

Breast Milk Substitutes marketing criteria assessment

PwC verification assessment report - Mexico visit*

Danone

May 2021



*This report should be read in conjunction with an earlier report, published in April 2021, which contains the assessment performed for Corporate Head Office and the first higher risk country selected, the Philippines.

Contents

1.	Introduction and context	3
2.	Executive Summary	10
3.	Factual findings	15
4.	Update on previous findings	21
5.	Appendices	
	Appendix 1 - Virtual interviews attendees	26
	Appendix 2 - Summary scoring	27
	Appendix 3 - Definition of terms	30

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 the FTSE Russell ESG Advisory Committee (the “ESG Advisory Committee”). Up until 2021, this was governed by the FTSE4Good Breast Milk Substitute Committee (the “BMS Committee”).

1.1.1. Overview of the scope

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 second higher risk country selected. An earlier report, published in April 2021, contains the assessment performed for Corporate Head Office and the first higher risk country selected, the Philippines.

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, and since 2021 the ESG Advisory 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 in the second higher risk country selected for the verification.

The second higher risk country selected for a site visit by ATNI, based on a combination of its own and FTSE Russell selection criteria, was Mexico. 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 visits to 10 large retailers, and monitoring of 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.

Note; As a result of restrictions caused by the COVID-19 pandemic (see further details in section 1.3.2), the scope of Westat data collection was reduced compared to data collection performed for the first country visit, the Philippines, described in the report titled "PwC verification assessment report - Corporate Head Office and Philippines visit, Danone, March 2021".

For the Philippines, Westat performed interviews at 43 HCFs with mothers and health care professionals (HCPs), and observations of informational and educational materials and equipment in those settings. For Mexico, HCF visits and the related observations were not performed. For the Philippines, Westat visited 43 large and small physical retailers, for Mexico, as noted above, 10 large retailers were visited.

PwC were provided with the findings of the Westat studies for products within the scope of the FTSE4Good Criteria. These findings have been reported in section 3.2.

Joint interviews

ATNI joined PwC to carry out virtual interviews with relevant staff from the in-country Head Office.

Notification to Companies of location

No notice was given to Danone before Westat started data collection in retailer outlets and media monitoring was performed. Danone was notified that Mexico was the second higher risk country selected 7 working days in advance of PwC and ATNI's interviews conducted virtually.

1.3. Scope of work performed by PwC and Westat

This section describes the scope of work performed for the Mexico assessment. Please see the report titled “PwC verification assessment report - Corporate Head Office and Philippines visit, Danone, March 2021” for the scope of work performed for the Corporate Head Office and Philippines assessment.

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 relevant to the in-country Head Office through performing virtual interviews and reviewing documentation electronically;
- Reporting Westat data collection findings; and
- Reporting key factual findings.

The 2019/20 verification was extended to incorporate the Reckitt Benckiser business (Reckitt). Confirmation that Reckitt 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 Reckitt. The results of the Nestlé and Reckitt verification assessments are presented in separate reports.

1.3.1. PwC evidence gathering methodology

In light of the COVID-19 outbreak and government guidance it was agreed that this review would be undertaken remotely. PwC evidence gathering procedures involved performing interviews through video conferencing and inspection of evidence which was provided electronically. The scope of the review was consistent with that originally agreed.

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
In-country Head office in Mexico	<p>Performed virtual interviews with the Danone Mexico team with respect to 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 virtual interviews 7 working days in advance.</p> <p>Note: Danone Mexico Specialized Nutrition has one employee, and has no office presence in Mexico.</p>
Distributors in Mexico	<p>Interviewed 1 contractual distributor for Danone.</p> <p>Note: Danone operate on a distributor model in Mexico. 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. In early 2020, Westat worked with its local partner Universidad Iberoamericana to collect all necessary geographic, demographic and other data to select the sample of HCFs that would be visited to interview HCPs (and mothers). After that exercise had been done, ATNI made the decision, with Westat, because of the COVID-19 pandemic, that the scope of the study should be narrowed and no visits should be made to HCFs or small retailers. It was agreed that it would be safe, with appropriate precautions, for data collectors to visit the larger retailers. Therefore, this assessment did not include interviews with HCPs (or mothers) nor evaluation of point-of-sale advertising or promotion in smaller retailers but does include such data from the 10 large retailers (and online retailers). The steps below relate to the data that was collected.

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 Mexican 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.
- Visits were made 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 Westat's local partner Universidad Iberoamericana.
- The five online retailers monitored in Mexico were the largest in the country; Farmacia San Pablo, Walmart Mexico, Amazon Mexico, Chedraui, and Mercado Libre. ATNI confirmed with each company prior to starting data collection which online retailers it had a formal commercial relationship with. Note that for Danone, no findings are included in relation to Mercado Libre and Chedraui as it has no official relations with these two e-retailers.
- Universidad Iberoamericana conducted online searches and visited larger retailers to compile a list of a total of 457 distinct BMS and CF 6-36 month products made by 19 companies (including parallel imports). ATNI checked with each company which products were legitimate BMS products and which were parallel imports; for the 3 FTSE4Good companies, a total of 59 IF, FOF and CF0-6 products were confirmed as legitimate. Not all were available to purchase. The labels and inserts of 28 of their in-scope products that could be purchased were analysed.
- For traditional media, Universidad Iberoamericana entered directly into an agreement with Eficiencia Informativa (EFINFO), a local independent media monitoring organization.

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

1.3.2. Westat data collection methodology: Netcode (continued)

EFINFO provided data for 6 months (May through October 2020). In total, EFINFO monitored ads within news and editorial programming on 31 television channels and 44 radio channels which represented more than 70% of the market. In addition, Universidad Iberoamericana monitored ads across the same media, during 8 hours per day, within all programming, for 3 months (August – October 2020.)

- 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 Mexico or targeted a Mexican audience were included in the monitoring. Westat did not monitor global company and brand websites or their social media pages. Westat trained local partner staff to monitor the selected websites weekly for eight weeks (during September and October 2020). Universidad Iberoamericana 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, 6 brand websites, 6 YouTube pages, 9 Facebook pages, 5 Twitter pages, and 5 Instagram pages 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 4 YouTube pages, 9 Facebook pages, 3 Twitter pages, and 6 Instagram pages associated with the parenting and child websites.

Study Characteristic	Number
Total retail outlets visited	10 (5 pharmacies and 5 supermarkets)
Total online retailers monitored	5
Total mother + baby websites, + associated digital media	10 + 22
Traditional media duration	6 months
Total products assessed (labels and inserts)	332
FTSE companies- legitimate in-scope products assessed	28

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

Note; 332 is the total number of products found in the market, made by all companies, assessed by ATNI. A total of 59 were made by the 3 FTSE4Good companies, but it was only possible to purchase 28.

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 ESG Advisory Committee (prior to 2021, the 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 also be published within the BMS section of FTSE Russell's website.

PwC's findings are presented for the ESG Advisory Committee's consideration. It is the responsibility of FTSE Russell and the ESG Advisory 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 ESG Advisory Committee (prior to 2021, the 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 subjected to its second FTSE4Good verification assessment. Interviews were held in November 2019 at the Danone Specialized Nutrition Head Office in Hoofddorp, the Netherlands (Corporate Head Office), followed by a site visit to the Philippines in March 2020. The findings from those visits are contained within a separate report titled “PwC verification assessment report - Corporate Head Office and Philippines visit, Danone, March 2021”. Interviews were held for Mexico in November 2020; these were performed virtually, rather than face-to-face, as a result of restrictions caused by the COVID-19 pandemic.

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 Philippines site visit and Mexico virtual interviews also demonstrated awareness of the Criteria at the in-country level and appropriate allocation of responsibilities. Additionally, we noted that policies and procedures in each country are adapted for local requirements.

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 ESG Advisory 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 Specialized Nutrition business division (SN) which specialises in therapeutic food and clinical nutrition and products range includes infant formula and specialized nutrition for babies with specific needs and for breastfeeding mothers. Globally, there are 22 Specialized 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:** Mexico’s BMS legal framework is spread out across multiple legal instruments. It is necessary to review six separate key legal documents to have a full understanding of the extent and scope of the country’s Code law. These are:
 - General Health Law (issued in 1984; amended 2009);
 - Official Mexican Standard on care for women during pregnancy, childbirth and postpartum and of the newborn (issued in 1995; amended 2016);
 - Regulations for the Sanitary Control of Products and Services (issued in 1999; amended 2016);
 - Regulations of the General Health Law on Advertising Matters (issued in 2000; amended 2014);
 - Official Mexican Standard on Infant formula, follow-on formula and formula for special medical purposes. Foods and non-alcoholic beverages for infants and young children. Provisions and sanitary and nutritional specifications. Labeling and Test Methods (2012); and
 - General Health Council Agreement Issuing Provisions for Strengthening Public Policy on Breastfeeding in Relation to Breast Milk Substitutes (2013).

The six key key legal documents address the marketing and labelling of BMS products, and the labelling of food and non-alcoholic beverages for infants and young children. They apply in different ways to different product types from birth to 36 months of age, including:

- Infant formula (IF) 0-6 months;
- Follow-on formula (FOF) 6-36 months;
- Foods for Special Medical Purposes (FSMPs) 0-36 months; and
- Food and non-alcoholic beverages for infants and young children (also referred to as complementary foods).

The labelling requirements within Mexico's legal framework go beyond the Code in some respects both for BMS and for food and non-alcoholic beverages for infants and young children.

2.1.1. Approach to implementation of the criteria

According to the 2020 WHO, UNICEF and IBFAN status report, “Marketing of breast milk substitutes: national implementation of the international code, status report 2020. Geneva: World Health Organization; 2020”, Mexico’s Code law is classified as “moderately aligned with the Code” (score of 50 - <75).

2. **Breastfeeding trends:** According to “Breastfeeding practices in Mexico: Results from the National Demographic Dynamic Survey 2006–2018” (Mishel Unar-Munguía Ana Lilia Lozada-Tequeanes et al.), published in December 2020:
 - Between 2006 and 2018, the prevalence of “ever breastfed” increased from 91.8% to 94.2%. “Ever breastfeeding” is the prevalence of infants <24 months who were given breast milk at least once.
 - Between 2009 and 2018, the prevalence of “exclusive breastfeeding” increased from 13.0% to 20.7%. “Exclusive breastfeeding” is the prevalence of children <6 months who were still breastfeeding at the time of the survey (status quo) and who did not report introducing other foods or liquids before 6 months of age (by recall of the mother).
 - Between 2006 and 2018, “early initiation” of breastfeeding increased from 40.8% to 59.7%, where “early initiation” is defined as the prevalence of children <24 months who were breastfed in the first hour of life after birth.
 - Improvements in breastfeeding practices between 2009 and 2018 coincide with some progress made in legislation and policies to favour breastfeeding but are still far from WHO recommendations.

Local operating context

1. **Market share:** Danone accounts for approximately 0.7% of the total infant formula market share (as confirmed with Danone) in Mexico.
 2. **Operating model:** Previously Danone operated a Country Business Unit (CBU) model in Mexico. Since 2019, Danone have operated sales as Nutricia Worldwide through a distributor model, with one exclusive importer and distributor, Biocodex Mexico (Biocodex). Biocodex import products from the Netherlands and sell on to retailers. Through this model they have expanded their geographical coverage. Danone has no other contractual partners in Mexico. As a result of this model, Danone Specialized Nutrition only has one employee in Mexico, the Country Manager. The Country Manager is supported by Nutricia Worldwide in overseeing the operations of Biocodex. Nutricia Worldwide is based in Zoetermeer, the Netherlands, and is the export organisation of Danone Specialized Nutrition.
 3. **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 (Amazon). Drugstores account for the vast majority of distribution (87%- as confirmed with Danone).
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2.2. Key findings

PwC findings are indicated by areas shaded in **yellow**. No findings were noted by Westat with respect to the FTSE4Good Criteria.

Finding	Detail
1.	<p>Sale incentives are based on total company sales or market share of Danone’s Specialized Nutrition division</p> <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 Mexico, incentives are based on total company sales or market share of Danone’s Specialized Nutrition division. Infant Formula (IF) is a subset of the total company sales or market share.</p> <p>Furthermore, within the Biocodex contract with Danone, there is a performance bonus based on total annual importation of all products i.e. not just infant formula.</p>
2.	<p>Awareness of the company policy is not raised to all relevant stakeholders outside its boundaries of control</p> <p>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. For example, 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. However, Biocodex confirmed that they do not send letters to trade partners.</p>
3.	<p>Analysis over timeliness of response to allegations is not performed</p> <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).</p> <p>While response timeframes are established for all allegations, these are not formally monitored or reported on.</p>
4.	<p>BMS Policy not publicly available</p> <p>The Danone BMS Policy is not accessible on the Grupo Danone Mexico website. Danone confirmed that this is due to the organisational structure i.e. that the distributor is subcontracted by Nutricia Worldwide, rather than Danone.</p>

Finding	Detail
5.	<p>Membership of all trade associations are not disclosed</p> <p>The Tool requires companies to have a procedure to disclose its membership of trade associations and industry policy groups. Danone Mexico is a member CANILEC (Cámara Nacional de Industriales de la Leche de México), the National Chamber of the Dairy Industry. Their membership to CANILEC is disclosed within a PDF attached to the Danone global website, however their membership is not disclosed on the Grupo Danone Mexico website.</p>
6.	<p>Requirement for compliance with BMS Policy is not clearly included in Biocodex employee contracts</p> <p>The Tool requires formal job descriptions for relevant sales and marketing personnel that are linked to the requirements of the company policy. In Mexico, the job descriptions inspected for a sample of Biocodex employees did not include explicit reference to the Danone BMS Policy, the WHO Code or local BMS legislation. Instead the job descriptions included a generic “comply with the policies and procedures of the organization” statement. One of the two job descriptions inspected also included a generic “comply with regulatory and legal requirements” statement, however it does not explicitly reference BMS.</p>
7.	<p>Documentation not retained</p> <p>The following documents were not retained:</p> <ol style="list-style-type: none"> 1. Two detailers (material providing details or scientific information to HCPs on a product’s potential uses, benefits, side/adverse effects) were selected, and the content and approvals were requested. While we were able to inspect Biocodex’s final approval, we were unable to inspect Danone’s final approval. This is because these approvals were stored in a sharepoint which is no longer in use. Exact Synergy is the current system in place, however the old approvals had not been moved into Exact Synergy. 2. The Danone Mexico employee and a sample of two Biocodex employees were selected, and evidence of the training they have completed was requested. For one of the Biocodex employees, no evidence of BMS training could be provided, as this had not been retained by Biocodex.
8.	<p>Disclosure by HCPs to institutions of contributions is not enforced by Danone</p> <p>The Tool requires companies to have a procedure 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. Danone Mexico does not have this procedure in place.</p>

3. Factual findings

3.1. PwC factual findings

Virtual interviews with staff from Corporate Head Office, the Danone Mexico Country Manager and staff from Biocodex were performed in November 2020. Representatives from Corporate Head Office were in attendance due to the oversight they perform for Mexico. The fieldwork assessment 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 are provided in the table below.

The factual findings relating to Corporate Head Office and the Philippines are included in a separate report titled “PwC verification assessment report - Corporate Head Office and Philippines visit, Danone, March 2021”. In some instances, an observation at the local level in Mexico may be derived from a policy or practice that is established at Corporate Head Office. Where this is the case, details of the Corporate Head Office observation have also been included in this report for context. No other Corporate Head Office observations will be duplicated within this report.

Area	Factual Findings
3.1.1. Company policies and procedures	<ol style="list-style-type: none"><li data-bbox="471 511 1843 721">1. Governance structure: The responsibility for the management, implementation and monitoring of compliance with the Danone BMS Policy is overseen by the Danone Specialized Nutrition Head Office in Hoofddorp, the Netherlands. Country specific manuals have been created for approximately half of the countries in which Danone Specialized 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, and often falls within the remit of the Country Manager. 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 data-bbox="471 749 1843 929">2. Implementation of BMS policies and procedures: 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 Mexico includes the ‘Danone Policy for the Marketing of Breast Milk Substitutes’, the ‘BMS Compliance Directive’, and the CANILEC Commission for Infant Formula Manufacturers (CFFI) “Code of Ethics, Transparency and Good Marketing and Advertising Practices for Substitutes of Breast or Human Milk for Breastfed Infants”, which includes any additional requirements derived from the local legislation.<li data-bbox="471 956 1843 1033">3. Knowledge of the Criteria: 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.

Area	Factual Findings
	<p>4. Scope with respect to FSMPs: Danone’s BMS Policy acknowledges that where national legislation or regulations are more demanding than their BMS Policy, the company will follow the national measures in addition to their BMS Policy. As noted in section 2.1, FSMPs are included within the scope of national legislation and therefore are Covered Products for Danone in Mexico (i.e. products that fall under the Danone BMS Policy).</p>
<p>3.1.2. Lobbying and trade associations</p>	<p>1. In-country support of public policy (Government lobbying): Danone Mexico stated that, in line with Corporate Head Office, it continues to support efforts by governments to implement the Code. The trade association most relevant to infant formula in Mexico, which Danone is a member of, is CANILEC (Cámara Nacional de Industriales de la Leche de México), the National Chamber of the Dairy Industry. The new President of the Chamber, in role since October 2020, is a Vice President of Supply at Danone Mexico. Chamber members meet on a monthly basis; representatives from Biocodex (Regulatory Affairs and Commercial, Sales and Medical) attend these meetings and report any issues or topics for discussion to the Danone Country Manager. The Country Manager then exchanges relevant communications with Corporate Head Office. Globally, Danone’s membership to trade associations and industry policy groups is publicly available on the Danone global website, and most easily found within the Appendix of the Danone Policy on Advocacy. Danone Mexico’s membership to CANILEC is disclosed within a PDF attached to the Danone global website, however their membership is not disclosed within the Appendix of the Danone Policy on Advocacy, nor on the Danone Mexico or Danone Aptclub Mexico websites.</p>
<p>3.1.3. Health Care Professionals and Health Care Entities</p>	<p>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 involved in the Mexico interviews (refer to Appendix 1). The Tool requires companies to have a procedure 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. Danone Mexico does not have this procedure in place.</p> <p>2. Information and education materials: An Aptamil and Neocate detailer (material providing details or scientific information on a product’s potential uses, benefits, side/adverse effects) were inspected. These documents are to be presented to HCPs during hospital visits by Biocodex medical staff. No issues were noted with respect to the detailers including the content required by the Code and the Tool. While we were able to inspect Biocodex final approval of the materials, we were unable to inspect Danone final approval. This is because these approvals were stored in a sharepoint which is no longer in use. Exact Synergy is the current system in place, however the old approvals had not been moved into Exact Synergy.</p>
<p>3.1.4. Employees</p>	<p>1. Infant nutrition team: Danone Specialized Nutrition only has one employee in Mexico- the Country Manager. The Country Manager is supported by Nutricia Worldwide in overseeing the operations of Biocodex. This is a dedicated, senior team experienced in infant nutrition, who oversee the implementation of the Criteria as well as implementation and monitoring of the Danone BMS Policy in Mexico. The Biocodex team are also experienced in infant nutrition and the national legislation.</p>

2. **Training and awareness:** Training and awareness of the Danone BMS Policy is a mandatory part of every Danone Specialized Nutrition employee's induction, which is performed within 3 months of joining the Specialized 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. Danone also provide specific BMS training to relevant Biocodex managers.
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 Mexico interviews, the Danone employee and the Biocodex 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 Specialized 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. This is the case for the single Danone Mexico employee. However, job descriptions inspected for a sample of Biocodex employees did not include explicit reference to the Danone BMS Policy.
6. **Bonuses:** Although incentives at Corporate Head Office and in Mexico are not based on volume or value of Specialized Nutrition sales, they are based on total company sales or market share of Danone's Specialized Nutrition division. Infant Formula (IF) is a subset of the total company sales or market share.

3.1.5. Contractual third parties

- Biocodex Mexico (Biocodex) is the sole importer and distributor in Mexico. Danone has no other contractual partners in Mexico.
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. For Biocodex, 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:** During the interviews performed with Biocodex employees, we confirmed that BMS training provided by Danone was completed by Biocodex managers.

This includes induction training once per quarter which is mandatory for all newcomers since the last induction training, and yearly refresher training Biocodex managers then perform training for other Biocodex employees. The Danone Mexico employee and a sample of two Biocodex employees were selected, and evidence of the training they have completed was requested. For one of the Biocodex employees, no evidence of BMS training could be provided, as this had not been retained by Biocodex.

3. **Raising allegations:** The employees at Biocodex were aware of the DEL whistleblowing hotline, and stated that it is included within training materials for Biocodex employees. We inspected reference to DEL within the BMS training materials that Danone use to train relevant Biocodex managers.
4. **Bonuses/incentives based on BMS sales:** Within the Biocodex contract with Danone, there is a performance bonus based on total annual importation of all products i.e. not just infant formula. 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 Biocodex demonstrated good knowledge of the Danone BMS Policy and the national legislation. During the interviews performed with Biocodex employees, they explained that they maintain frequent contact with the Danone Country Manager (and others where required) and receive adequate support to guide operations.
6. **Potential corrective actions for non-compliances:** Within the Biocodex contract with Danone, corrective actions and disciplinary measures were included for non-compliance with the BMS Policy, and/or other policies listed within a schedule in the contract.

3.1.6. Non contractual third parties

1. **Training/raising awareness:** 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. Biocodex confirmed that they do not send letters to retailers.
2. **Raising allegations:** DEL is available in 15 languages and is only available via an online portal. DEL cannot be easily identified on the Danone Mexico or Danone Aptclub Mexico website. There is an icon at the bottom of each page, but it is not clearly identifiable as a whistleblowing hotline. It was noted that on the Danone Mexico website, a phone number and a separate compliance mailbox are also provided as alternative options to DEL. Danone confirmed that where reports are raised via these alternative methods, if the report is related to BMS compliance the team will enter the case into DEL.

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.

Area	Factual Findings
	<p>2. In-country internal monitoring: During our Corporate Head Office visit, Danone confirmed that the BMS Country 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 Mexico confirmed that they are required to complete a BMS self-assessment on an annual basis and provided us with the 2019 completed Scorecard. The 2020 Scorecard was not yet completed at the time of our review. Beyond the annual BMS Scorecard self-assessment, the Danone team in Mexico 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.</p>
<p>3.1.8. External/ Independent assessments</p>	<p>1. External and independent assessments are handled by Corporate Head Office. Further details are included in the report titled “PwC verification assessment report - Corporate Head Office and Philippines visit, Danone, March 2021”.</p>
<p>3.1.9. Allegation handling and reporting</p>	<p>1. Mexico: The Biocodex team report allegations of non-compliance to the Danone BMS Country Manager, who then reports to the global team. Remediation actions are performed at an in-country level. Allegation oversight, remediation planning, tracking of progress and reporting are handled by the global team and not at an in-country level.</p>

3.2. Westat factual findings

The findings below summarise the results of the procedures described in section 1.3.

Area	Factual Findings
3.2.1. Information and education materials and equipment (HCFs and retailers)	No findings noted.
3.2.2. Traditional media	No findings noted.
3.3.3. Online media	No findings noted.
3.2.4. Labels	No findings noted.
3.2.5. Promotion on online retailer sites	No findings noted.
3.2.6. Promotion in physical retailers	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 with respect to the assessment of Mexico. Current year observations with respect to the assessment of Corporate Head Office and the Philippines can be found in the report titled "PwC verification assessment report - Corporate Head Office and Philippines visit, Danone, March 2021".

Previous finding	2019/20 update	Related Tool Criteria
<p>1. <u>Lack of formalised country specific policies and procedures</u>: 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"> - A team at the Corporate Head Office level is responsible for identifying the BMS related advertising and promotion restrictions; and - 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. <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 Specialized 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: FTSE Criteria 4 and 7</p>
<p>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>: 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>As noted in section 2.1, FSMPs are included within the scope of national legislation and therefore are Covered Products for Danone in Mexico.</p>	<p>Policy Criteria: FTSE Criteria 5</p>
<p>3. <u>Similarities between the corporate brand name and the product brand name</u>: 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. <i>Sale incentives</i>: 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 Biocodex contract with Danone, there is a performance bonus based on total annual importation of all products i.e. not just infant formula.</p> <p>Also, as noted in finding 3.1.4.6, incentives at in Mexico, are not based on volume or value of Specialized Nutrition sales, they are based on total company sales or market share of Danone’s Specialized Nutrition division. Infant Formula (IF) is a subset of the total company sales or market share.</p>	<p>Management systems: Additional Assessment Measures 1.6</p>
<p>5. <i>Process for reporting non-compliance by stakeholders</i>: 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 3.1.5.2, the employees at Biocodex were aware of the Danone Ethics Line, and confirmed that it is included within training materials for Biocodex employees.</p> <p>During our discussions with the Danone Mexico Specialized Nutrition employee, the individual confirmed that they team report all instances of non-compliance to the Head of Legal & Regulatory Affairs, who then reports them to the Category Senior Compliance Officer.</p>	<p>Management systems: FTSE Criteria 5</p>
<p>6. <i>Promotional items</i>: 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>As a result of restrictions caused by the COVID-19 pandemic, HCF visits were not in the scope of work performed by Westat for the Mexico assessment. HCF visits and HCP interviews were not in the scope of work performed by PwC for this verification assessment.</p>	<p>Management systems: 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>As a result of restrictions caused by the COVID-19 pandemic, HCF visits were not in the scope of work performed by Westat for the Mexico assessment. HCF visits and 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 Biocodex, we confirmed that BMS training was run by Danone for relevant Biocodex managers. This includes induction training once per quarter which is mandatory for all newcomers since the last induction training, and yearly refresher training. Biocodex managers then perform training for other Biocodex employees. The Danone Mexico employee and a sample of two Biocodex employees were selected, and evidence of the training they have completed was requested. For one of the Biocodex employees, no evidence of BMS training could be provided, as this had not been retained by Biocodex.</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, 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. Biocodex confirmed that they do not send letters to trade partners.</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>No observations noted by Westat with respect to this finding. No parallel imports of Danone products were identified by Westat.</p>	<p>N/A</p>

Previous finding	2019/20 update	Related Tool Criteria
<p>11. <u>Inappropriate product promotion by retailers:</u> Retailers inappropriately promoted in-scope products:</p> <ul style="list-style-type: none"> • 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; • 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 • 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. 	<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>
<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. As such, 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: Additional Assessment Measures 1.3</p>

Appendices



Appendix 1 - Virtual interviews attendees

Mexico Virtual Interviews

Danone Corporate Head Office:

Category Senior Compliance Officer SN

Nutricia Worldwide, Global:

Head of Legal & Regulatory Affairs

Senior HCP Solution Manager

Nutricia Worldwide, Mexico:

Country Manager Mexico

Biocodex Mexico:

General Manager

Head of Commercial, Sales & Medical

Head of Marketing

Regulatory Affairs Senior Manager

Appendix 2 - Summary scoring

The table below provides an overview of the 2019/20 findings for Mexico as they relate to the Tool Criteria. PwC findings are indicated by areas shaded in **yellow**. No findings were noted by Westat with respect to the FTSE Criteria. Note, 2019/20 findings relating to Corporate Head Office and the Philippines are included in a separate report titled “PwC verification assessment report - Corporate Head Office and Philippines visit, Danone, March 2021”.

Policy Criteria

Criteria	2019/20 Verification Assessment
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'.	Mexico
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
	Mexico
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
	Mexico
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
	Mexico
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
	Mexico
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 Specialized Nutrition Head Office in Hoofddorp, the Netherlands
Covered Product	Product that falls under the Danone BMS Policy
Danone BMS Policy	<p>The following documents created at Corporate Head Office:</p> <p>Danone Policy for the Marketing of Breast Milk Substitutes- This Policy provides instructions and guidance when undertaking Marketing activities on Breast Milk Substitutes.</p> <p>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.</p>
DEL	Danone Ethics Line (whistleblowing hotline)
FSMP	Food for special medical purposes
HCFs	Health Care Facilities
HCPs	Health Care Professionals
In-scope product	Products in-scope based on the stricter of FTSE4Good Criteria or national legislation

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