Danone’s response to the verification assessment report 2017 of the FTSE4Good Breast-Milk Substitutes Marketing Criteria

At Danone, our mission is to bring health through food to as many people as possible. We are committed to doing business in a sustainable way. It means delivering economic, social and environmental value to all the communities with whom we operate around the world. Responsible marketing practices of our Breast-Milk Substitutes (BMS) are an integral part of this commitment, and we are proud to be included in the FTSE4Good Index Series. As a business contributing to something as fundamental to society as early life nutrition, we believe we have a duty to do the right thing and act responsibly in every aspect of our work.

We recognise the value of third-party assessment of our practices. We sincerely thank FTSE Russell and PricewaterhouseCoopers (PwC) for their thorough evaluation, and we appreciate their systematic way of working and transparent interaction with our global and local teams. The outcome of this assessment, in combination with a constructive dialogue with our external stakeholders including other industry players, helps our continuous efforts for improvement as an organisation.

A. Our Commitment to Health and Nutrition in the First 1000 Days

Danone supports the World Health Organization (WHO)’s global public health recommendation calling for exclusive breastfeeding for the first six months of age and continued breastfeeding up to two years and beyond, combined with the safe introduction of appropriate complementary foods. We believe that it is the industry’s responsibility to adopt, implement and enforce strict policies to ensure marketing practices do not negatively affect the choice and ability of mothers to breastfeed their infants optimally.

In June 2016, we published our Danone position paper “Commitment to health and nutrition in the First 1000 days”. In this document, we share our view on the global public health situation around maternal, infant and young child nutrition, and our role at Danone as nutrition solution provider. It is based on two convictions: 1/Breastfeeding needs to be protected and promoted; 2/Best nutrition for mothers, infants and young children needs to be assured. We made 6 firm commitments towards 2020, including ensuring responsible marketing practices: “To implement the most progressive ethical marketing policies; and promote and initiate responsible marketing practices across the entire industry”.

B. Compliance Governance and our Policy for Responsible Marketing of Breast-Milk Substitutes

Danone has an internal control and compliance program in place, which is designed to provide assurance regarding reliability of financial information, to ensure compliance with applicable laws, rules and internal policies and to safeguard sustainable business growth.

With regard to the marketing of BMS, we have a strict global Policy: We do not advertise or promote infant formula for children aged 0-6 months, anywhere in the world, even if permitted by local laws. In addition, compliant with the FTSE4Good BMS Criteria for countries classified as higher-risk, we have voluntarily extended our Policy to 12 months of age, which may go beyond local legislation. In these higher-risk countries, Danone also prohibits the promotion of complementary foods and drinks for use by infants up to 6 months. We follow local legislation whenever stricter than our Policy.

We created a Procedures Manual for implementing our Policy for the Marketing of BMS, to set forth Danone’s internal processes and to provide guidelines for consistent application and implementation by all Danone entities doing business within the scope of this Policy. The Manual specifically focuses on: Assessment and verification; managing allegations; reporting (internal & external) of non-compliance; and responsibilities of Danone employees. Key elements are described below:

➢ Training
All current and new Danone employees responsible for the marketing, distribution and/or selling of our products are carefully trained to ensure that they understand their individual and collective responsibilities in the implementation of our Policy. In addition, since end of January 2017 we share a detailed document with our direct distributors (‘Principles for Distributors in relation to the Danone Policy for the Marketing of BMS’), as part of a distribution management toolkit.

➢ Self-initiated External Audits
Every year, Danone engages with qualified third-party experts to undertake external audits, we publish their results and follow up on indicated areas of concern.

➢ Reporting on potential non-compliance
We take any allegation very seriously. A clear process is in place to define the handling of allegations of potential non-compliance by Danone employees with the Danone Policy and/or with local laws and regulations related to the marketing of BMS. Every allegation of potential non-compliance is centrally logged and followed-up until closure.
We welcome direct feedback from any external stakeholder on our marketing practices, provided the comments are well-substantiated.

➢ Transparency
We publish all relevant documents (Policy, Procedures Manual, Audit reports) on our Danone corporate website.

C. Our commitment to continuous improvement

We appreciate the systematic audit and detailed report by PwC, as commissioned by FSTE Russell. This is our first assessment by PwC, and we recognise the gaps that have been identified. The findings provide encouragement and guidance to strengthen our practices and procedures around BMS marketing.
We are pleased that PwC identified several areas of good practice, including existence of policies, procedures and training materials and governance; awareness of the WHO Code; encouragement of compliance of direct retailers; and, in media monitoring, absence of BMS marketing activity engaged by Danone.

We are conscious of the fact that we are on a continuous journey of improvement. We fully recognise the areas of concern that PwC have indicated in their report, and we are committed to follow up, improve, reinforce and/or clarify every point made in the report. We will pay specific attention to the following elements:

➢ We agree that there is a need for formalising country-specific policies and procedures on local BMS marketing practices. We commit that each country in which Danone operates and sells BMS products will disclose and embed a local comprehensive policy on responsible marketing practices, including our commitment regarding BMS.

➢ Regarding our local direct trade partners, we will work to increase the awareness and understanding of our Policy, by formalising our communication about our Policy.

➢ Regarding the various channels to report on allegations of potential non-compliance, we will work to increase the awareness of these reporting channels, including the Danone Ethics Line, amongst our employees and external business partners, by updating the relevant training materials.

➢ We acknowledge that, in interaction with healthcare professionals, some shortcomings were reported regarding brand use on promotional items. Going forward, we will emphasise this area of improvement in upcoming trainings, and ensure that our local teams are alert that promotional items are always in line with our Policy.

➢ We are sharing the concern regarding parallel imports in Nigeria. These parallel import products are brought into the country via unauthorized channels and without the local required NAFDAC (National Agency for Food and Drug Administration and Control) approval. As a follow-up action, we are in official contact with NAFDAC to discuss the issue going forward.

D. Moving forward: fostering constructive dialogue

ENCOURAGING ALL INDUSTRY PLAYERS: We are proud to be included in the FTSE4Good Index Series. We encourage all industry players in the infant nutrition category to embrace responsible marketing practices, such as FTSE4Good BMS Criteria and audit methodology. We do this, amongst others, through our active participation in many national, regional and global trade associations, and seeking dialogue with relevant stakeholders.

WORKING WITH STAKEHOLDERS: We comply with local legislation wherever we operate, and we are open to work, market by market, with local governments to understand what is needed to truly protect and support breastfeeding. We welcome direct feedback from any external stakeholder on our marketing practices, in case they are perceived as not in line with our Policy and/or with current legislation.
CONTRIBUTING AS A COMPANY: As a leading company in nutrition and health, Danone has an important role to improve nutrition in the first 1000 days. Guided by our Danone Manifesto, we recognise the key role we can play in promoting and supporting behaviour change and improving the health of current and future generations worldwide.

In summary, we encourage and actively pursue a constructive dialogue with all stakeholders in the field (authorities; civil society; industry players; health workers; parents and caregivers), to improve maternal, infant and young child nutrition and thus support the UN Sustainable Development Goals. We are convinced that the best way to leverage our collective strengths is by collaborative actions, such as participating in the FTSE4Good BMS Marketing Criteria Assessment.