

## KnowTheChain 2023 Food & Beverage Benchmark

### Additional Disclosure

Company Name: DANONE

Date: 3 April 2023

Reading through the document: please note that:

- Benchmark questions are in black
- Specific KTC comments or questions to Danone are in green
- Danone's answers are in blue

Guidance:

- Please add any additional information you wish to provide under the relevant indicator elements below.
- We welcome examples of leading practices.
- Unless you are sharing leading practices, please limit the information to indicators for which KnowTheChain could not yet identify sufficient information on your website.
- Note **KnowTheChain has already undertaken a review of your website**. Should you wish to include links to existing disclosure, please specify the page number / section you are referring to.

#### INDICATOR 1: SUPPLIER CODE OF CONDUCT AND CAPACITY BUILDING

KTC question 1.: The Danone Sustainability Principles & Implementation Note for Business Partners (p. 14) refer to "Danone Responsible Sourcing Guidelines"; we would welcome a clarification on whether these Guidelines are available on Danone's website.

These guidelines are not available as such because we have decided afterwards to publish instead a full Responsible Sourcing Policy (RSP) which will include principles and guidelines. We are currently working on this RSP planned to be published towards the end of 2023.

1.1 has a supplier code of conduct that requires suppliers to respect the ILO core labour standards, which include the elimination of forced labour; and requires suppliers to cascade/implement standards that are in line with the company's supplier code of conduct; and

1.2 engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labour to their own supply chains and/or trains suppliers below the first tier on such policies, and measures the effectiveness of capacity building.

Danone does not disclose working with suppliers to build their capacity to do so and does not disclose efforts to train suppliers below the first tier on forced labour risks and prevention.

- Prior to the Covid crisis Danone had developed supplier engagement and training sessions/webinars on forced labour. In 2019 the RESPECT central team travelled in 5 high risk countries to support the local procurement teams in engaging and training their suppliers through live sessions on the topic (see URD 2019 below which unfortunately doesn't disclose the number of suppliers trained). This dynamic has not been re-instated yet due to team renewal.

**URD 2019, P. 180:** *Training and engagement Danone trains its buyers on the RESPECT program and ensures they are aware of forced labor-related risks and the CGF's three priorities. In 2019, the central team in charge of the RESPECT program stepped up this training by increasing the number of online seminars (more than 70 buyers trained) and leading workshops with more than 130 buyers and local suppliers in high-risk countries (China, India, Indonesia, Mexico, and Russia).*

## INDICATOR 2: MANAGEMENT AND ACCOUNTABILITY

2.1 has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labour; and discloses how incentives for staff (e.g. bonuses, part of employee performance reviews) are tied to improvements in working conditions in supply chains;

Analysing the Human Rights Policy, KTC makes the following 2 comments:

- the company further discloses responsibility for human rights within the company more broadly, but it appears this only applies to own operations
- It is not clear whether the governance described in the Human Rights Policy contributes to addressing forced labour in supply chains.

We welcome this feedback on our recent Policy but have difficulties to understand how the Governance section can be interpreted as being restricted to the company's own operations. The whole Policy has been drafted to encompass the full scope - own operations and supply chain: the opening commitment refers to the value chain, and then it is systematically explained how own operations as well as supply chain due diligence are implemented, mentioning suppliers explicitly. The Grievance mechanism section also explicitly covers the supply chain. In such a perspective, it seemed obvious to us that unless specifically mentioned, the Governance was also and somehow organically organised to cover the full scope. Our bias towards a 'natural' global lens might come from our organization: the compliance with the responsible purchasing and human rights programmes is monitored by a team that sits in the procurement department, under the responsibility of the Chief Cycles & Procurement Officer.

2.2 discloses how it trains relevant decision-makers within the company on risks and policies that address forced labour; and

It appears, however, that the e-learning training on human rights and "the fight against forced labour" covered only risks in the company's own operations and not in the supply chain:

What makes you infer this? It is intended for HR and procurement people to ensure they understand what forced labour is (criteria), how recruitment fees can lead to forced labor, how to address this ... so there is a true awareness both for our operations and for the supply chain

The company discloses that as part of its RESPECT program for suppliers, in 2021 500 buyers completed an e-learning course on the program, but does not disclose detail on the content for the training.

Unfortunately, it is only a question of crafting the sentences. Example given in the **URD 2022 p. 182**: *"Training and engagement: Danone trains its RESPECT champions (local representatives that ensure that the program is embedded and rolled out at a local level) and buyers on the RESPECT program and ensures that they are aware of risks related to forced labor and the CGF's three priorities. The RESPECT team developed a 4-module e-learning course covering the fundamentals of the program, which was included in the learning journey for the procurement organization."* The reason why we developed the e-learning program replicating the pre-existing RESPECT training was to ensure constant training availability for new joiners. We considered we didn't need to repeat that it included a part related to forced labour, it seemed obvious to us that it was the same content.

2.3 has tasked a board member or board committee with oversight of its supply chain policies that address forced labour, and describes how the experiences of affected workers or relevant stakeholders (such as civil society, unions, and workers or their representatives) informed board discussions.

**KTC question 2.3:** We would welcome more specific disclosure on whether the Board's oversight of human rights matters includes human rights/labour rights issues in the supply chain, or whether it focuses on human rights issues in own operations and operations of subsidiaries.

Along the same logic that has been answered for question 2.1, the content shared with the Board is first and foremost related to the supply chain

It states that in 2020, the Committee was presented with an update on the progress on the human rights pillar of Danone's Vigilance plan, but does not provide further detail.

Since the Vigilance Plan is full scope, the supply chain is included by definition.

#### INDICATOR 3: TRACEABILITY AND SUPPLY CHAIN TRANSPARENCY

3.1 the names and addresses of first-tier suppliers; **Not realistic: 55 000+ tier 1 suppliers**

3.2 the names and locations of below-first-tier suppliers (this does not include raw material suppliers); and

3.3 the sourcing countries of at least three raw materials at high risk of forced labour.

**KTC question 3.3:** In the Soy Policy, you disclose a list of sourcing countries for soy that was current as of 2011. We would welcome disclosure on whether a more up-to-date list (at least 2020) is available on Danone's website. Alternatively, we would welcome a confirmation, if applicable, that the 2011 list of sourcing countries remains currently up to date.

The most up to date information that Danone provides on its sourcing of Soy in 2022 **URD p. 161**

#### INDICATOR 4: RISK ASSESSMENT

**KTC question 4)** We would welcome a clarification on whether Danone's 2022 Vigilance Plan is publicly available in English, or French only.

The 2022 Vigilance Plan is available in English as it is included in the **2022 URD, starting p. 208**

4.1 details on how it conducts human rights supply chain risk or impact assessments that include forced labour risks or assessments that focus specifically on forced labour risks, including through engaging with relevant stakeholders (such as civil society, unions, and workers or their representatives) in countries in which its suppliers operate;

4.2 details on forced labour risks identified in different tiers of its supply chains; and

4.3 how it has consulted with relevant stakeholders (such as civil society, unions, and workers or their representatives) in steps taken to address the risks identified.

#### INDICATOR 5: DATA ON SUPPLY CHAIN RISKS

5.1 the percentage or number of supply chain workers who are women;

5.2 the percentage or number of supply chain workers who are migrant workers' and

5.3 the percentage or number of supply chain workers that are being paid a living wage.

#### INDICATOR 6: PURCHASING PRACTICES

6.1 commits to responsible buying practices in its contracts with suppliers;

6.2 describes how it has adopted responsible purchasing practices in the first tier of its supply chains, which includes planning and forecasting, and how it ring-fences labour costs; and

6.3 discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labour.

#### INDICATOR 7: RECRUITMENT-RELATED FEES

7.1 requires that no worker in its supply chains should pay for a job—the costs of recruitment-related fees should be borne not by the worker but by the employer ("Employer Pays Principle");

7.2 provides detail on the implementation of the Employer Pays Principle in its supply chains by demonstrating how it works to prevent the charging of fees to supply chain workers in different supply chain contexts; and

7.3 in the event that it discovers that fees have been paid by workers in its supply chains, provides evidence of re-payment of recruitment-related fees to workers. The company describes how it engages with affected workers in the remediation process.

#### INDICATOR 8: RESPONSIBLE RECRUITMENT

8.1 discloses information on the recruitment agencies used by its suppliers; and

8.2 provides details of how it supports responsible recruitment in its supply chains (e.g. by collaborating with relevant stakeholders to engage policy makers to strengthen recruitment standards).

Danone does actively collaborate with peers within Aim P, B4IG and CGF on the topic: see [URD 2022 p. 183](#)

#### INDICATOR 9: FREEDOM OF ASSOCIATION

9.1 works with independent local or global trade unions and/or other legitimate worker representatives to improve freedom of association in its supply chains;

**KTC question 9.1:** We would welcome further clarification on the scope and purpose of the supply chain union agreements.

[See URD 2020 p. 178:](#) *Social dialogue is a key driver for Danone at the management, trade union and employee representatives levels. It enables collective efforts to be aligned in order to improve the Company's performance. Since 1989, 10 agreements have been signed between Danone and the International Union of Food Workers (IUF), and a joint vision was established:*

*1. Agreement on economic and social information for Danone companies (1989) 2. Agreement on gender equality in the workplace (1989) 3. Agreement on skills training (1993) 4. Agreement on the trade unions rights (1994) 5. Agreement on the event of changes in business activities affecting employment or working conditions (1997) 6. Agreement on the Fundamental Social Principles (2001) 7. Agreement on setting up of Group social indicators (2005) 8. Agreement on diversity (2007) 9. Agreement on health, safety, working conditions and stress (2011) 10. Agreement on sustainable employment and access to rights (2016)*

9.2 discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labour rights agreement with trade unions or worker organisations; and

9.3 discloses the percentage of supply chains covered by collective bargaining agreements.

#### INDICATOR 10: GRIEVANCE MECHANISM

10.1 takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labour conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives across supply chain tiers; and

10.2 discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved; and

URD 2022 p. 162: Managing grievances and alerts related to raw material *"In 2022, Danone registered 14 new alerts linked to deforestation and human rights violations, 12 of which were related to palm oil and 2 to other commodities. In total, the Group is monitoring 28 alerts that have been brought to its attention by organizations such as Earthworm Foundation, Chain Reaction Research, Global Witness and Friends of Earth. According to Danone's grievance mechanism, the alerts are being investigated and monitored in dialogue with the parties involved and the supporting NGOs and experts. For 4 of the cases Danone has a suspension in place"*

**URD 2022 p. 185 Focus on Tier 1 suppliers other than milk farmers: RESPECT Program, Whistleblowing system:**

*In 2022, a total of 273 alerts have been accounted for in the human rights category, originating from 25 countries versus 395 alerts from 32 countries in 2021. As a reminder, the human rights category had been broadly redefined in 2021, adding to the initial scope of violations in the areas of child labor, forced labor, right to collective bargaining, working time and wages, the set of issues related to discrimination, harassment, and employee health, safety and security. They all have been brought under the umbrella of human rights reporting. In 2022, the Group continued refining its approach ... and reported "human rights" alerts more precisely dealing with:*

- ending exploitation (prohibiting child and forced labor, prohibiting harassment and abuse, and ensuring reasonable working hours): 149 alerts (mostly harassment related issues);*
- decent work (granting a decent wage and at least the applicable legal minimum or standard pay, committing to safe and healthy working conditions, granting freedom of association and right to collective bargaining, and ensuring all workers are treated equally with respect and dignity, with a positive culture towards diversity and inclusion) 123 alerts (mostly misconduct and discrimination issues);*
- impact to people linked to the environment: 1 alert (community access to water).*

*In summary, over 85% of received alerts are related to harassment, misconduct and discrimination. All alerts are initially reviewed by the Global Human Resources Compliance and Labor Law Director, who appoints an independent internal or external investigator. All alerts are investigated if needed. At year end, out of the 273 alerts created in 2022, 220 alerts have been closed, and 53 are still under investigation.*

10.3 takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism.

**INDICATOR 11: MONITORING**

11.1 its methodology for monitoring the implementation of its supply chain policies addressing forced labour;

**KTC question 11.1:** We would welcome disclosure on what percentage of the total number of Danone companies' first-tier suppliers are covered by the assessments and audits under the RESPECT program (by number of suppliers, spend, or any other measurement that may be available).

**2021 URD p. 194 under paragraph Regular evaluation procedures for Tier 1 in scope suppliers** In 2021, Danone has streamlined evaluation procedures for Tier 1 suppliers... At the end of 2021, 3,489 supplier sites were registered on the Sedex or Ecovadis platform vs. 3,891 in 2020 (this drop was mainly due to the change in program approach and the launch of the Ecovadis requirement), and 92% had completed Sedex self-assessment or obtained an Ecovadis scorecard. These 3,489 sites

represent 2,540 suppliers corresponding to an estimated 59% of purchase amount (excluding raw milk).

The company states that its follow-up audits include "record review, employee interviews, and spot-checks", but does not disclose whether its standard monitoring involves off-site worker interviews and/or whether and how the process is specialized to detect forced labour risks.

11.2 the findings of monitoring reports, including details regarding any violations revealed in relation to forced labour and indicators of forced labour, across supply chain tiers; and

11.3 the use of worker-driven monitoring (i.e., monitoring undertaken by independent organisations that includes worker participation and is guided by workers' rights and priorities).

#### INDICATOR 12: REMEDY AND RESPONSE TO ALLEGATIONS

A(1) a process for responding to potential complaints and/or reported violations of policies that address forced labour and how it engages affected stakeholders as part of this process; and

A(2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers.

In addition, where an allegation is identified in a company's supply chains:

B.1.1 that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s)

B.1.2 outcomes of the remedy process in the case of the allegation(s); and

B.1.3 evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

Where an allegation is identified in the company's supply chains, but is denied by the company:

B.2.1 a description of what actions it would take to prevent and remediate the alleged impacts; and

B.2.2 as part of this process, it would engage with affected stakeholders and their representatives.

#### NON-SCORED RESEARCH

##### Reporting Legislations

UK Modern Slavery Act: Where applicable, the company discloses at least one statement under the UK Modern Slavery Act.

Yes: [UK-Modern-Slavery-Statement-2020-2021.pdf \(danone.co.uk\)](#)

California Transparency in Supply Chains Act: Where applicable, the company has a disclosure under the California Transparency in Supply Chains Act.

Yes: [News \(danonenorthamerica.com\)](#)

Australia Modern Slavery Act: Where applicable, the company discloses at least one statement under the Australia Modern Slavery Act.

Yes: <https://modernslaveryregister.gov.au/statements/file/ac5ce640-42a4-46b1-81a5-d118666dafeb/> and <https://modernslaveryregister.gov.au/statements/file/4cbc0cfe-684f-464a-a72a-56c2b686b576/>

## High Risk Sourcing

*Please indicate whether your company sources any of the below high-risk commodities. Note where a company does not provide this information, KnowTheChain will review the company's website as well as third party sources to identify relevant information.*

- Beans (green, soy, yellow)
- Brazil Nuts/Chestnuts
- Cattle
- Chile Peppers
- Cocoa
- Coffee
- Corn
- Fish
- Oil (palm)
- Peanuts
- Rice
- Sesame
- Shrimp
- Sugarcane
- Tomatoes
- Wheat