

DANONE'S REPORT
on alleged non-compliance with
the Danone Policy
for the Marketing of
Breast-Milk
Substitutes

2016

Early Life Nutrition and Danone's Mission

Danone's mission is ***"To Bring Health Through Food to as Many People as Possible"*** and we do this by providing healthy and nutritious products to millions of people around the world. As a leader in early life nutrition, we have a key role to play in both adhering and promoting responsible and ethical marketing practices.

Our Commitment to Responsible Marketing

At Danone, we understand the challenges faced by parents in raising their children and we believe that all parents should have access to the right information to allow them to make appropriate and informed feeding choices for their children.

In support of this, we acknowledge the importance of the International Code of Marketing of Breast-Milk Substitutes and subsequent relevant World Health Assembly ("WHA") resolutions and support the World Health Organisation's ("WHO") recommendation calling for exclusive breast-feeding for the first six months after birth and continued breast-feeding along with the introduction of safe and appropriate complementary foods thereafter. We work alongside committed partners, mobilising stakeholders to promote the long-term benefits of ensuring the right nutrition during the first 1000 days.

Breast-Milk Substitute Policy

Effective from June 1, 2016, Danone has revised and updated its Policy with regards to the Marketing of Foods for Infants and Young Children to the Danone Policy for the Marketing of Breast-Milk Substitutes (the "Policy"). The revised Policy continues to detail areas where employees need to make ethical decisions related to the marketing of breast-milk substitutes ("BMS"). The Policy does not replace the WHO Code, but provides instructions and guidance when undertaking a broad range of marketing activities related to BMS.

In conjunction with the revision of the Policy, Danone also updated its Management System Manual. The revised Manual – Danone Procedures Manual for implementing its Policy on the Marketing of BMS (Procedures Manual – BMS), sets forth Danone's internal processes and provides guidelines for consistent application and implementation for all Danone entities involved in the marketing & sale of breast-milk substitutes.

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Compliance with our Policy

Danone has committed to preparing and publishing an annual report for our key stakeholders and other interested parties which details how the company complies and manages compliance with our own Policy. It is part of our efforts to ensure greater transparency and accountability for our actions and to detail instances of non-compliance, and corrective actions undertaken. The allegations received until the 1st of June 2016 aimed to assess compliance with the Policy for the Marketing of Foods for Infants and Young Children. As of June 2016, the allegations aimed to assess compliance with the Danone Policy for the Marketing of Breast-Milk Substitutes.

Reporting on Compliance

In our reporting, we categorise allegations as either substantiated or unsubstantiated versus our Policy and/or local regulations. We follow a strict process of evaluation of each allegation received from our local business units – irrespective of how or from whom the allegation is reported. In 2016, the Access to Nutrition Foundation (ATNF) published their findings on an assessment done in India (“the 2016 India Spotlight”). The allegations reported in their findings are also included in this report.

At Danone, we take every non-compliance allegation very seriously. We investigate promptly to determine the best course of action to remediate the situation and prevent further occurrences.

Once an allegation is received by Danone, all facts are reviewed to establish if the information presented is genuine, and an investigation is made promptly to determine whether the alleged activity is compliant with our own Policy and applicable legislation regarding the marketing of breast-milk substitutes.

We review compliance according to the following categories:

- Interaction with the general public
- Interaction with health workers
- Labelling of covered products
- Information/Education to the general public.

Substantiated allegations are then further classified as to:

- a) Actions conducted by Danone (which includes all subsidiary companies).
- b) Actions conducted by third Parties (for example independent retailers, pharmacies).

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A full analysis of substantiated allegations (related to either our own actions or those of third parties) is detailed in the Appendices to this report, but in summary, the following can be reported on, for the period 1 January to 31 December 2016:

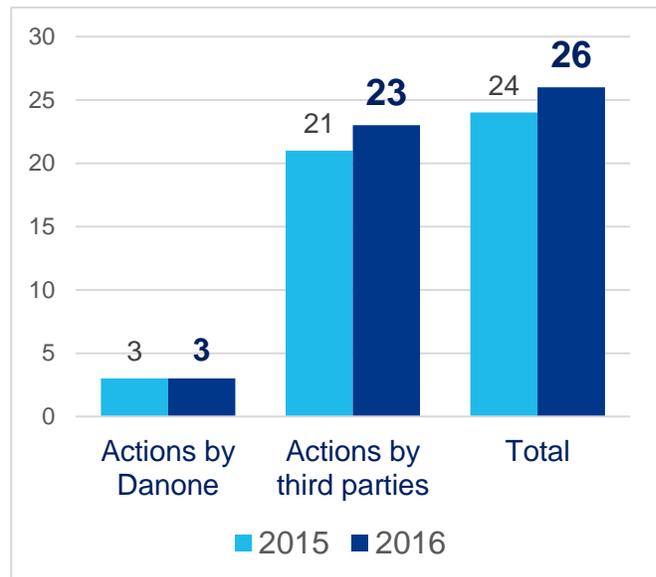
- No evidence of systematic violations of our Policy or local regulations were identified
- A total of 54 allegations were received:
- 26 were assessed as being substantiated:
 - 3 due to actions by Danone
 - 23 due to actions by third parties.
- 28 allegations were found to be unsubstantiated.



Any further analysis included in this report, has been prepared on the basis of the 26 substantiated allegations only.

Analysis of Substantiated Allegations 2016 vs. 2015

- Total substantiated allegations increased by 8 % vs. 2015 (from 24 to 26).
- The number of substantiated allegations attributable to Danone was 3, equal to 2015.
- The substantiated allegations resulted from actions undertaken by third parties increased by 10% compared to 2015 (from 21 to 23).

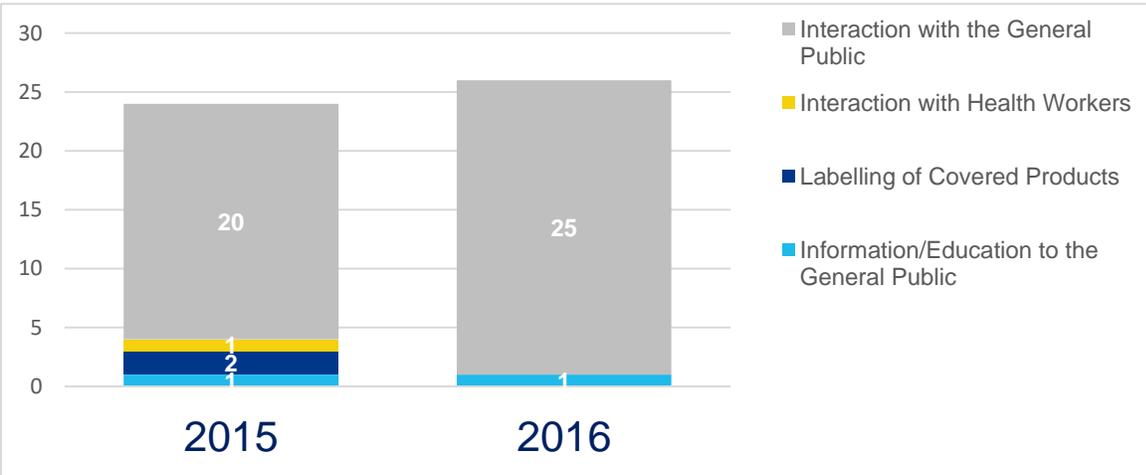


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Categories of Allegation

Danone receives allegations from different sources and reviews all facts before an allegation is assessed as substantiated. We have analysed below the category and geographic region of the substantiated allegations.

- Interaction with the general public: 25
- Interaction with health workers: 0
- Labelling of covered products: 0
- Information/Education to the general public: 1

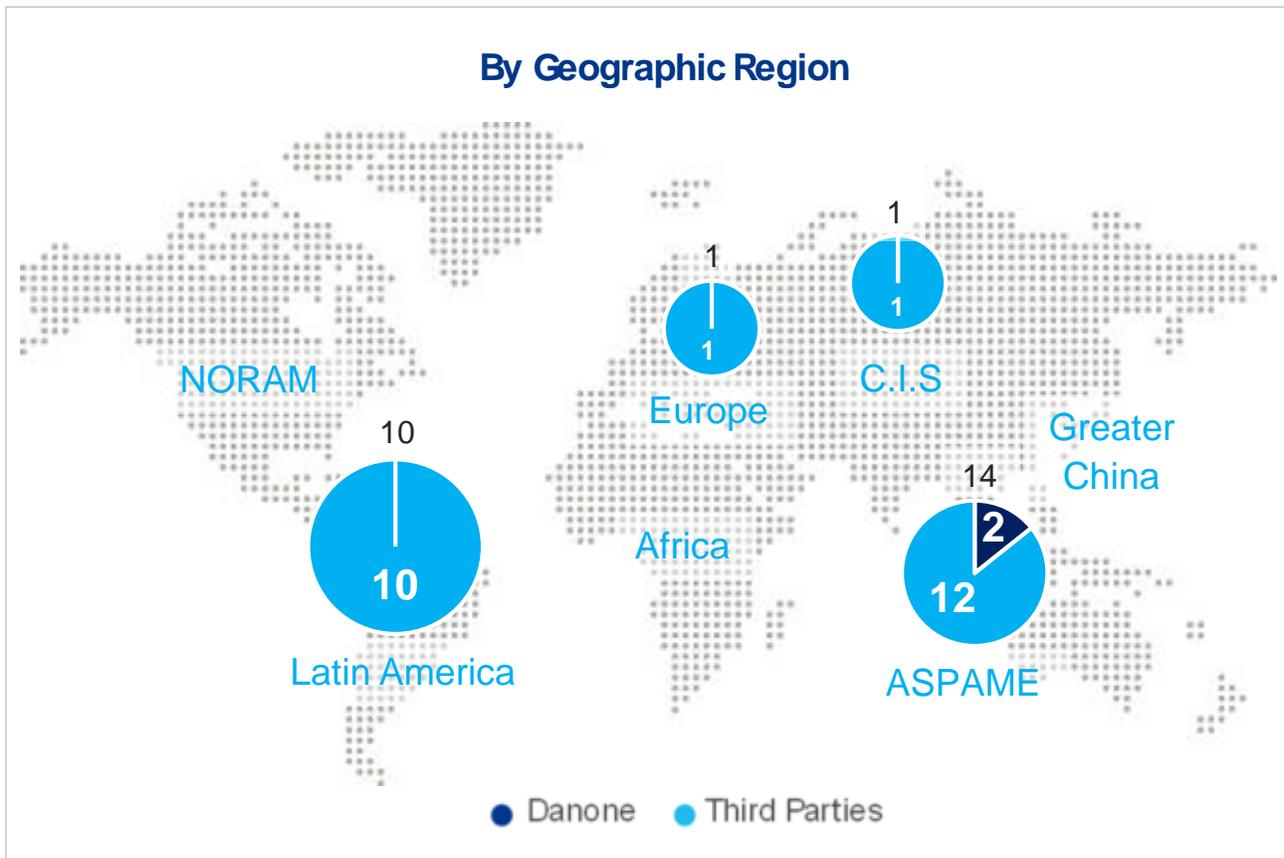


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Geographical Analysis of Substantiated Allegations

Compared to the year before, more substantiated allegations were reported in the ASPAME region: 54% (14 out of 26) of total substantiated allegations versus 38% (9 out of 24) in 2015. Furthermore, Latin America accounted for 38% of all substantiated allegations (10 out of 26), whereas that region accounted for 29% of all substantiated allegations in 2015.

Total 26 substantiated allegations:



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Conclusion

2016 had a limited number of substantiated allegations originating from actions by Danone, similar to 2015.

There were no substantiated allegations by Danone relating to “Interactions with health workers” and “Labelling of covered products” and only 1 relating to “Information/ Education to the general public”, reflecting significant investment in driving awareness and training in these areas.

These results are encouraging overall, but in total 25 out of the 26 substantiated allegations are originating from “Interactions with the general public”, mainly by third parties. This remains a focus area for training and monitoring of relevant third parties and Danone employees.

Danone remains committed to working closely with third parties to raise awareness of our Policy, and to reinforce our underlying Danone business principles. With a continued focus on education and training at the retail outlet/consumer interaction level, collectively we work towards ethical and compliant marketing practices, at all times.

We are a strong supporter of responsible marketing practises and are committed to continuing to improve both our own practises and those of the industry. We encourage all stakeholders and consumers to report any instances of alleged non-compliance with our Policy or local regulations directly to us for further action/follow up.

Attachments:

Appendix 1: Substantiated Allegations Concerning Activities by Danone

Appendix 2: Substantiated Allegations Concerning Activities by third parties

Appendix 1: Substantiated Allegations concerning activities by Danone

Month	Category	Summary Allegation	of	Comments	Summary Corrective Actions	Region
1	August	Information/ Education to the General Public	Promotion of follow- on formula through an online video.	In line with our Policy, follow- on formula, in Higher Risk Countries, should not be promoted or advertised.	Although the video was created in 2013, the video has been removed and Danone employees follow continuous training about our commitments and the importance of compliance to our Policy.	Europe
2	December	Interaction with General Public	Providing samples of infant formula and follow-on formula to a hospital.	In line with our Policy, samples of infant formula and follow-on formula, in Higher Risk Countries, should not be distributed to HCPs or the general public via HCPs.	Hospital was informed to stop the practice immediately and the samples were retrieved by Danone. Danone employees follow continuous training about our commitments and the importance of compliance to our Policy.	Asia Pacific
3	December	Interaction with General Public	Providing samples of infant formula and follow-on formula to a hospital.	In line with our Policy, samples of infant formula and follow-on formula, in Higher Risk Countries, should not be distributed to HCPs or the general public via HCPs.	Hospital was informed to stop the practice immediately and the samples were retrieved by Danone. Danone employees follow continuous training about our commitments and the importance of compliance to our Policy.	Asia Pacific

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Appendix 2: Substantiated Allegations concerning activities by third parties

Month	Category	Summary of Allegation	Comments	Summary Corrective Actions	Region	
4	January	Interaction with the General Public	Promotion through discounted price of infant formula in retail outlet.	In line with our Policy, infant formula should not be promoted or advertised.	Discounted price was adjusted immediately by retailer. Re-iterated to the retailer Danone's commitments and the importance of compliance to our Policy.	Latin America
5	February	Interaction with Health Workers	Online promotion of infant formula and follow-on formula by retailer.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Retailer was informed immediately that such promotions are not permitted and the promotion was removed.	Asia Pacific
6	March	Interaction with the General Public	Promotion through discounted price of infant formula in retail outlet.	In line with our Policy, infant formula should not be promoted or advertised.	Discounted price was adjusted immediately by retailer. Re-iterated to the retailer Danone's commitments and the importance of compliance to our Policy.	Latin America
7	March	Interaction with the General Public	Promotional sticker on follow-on formula in pharmacy.	In line with our Policy, follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Pharmacy was informed immediately that such promotions are not permitted and the stickers were removed.	Latin America
8	March	Interaction with the General Public	Promotional sticker on infant formula in retail outlet.	In line with our Policy, infant formula should not be promoted or advertised.	Retailer was informed immediately that such promotions are not permitted and the promotion sticker was removed.	Asia Pacific
9	March	Interaction with the General Public	Promotional sticker on infant formula in retail outlet.	In line with our Policy, infant formula should not be promoted or advertised.	Retailer was informed immediately that such promotions are not permitted and the promotion sticker was removed.	Asia Pacific

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10	March	Interaction with the General Public	Promotional sticker on infant formula in retail outlet.	In line with our Policy, infant formula should not be promoted or advertised.	Retailer was informed immediately that such promotions are not permitted and the promotion sticker was removed.	Asia Pacific
11	March	Interaction with the General Public	Promotion of infant formula and follow-on formula by retailer using a special end gondola display.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Retailer was informed immediately that such special displays are not permitted and the products were removed from the end gondola. Re-iterated to the retailer Danone's commitments and the importance of compliance to our Policy.	Asia Pacific
12	March	Interaction with the General Public	Promotion through discounted price of infant formula and follow-on formula in retail outlet.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Retailer was informed immediately that such promotions are not permitted and the promotion was removed.	Asia Pacific
13	March	Interaction with the General Public	Promotion through discounted price of infant formula and follow-on formula in retail outlet.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Discounted price was adjusted immediately by retailer. Re-iterated to the retailer Danone's commitments and the importance of compliance to our Policy.	Asia Pacific
14	April	Interaction with the General Public	Secondary promotional display of infant formula in retail outlet.	In line with our Policy, infant formula should not be promoted or advertised.	Retailer was informed immediately that such promotions are not permitted and the wrong display was removed.	Latin America
15	April	Interaction with the General Public	Promotion of infant formula in retail outlet.	In line with our Policy, infant formula should not be promoted or advertised.	Retailer was informed immediately that such promotions are not permitted and the wrong display was removed.	Latin America
16	April	Interaction with the General Public	Online promotion of infant formula and follow-on formula by retailer.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Retailer was informed immediately that such promotions are not permitted and the promotion was removed.	Latin America

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17	May	Interaction with the General Public	Promotion through discounted price of follow-on formula in retail outlet.	In line with our Policy, follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Discounted price was adjusted immediately by retailer. Re-iterated to the retailer Danone's commitments and the importance of compliance to our Policy.	Latin America
18	July	Interaction with the General Public	Promotional sticker on infant formula in retail outlet.	In line with our Policy, infant formula should not be promoted or advertised.	Retailer was informed immediately that such promotions are not permitted and the promotion sticker was removed.	Asia Pacific
19	August	Interaction with the General Public	Promotion through discounted price of infant formula in retail outlet.	In line with our Policy, infant formula should not be promoted or advertised.	Discounted price was adjusted immediately by retailer. Re-iterated to the retailer Danone's commitments and the importance of compliance to our Policy.	Latin America
20	August	Interaction with the General Public	Promotion through discounted price of follow-on formula in retail outlet.	In line with our Policy, follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Discounted price was adjusted immediately by retailer. Re-iterated to the retailer Danone's commitments and the importance of compliance to our Policy.	Asia Pacific
21	September	Interaction with the General Public	Online promotion of infant formula by retailer.	In line with our Policy, infant formula should not be promoted or advertised.	Retailer was informed immediately that such promotions are not permitted and the promotion was removed. Re-iterated to the retailer Danone's commitments and the importance of compliance to our Policy.	Latin America
22	October	Interaction with the General Public	Displaying and promoting samples of infant formula in a waiting room at a medical centre.	In line with our Policy, infant formula should not be promoted or advertised.	Medical Centre was informed to stop the practice immediately and Danone's commitments were re-iterated to the Medical Centre's staff. Continuous education put in place.	Asia Pacific

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23	October	Interaction with the General Public	Providing samples of infant formula.	In line with our Policy, samples of infant formula should not be distributed to pregnant women, mothers or members of their families.	Such activities were stopped immediately. Re-iterated to the third party Danone's commitments and the importance of compliance to our Policy.	Latin America
24	November	Interaction with the General Public	Promotion of infant formula and follow-on formula by retailer using a special end gondola display.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Retailer was informed immediately that such special displays are not permitted and the products were removed from the end gondola. Re-iterated to the retailer Danone's commitments and the importance of compliance to our Policy.	Asia Pacific
25	December	Interaction with the General Public	Online promotion of infant formula and follow-on formula by retailer.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Discounted price was adjusted immediately by retailer.	Asia Pacific
26	December	Interaction with the General Public	Promotion of infant formula and follow-on formula by retailer using a special end gondola display.	In line with our Policy, infant formula and follow-on formula, in Higher Risk Countries, should not be promoted or advertised.	Retailer was informed immediately that such special displays are not permitted and the products were removed from the end gondola. Re-iterated to the retailer Danone's commitments and the importance of compliance to our Policy.	Asia Pacific

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