all the applicable local laws and regulations, if stricter.



2. **Training/raising awareness:** Danone have created a BMS e-learn which can also be shared externally with, for example, distributors, retailers and marketing agencies. This is relatively new, therefore, at the time of our Head Office visit, had not yet seen much use and there were no current incentive/targets to get employees to push this e-learning on third parties. Face-to-face retailer training is undertaken by local BMS compliance managers, in addition to an annual letter being sent to contractual partners to remind them of the requirements with respect to BMS. During the interviews performed with JR&R, we confirmed that BMS training was completed by JR&R employees alongside Danone employees.
3. **Raising allegations:** The employees at JR&R were aware of the DEL whistleblowing hotline, and confirmed that it is included within training materials for JR&R employees. The distributor has also appointed an internal WHO Ombudsman, to provide another option for employees to report any concerns.
4. **Bonuses/incentives based on BMS sales:** Within the JR&R contract with Danone, there is a performance bonus based on total invoiced sales. The contract details various sales brackets, and the associated bonus percentage. The Tool requires that for persons employed by manufacturers and distributors, the calculation of sales incentives must not include the volume of sales of in scope products.
5. **Provision of guidance to distributors:** The employees at JR&R demonstrated good knowledge of the Danone BMS Policy and the Philippine Milk Code. In the contract between Danone and JR&R, an obligation is included for the distributor as well as their employees and sub-contractors, if any, to ensure compliance with Danone's Policy and all the applicable local laws and regulations, if stricter.
6. **Potential corrective actions for non-compliances:** The Danone BMS Policy is appended to distributor contracts, however the Danone BMS Policy does not explicitly include corrective actions with respect to third parties. The Criteria suggests "e.g. formal notifications, termination of contracts, action plans for performance improvement etc." The corrective actions included within the Danone BMS Policy relate to employees only. Within the JR&R contract with Danone, no corrective actions, penalties, disciplinary measures or similar were included. JR&R referred to the legal consequences of non-compliance, as the Milk Code is law, however there was no specific reference to the impact on their relationship with Danone.

### 3.1.6. Non contractual third parties

1. **Training/raising awareness:** As noted previously, Danone have created a BMS e-learn which can also be shared externally, however this is relatively new, therefore has not seen much use. During our Corporate Head Office interviews, Danone confirmed that distributors are required to send letters to retailers, reminding them of requirements with respect to BMS. JR&R confirmed that they send letters to all trade partners, which must be signed by the trade partner to ensure that they have read, and agreed to adhere to, the requirements.
2. **Raising allegations:** DEL is available in 15 languages and is only available via an online portal. DEL cannot be found on the Danone website, including on the 'Contact' page. Employees and third parties will only know of the whistleblowing hotline, and have the link to access it, if they seek it out in one of the Danone policy documents.

3. **Expanding reach:** Danone Head Office are working to identify who the biggest retailers are in each country and establish what communications they have had with respect to BMS. Head office have been assisted by the BMS Country Managers in this project. They are aiming to reach 80% of retailers. As noted previously, Danone have created a BMS e-learn which can also be shared externally with, for example, distributors, retailers and marketing agencies, which they hope to see more widely used going forward.

### 3.1.7. Internal monitoring

1. **Allegation response monitoring:** Danone has a procedure in place for recording external stakeholders' allegations of non-compliances. The target time for responding to allegations is within 4 weeks, as mentioned within the Danone BMS Policy and in the Danone Allegation Procedure. Danone do not have a formalised process in place for analysing target vs actual performance, to ensure timeliness of response to allegations.
2. **In-country internal monitoring:** During our Corporate Head Office visit, Danone confirmed that the BMS Compliance Manager of each country is required to submit a BMS self-assessment (the "BMS Scorecard") to Corporate Head Office on an annual basis. The BMS Scorecard contains six key categories with a number of subcategories against each one. The scorecard is checked against by the Corporate Head Office compliance team, internal audit and Bureau Veritas during visits/audits, to ensure that the BMS Scorecard is an accurate reflection of operations in the country. The Danone team in the Philippines confirmed that they are required to complete a BMS self-assessment on an annual basis and provided us with the 2019 completed Scorecard. Beyond the annual BMS Scorecard self-assessment, the Danone team in the Philippines do not perform specific internal monitoring procedures, including the four key areas of the Criteria, at a country level.

The Tool requires that company procedures for internal monitoring of compliance include: Policy Criteria; Corporate Public Policy and Lobbying Criteria; Management Systems Criteria; and External Reporting Criteria. We note that there are a number of internal monitoring procedures in place at Corporate Head Office designed to address these points. The only internal monitoring process in place noted during our interviews in the Philippines was the annual BMS Scorecard self-assessment. At a Corporate and in-country level, the internal monitoring procedures are not explicitly based on the four Criteria areas noted above.

### 3.1.8. External/Independent assessments

1. **Internal audit:** Danone have a compliance monitoring system, DANGO, which includes the Danone BMS policy alongside various other specific and general policies.
2. **External assessments:** Danone engages Bureau Veritas (BV) to perform external audits. BV perform no less than 3 audits in high-risk countries per year. In 2019, the locations selected were Brazil, Malaysia and Senegal. Since Danone's entry into the Philippine market, BV has not performed an audit there. The Specialised Nutrition Product Compliance Committee approve the external audit plan on an annual basis. The review of the independence and the competence of the external assurance provider is performed as part of the standard Danone vendor assessment process.

| Area  | Factual Findings   |
|---|--|
| <b>3.1.9. Allegation handling and reporting</b> | <ol style="list-style-type: none"><li data-bbox="444 103 1864 262"><b>1. Head Office:</b> During interviews performed at Head Office, we were informed that all BMS Compliance Managers are required to maintain a log of all allegations made, and report all allegations to the global Category Senior Compliance Officer on a quarterly basis. The Category Senior Compliance Officer maintains a master tracker which is then used to collate information for annual reporting both internally and externally. Regardless of source, allegations are reported; these include those raised through DEL, internal audit and external allegations. Danone are looking towards a more integrated system to enhance the efficiency and quality of reporting.</li><li data-bbox="444 262 1864 354"><b>2. Philippines:</b> The Philippines team report allegations of non-compliance to the BMS Country Manager, who then reports to the global team. Allegations are not handled at an in-country level.</li></ol> |

## 3.2. Westat factual findings

The findings below summarise the results of the procedures described in section 1.3. There are no images in relation to findings from health care worker interviews.

| Area   | Factual Findings   |
|--|--------------------|
| <b>3.2.1. Health care worker interviews</b>  | No findings noted. |
| <b>3.2.2. Information and education materials and equipment (HCFs and retailers)</b> | No findings noted. |
| <b>3.2.3. Traditional media</b>  | No findings noted. |
| <b>3.2.4. Online media</b>   | No findings noted. |
| <b>3.2.5. Labels</b>   | No findings noted. |
| <b>3.2.6. Promotion on online retailer sites</b>                                     | No findings noted. |
| <b>3.2.7. Promotion in physical retailers</b>  | No findings noted. |

## 4. Update on previous findings

The findings below were identified during PwC's 2016/17 verification assessment. The countries visited for this assessment were Nigeria and Thailand. For each finding, PwC has reviewed the finding and commented on current year observations.

| Previous finding   | 2019/20 update  | Related Tool Criteria                             |
|--|---|---|
| <p><b>1. <u>Lack of formalised country specific policies and procedures:</u></b> There are 2 channels in place to identify country specific legislation that are distinct from the existing BMS policies and procedure documents at a Corporate Head Office level.</p> <ul style="list-style-type: none"> <li>- A team at the Corporate Head Office level is responsible for identifying the BMS related advertising and promotion restrictions; and</li> <li>- At the local level, the General Manager would delegate the responsibility for identifying specific regulations and laws to a Category Compliance Manager or relevant function.</li> </ul> <p>However there is no separate local level policy manual formally documenting the differences in laws and legislations such that all employees can be made aware.</p> | <p>As noted in finding 3.1.1.1, country specific manuals have been created for approximately half of the countries in which Danone Specialised Nutrition operates. These manuals are created by the country's BMS Compliance Manager, who has knowledge of the National Code in the particular market, with guidance from Head Office, who review the final version. The BMS Compliance Manager role has been introduced since the last verification.</p> | <p>Policy Criteria:<br/>FTSE Criteria 4 and 7</p> |
| <p><b>2. <u>Products for infants with an allergy to the protein in cow's milk are identified in the policy as out of scope:</u></b> The Danone policy highlights a category of 'excluded products' which are "intended for use by infants with special medical conditions and therefore not in-scope for the policy." Special displays in 2 out of 20 small supermarket chains visited and promotional material in 1 out of 71 HCFs visited were observed for BMS where infants below 12 months have an allergy to the protein in cow's milk.</p>  | <p>The Danone BMS Policy still highlights a category of 'excluded products' which their policy does not apply to, 'including products intended for use by infants with special medical conditions.'</p>   | <p>Policy Criteria:<br/>FTSE Criteria 5</p>       |
| <p><b>3. <u>Similarities between the corporate brand name and the product brand name:</u></b> Promotional items were noted with the local level corporate brand which is compliant with the Code. However, in Thailand, the corporate name is similar to one of the BMS product names.</p>   | <p>No observations noted with respect to this finding.</p>  | <p>N/A</p>  |

| Previous finding  | 2019/20 update  | Related Tool Criteria   |
|---|---|---|
| <p>4. <u>Sale incentives</u>: The Danone Policy states “the payment of bonuses based on overall sales of products marketed by Danone is not prevented”. During our interviews with the distributors, the representatives we interviewed confirmed that this policy guideline is implemented in practice: the volume of sales of BMS is included in the calculation of bonuses, which are calculated based on the volume of the total Danone product portfolio that has been sold.</p>   | <p>As noted in finding 3.1.5.4, within the JR&amp;R contract with Danone, there is a performance bonus based on total invoiced sales. The contract details various sales brackets, and the associated bonus percentage.</p> <p>Also, as noted in finding 3.1.4.6, incentives at Head Office and in the Philippines, are not based on volume or value of Specialised Nutrition sales, they are based on total company sales or market share of Danone’s Specialised Nutrition division. Infant Formula (IF) is a subset of the total company sales or market share.</p>  | <p>Management systems:<br/>Additional Assessment Measures 1.6</p> |
| <p>5. <u>Process for reporting non-compliance by stakeholders</u>: Various channels exist for employees, distributors and consumers to report complaints or incidents of non-compliance. For example, consumers and distributors could use the recently updated web based channel (Danone Ethics Line), report an issue in person, report using a customer care line number displayed on products, or send a letter or email.</p> <p>During our interviews, all distributors stated they would report any instances of non-compliance to their assigned Danone contact. None have demonstrated awareness of the other channels to report non-compliance, including the Danone Ethics Line. Furthermore, during our discussions with local level employees, there was no mention of the completeness check described to us during our head office visits in Paris.</p> | <p>As noted in finding 3.1.5.3, the employees at JR&amp;R were aware of the Danone Ethics Line, and confirmed that it is included within training materials for JR&amp;R employees. The distributor has also appointed an internal WHO Ombudsman, to provide another option for employees to report any concerns.</p> <p>During our discussions with in-country Danone employees, Danone confirmed that the in-country team report all instances of non-compliance to the Head of Legal &amp; Regulatory Affairs, who then reports them to the Category Senior Compliance Officer. This is in line with the process described at Head Office. As noted in finding 3.1.9.1, the Category Senior Compliance Officer maintains a master tracker which is then used to collate information for annual reporting both internally and externally. Regardless of source, allegations are reported; DEL, internal audit and external allegations. Danone are looking towards a more integrated system to enhance the efficiency and quality of reporting.</p> | <p>Management systems: FTSE Criteria 5</p>                        |
| <p>6. <u>Promotional items</u>: Promotional items such as pens, folders, posters and post-it notes were observed in HCFs in both Nigeria and Thailand with corporate branding or logos, which is permitted under the scope of the Code. However, there were 2 instances of promotional items which displayed the in-scope product name and logo in 1 out of 12 HCFs visited in the rural area in Thailand.</p>  | <p>No observations noted by Westat with respect to this finding. HCF visits were not in the scope of work performed by PwC for this verification assessment.</p>  | <p>Management systems:<br/>Additional Assessment Measures 1.2</p> |

| Previous finding  | 2019/20 update  | Related Tool Criteria   |
|---|---|---|
| <p>7. <u>Training for health care nutrition representatives around contact with mothers</u>: Danone representatives undergo training prior to entering the field, which covers what is and is not permitted in the capacity of a representative. 1 HCP out of 82 interviewed stated that a Danone representative had approached her, in her capacity as a pregnant mother at the HCF, to offer discounted, out of scope products.</p> | <p>No observations noted by Westat with respect to this finding. HCP interviews were not in the scope of work performed by PwC for this verification assessment. It is noted that both a Health Care Systems Policy and Directive exist, designed to ensure that any interactions within the Health Care Systems (“HCS”) are conducted in an ethical, open, transparent and responsible manner and are compliant with applicable laws and regulation.</p>   | <p>Management systems: FTSE Criteria 1.1 and Additional Assessment Measures 1.3</p> |
| <p>8. <u>Provision of guidance to distributors</u>: The manner of training delivery and subsequent tests is not uniform within each country. In Thailand, distributor interviews highlighted they received training and performed tests in different ways. In Nigeria, training for distributor staff had not yet taken place at the time of fieldwork due to a recent change in management.</p>                                      | <p>As noted in finding 3.1.5.2, during the interviews performed with JR&amp;R, we confirmed that BMS training was completed by JR&amp;R employees alongside Danone employees.</p>   | <p>Management systems: FTSE Criteria 1.1</p>  |
| <p>9. <u>Provision of guidance to retailers</u>: Retailers who purchase BMS directly from third party distributors do not receive formal guidance related to the Code.</p>  | <p>As noted in finding 3.1.6.1, Danone have created a BMS e-learn which can also be shared externally, however this is relatively new, therefore has not seen much use. During our Head Office interviews, Danone confirmed that distributors are required to send letters to retailers, reminding them of requirements with respect to BMS. JR&amp;R confirmed that they send letters to all trade partners, which must be signed by the trade partner to ensure that they have read, and agreed to adhere to, the requirements.</p> | <p>Management systems: FTSE Criteria 1.1</p>  |
| <p>10. <u>Parallel Imports</u>: Independent parallel imports by third parties of products from lower-risk countries were seen in over half the total number of retailers visited. They are not NAFDAC approved.</p>   | <p>A large number of parallel imports were identified by Westat. Danone was made aware of the parallel imports found by Westat, but findings related to those products are excluded from the Westat report and ATNI’s scoring system.</p>   | <p>N/A</p>  |
| <p>11. <u>Inappropriate product promotion by retailers</u>:<br/>Retailers inappropriately promoted in-scope products:</p> <ul style="list-style-type: none"> <li>In 1 retailer out of 41 visited in Nigeria, in-scope product was marketed at a promotional price of 1,900 NGN, reduced from 2,900;</li> </ul>  | <p>No observations noted by Westat with respect to this finding. Retailer visits (traditional and online) were not in the scope of work performed by PwC for this verification assessment.</p>  | <p>Management systems: FTSE Criteria 1.1</p>  |

| Previous finding  | 2019/20 update  | Related Tool Criteria   |
|---|---|---|
| <ul style="list-style-type: none"> <li>BMS are displayed at the front of the store, stacked on table-tops, in small stores and open market stalls across Lagos for Danone and other BMS manufacturers; and</li> <li>BMS from a range of BMS manufacturers in Thailand were pictured on a banner outside 1 independent retailer and on display in the shop window of 1 retailer, out of 45 visited.</li> </ul> |   |   |
| <p>12. <u>Marketing activity for out of scope products:</u> Advertising for milk powder products for use of infants over 12 months (stage 3 products) was noted in Thailand. Adverts for stage 3 products are accompanied by the use of logos that are associated with brands of stage 1 and 2 infant formula (i.e. 0-12 months), and is out of scope of the Code.</p>  | <p>Westat findings provided to PwC only cover products for 0-12 months. There are no updates available with respect to this finding. Media monitoring was not in the scope of work performed by PwC for this verification assessment.</p> | <p>Management systems:<br/>Additional Assessment Measures 1.3</p> |



# Appendices



# Appendix 1 - Interviews and meetings

| Corporate Head Office   | Philippines Head Office  | Distributors visited in the Philippines |
|---|--|---|
| Category Senior Compliance Officer Specialised Nutrition (SN) | <b>Danone:</b>   | JR&R Distributors Inc.                  |
| Compliance Officer – Integrity Director                       | Category Senior Compliance Officer SN                                  |   |
| Deputy General Counsel & Compliance Director SN               | Country Brand Manager  |   |
| Emerging Food Safety Risks & Specifications Director          | Country Manager Philippines  |   |
| Global Head of Regulatory Affairs SN                          | Head of Legal & Regulatory Affairs                                     |   |
| Senior Public Affairs Manager                                 | Head of Medical  |   |
| SVP, Chief Growth Officer SN                                  | Medical Marketing Manager  |   |
| SVP Medical, R&I and New Business SN                          | <b>JR&amp;R:</b>   |   |
| VP, General Counsel SN  | JR&R General Manager and Head of Sales (Sole importer and distributor) |   |
| VP, Global Corporate Affairs SN                               |  |   |

# Appendix 2 - Summary scoring

The table below provides an overview of the 2019/20 findings as they relate to the Tool Criteria. PwC findings are indicated by areas shaded in **yellow**. No Westat findings were noted.

| Policy Criteria  |                                 |             |
|--|---------------------------------|-------------|
| Criteria   | 2019/20 Verification Assessment |             |
|  | Corporate                       | Philippines |
| FTSE Criteria 1: Company policy should be publicly available and include acknowledgement of the importance of the International Code of Marketing of Breast Milk Substitutes, and subsequent relevant WHA resolutions, hereafter referred to as 'the Code'.  |                                 |             |
| FTSE Criteria 2: Naming the person responsible at Corporate Executive Board level or Executive Management level and at the individual country level for the implementation and monitoring of the policy.   |                                 |             |
| FTSE Criteria 3: Acknowledgment that, independently of any other measures taken by governments to implement the Code, manufacturers are responsible for monitoring their marketing practices according to the principles and aim of the Code, and for taking steps to ensure that their conduct at every level conforms to their policy in this regard.                                      |                                 |             |
| FTSE Criteria 4: Acknowledgment that the adoption and adherence to the Code is a minimum requirement for these countries and where national legislation or regulations implementing the Code are more demanding than the Code, the company will follow the national measures in addition to the Code (Additional Policy Criteria with Regards to Company Operations in High Risk Countries). |                                 |             |
| FTSE Criteria 5: Explicit confirmation that there will be no advertising or promotion of infant formula, follow-on-formula products, or delivery products (i.e. teats and bottles) in these countries (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).  |                                 |             |
| FTSE Criteria 6: Explicit confirmation that complementary (weaning) foods and drinks will not be promoted for the use of infants under the age of six months in these countries (Additional Policy Criteria with Regards to Company Operations in High Risk Countries).  |                                 |             |
| FTSE Criteria 7: Commitment to follow all national regulations in relation to the marketing and promotion of breast milk substitutes (Additional Policy Criteria with Regards to Company Operations in Low Risk Countries).  |                                 |             |

## Corporate public policy and lobbying of regulators

| Criteria  | 2019/20 Verification Assessment |             |
|---|---------------------------------|-------------|
|   | Corporate                       | Philippines |
| FTSE Criteria 1: Companies have a valid and important engagement role in the development of effective and appropriate legislation. They should have clear, openly-stated and enforceable policies on the objectives and practice of their political lobbying regarding government's implementation of the Code, and specifically companies must be open about their objectives, and make position papers publicly available to demonstrate consistency. |                                 |             |
| FTSE Criteria 2: Seek 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 disclosed.   |                                 |             |

## Management systems

| Criteria   | 2019/20 Verification Assessment |             |
|--|---------------------------------|-------------|
|  | Corporate                       | Philippines |
| FTSE Criteria 1.1: Clear communication of the company policies, procedures for its implementation throughout the production and marketing processes, and provision of training in its application, to senior management and all relevant marketing staff operating in the high risk countries. |                                 |             |
| Additional Assessment Measures 1.2: Information and Education  |                                 |             |
| Additional Assessment Measures 1.3: General Public and Mothers   |                                 |             |
| Additional Assessment Measures 1.4: Health Care Systems  |                                 |             |
| Additional Assessment Measures 1.5: HealthWorkers  |                                 |             |
| Additional Assessment Measures 1.6: Persons Employed By Manufacturers and Distributors   |                                 |             |
| Additional Assessment Measures 1.7: Labelling  |                                 |             |
| Additional Assessment Measures 1.8: Quality  |                                 |             |

## Management systems

| Criteria  | 2019/20 Verification Assessment |             |
|---|---------------------------------|-------------|
|   | Corporate                       | Philippines |
| FTSE Criteria 2: Clear accountability and responsibility within the Company for the implementation of systems for compliance with policy at all levels.   |                                 |             |
| FTSE Criteria 3: Whistle-blowing procedures that allow employees to report outside their normal management reporting line potential non-compliance with company policy in a way that protects them from possible negative consequences of such reporting.   |                                 |             |
| FTSE Criteria 4.1: Ongoing systematic internal monitoring of compliance with policy.  |                                 |             |
| Additional Assessment Measures 4.2: Implementation and Monitoring   |                                 |             |
| FTSE Criteria 5: Systems for investigating and responding in a timely manner to alleged Non-compliance reported by governmental bodies, professional groups, institutions, NGOs or other individuals from outside the Company.  |                                 |             |
| FTSE Criteria 6: Systems for taking, as well as tracking, corrective action on all non-compliance cases, both internally and externally reported.   |                                 |             |
| FTSE Criteria 7: Regular external verification to provide evidence of well-functioning Policy compliance management and monitoring systems, conducted by a suitably qualified external expert.  |                                 |             |
| FTSE Criteria 8: In addition to management reviews, the production of annual summary reports to the Board of Directors on internal monitoring, external reporting and corrective actions taken regarding noncompliance.   |                                 |             |
| FTSE Criteria 9: In addition for operations in high risk countries, companies must provide to the FTSE BMS Committee, on request, copies of any related marketing literature and product labelling and inform the Committee (Additional Policy Criteria with Regards to Company Operations in High Risk Countries). |                                 |             |

## External Reporting

| Criteria   | 2019/20 Verification Assessment |             |
|--|---------------------------------|-------------|
|  | Corporate                       | Philippines |
| FTSE Criteria 1: Adequate Company reporting procedures should include making annual summary reports available on adherence to policy, non-compliance, and corrective action taken. |                                 |             |

# Appendix 3 - Definition of terms

| Term/ Document        | Definition  |
|-----------------------|---|
| BMS                   | Breast Milk Substitutes   |
| Code                  | World Health Organization International Code of Marketing of Breast Milk Substitutes  |
| Corporate Head Office | Danone Specialised Nutrition Head Office in Hoofddorp, the Netherlands  |
| Danone BMS Policy     | The following documents created at Corporate Head Office:<br>Danone Policy for the Marketing of Breast Milk Substitutes- This Policy provides instructions and guidance when undertaking Marketing activities on Breast Milk Substitutes.<br>BMS Compliance Directive- This Directive provides additional guidance around Danone’s marketing and sales practices of Breast Milk Substitutes (“BMS”) and other products of the Early Life business. This Directive replaces the Marketing Do’s and Don’ts and the DNELN Sales Do’s and Don’ts that was in place in the prior FTSE4Good assessment. |
| DEL                   | Danone Ethics Line (whistleblowing hotline)   |
| FSMP                  | Food for special medical purposes   |
| HCFs                  | Health Care Facilities  |
| HCPs                  | Health Care Professionals   |
| National Code         | The Philippine Code of Marketing of Breast Milk Substitutes, Executive Order 51 (EO51), 1986, also known as the “Milk Code”, and the revised Implementing Rules and Regulations of the Milk Code, 2006 (“RIRR”)   |

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