



**DANONE**  
ONE PLANET . ONE HEALTH

# UK Modern Slavery Statement - 2018

## Our Approach

At Danone, through our “One Planet. One Health” vision and our 2030 Goals, which are aligned with the UN Sustainable Development Goals (SDGs), we are working to create sustainable value for all our stakeholders. Building on our legacy dual project aimed at combining economic success and social progress, we are committed to inclusive growth which is one of our 2030 Goals. We believe this starts by securing fundamental human rights within our operations and supply chain.

This statement has been published in accordance with the Modern Slavery Act 2015. It outlines the measures taken by The Danone Company and its UK businesses<sup>1</sup> during 2018 to prevent slavery, servitude, forced or compulsory labour and human trafficking across our business and supply chain.

*“At Danone we recognise that we share a responsibility to be alert and to act to prevent any abuse of human rights within or around our operations.”*

**This, our third annual Modern Slavery Statement, outlines our processes and actions towards combatting modern slavery and the continued efforts of our global and UK businesses in upholding the highest standards of ethics and business conduct across our supply chain.**

We cannot achieve this objective without the help of our people and partners – they are our driving force. Around the world and across all our business units, we work with thousands of people who produce, source, make and sell our products. We rely on them and, in turn, they rely on us to ensure that everyone who works for Danone is safe, supported and empowered.

We continued to make positive strides in 2018. We have launched our **Danone Statement on Forced Labor** as well as a Global External Workforce Policy to sharpen our focus on temporary workers. This is alongside our ongoing commitment, as a member of the Consumer Goods Forum, to eradicate forced labour from our operations and supply chain. We also strengthened human rights due diligence regarding Tier 1 suppliers through an in-house human rights risk assessment on 4,000 supplier sites, which led to a reinforced Audit Plan. And finally,

we are developing dedicated initiatives for priority raw materials in our extended supply chain with the aim of advancing on traceability, risk assessment and preventive actions through engagement with our main suppliers and collective action.

We have a dedicated goal; “Foster Inclusive Growth” which is embedded within our integrated set of 2030 Goals and we believe this starts by securing fundamental human rights within our operations and supply chain.

We welcome and support the ongoing efforts of institutions, organisations and coalitions engaging in the fight against forced labour and take our role in this challenge seriously. We also welcome feedback on our approach so that we can continue to improve and strengthen our efforts.



**Emmanuel Faber, CEO**  
December 2019



<sup>1</sup> The Danone Company's UK businesses are: Danone Ltd, Danone Waters (UK & Ireland) Ltd, Nutricia Ltd, SHS International Ltd.

Our Structure, Operations and Supply Chain

With a mission to:

“Bring health through food to as many people as possible.”

Danone is among the global leaders in the food and beverage sector. The company in 2018 is structured around four Reporting entities:

- 1 Essential Dairy and Plant Based International
- 2 Essential Dairy and Plant Based North America
- 3 Specialised Nutrition
- 4 Waters

Our Business

A GLOBAL PRESENCE

120+

countries where Danone products are available across the globe

66%

of sales outside Europe

100,000+

employees in over 55 countries

SALES BY REPORTING ENTITY

29%

Specialised Nutrition

20%

Essential Dairy and Plant Based North America

18%

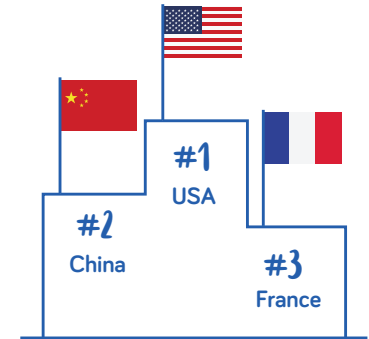
Waters

33%

Essential Dairy and Plant Based International

TOP 3 COUNTRIES

As % of 2018 sales



TOP 3 BRANDS

As % of 2018 sales

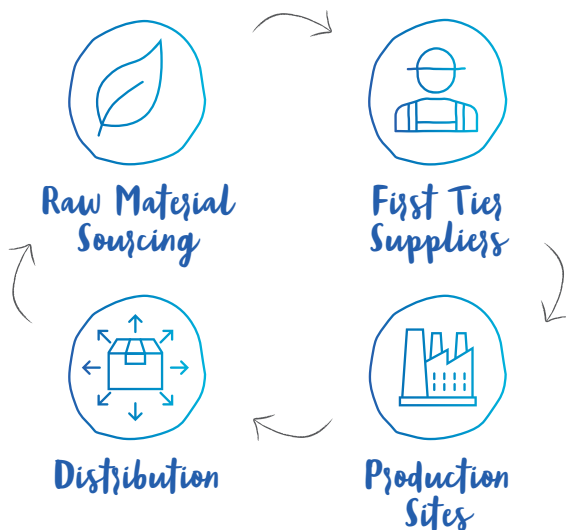


## Our Supply Chain



Danone's supply chain partnerships are key to changing the way water and food are sourced, produced, marketed, distributed, sold and consumed. We co-create solutions with our partners to leverage their expertise and provide our consumers with quality products and services.

Danone builds on decades of partnership experience to work hand in hand with our employees, farmers, suppliers, retailers, consumers and partners, as well as with civil society, governments and public health professionals.



Our supply chain is structured as follows:

### 1. RAW MATERIAL SOURCING

In 2017, Danone updated its global materiality and risks analysis, reaffirming the importance of responsible procurement and respect for human rights. As part of this process Danone also completed an additional risk mapping exercise for 20 of our purchasing categories with the highest risk exposure.

Danone's raw materials sourcing approach is comprised of two primary components:

- **Food:** Using the results of the risk mapping exercise, Danone identified the categories of purchased goods and services it would treat as human rights priorities over the next few years. The priority categories are workers employed through outside labour providers, together with four agricultural raw materials: palm oil, cocoa, cane sugar and fruit. In the agricultural categories, potential risks identified are mainly upstream at farms and plantations.

Danone deploys certification programmes that focus on the ingredients with the highest exposure to environmental and labour risks in the upstream portion of its supply chain. In particular, the Company uses certification for the following categories: RSPO for palm oil; UTZ for cocoa; FSC or equivalent for paper; and RTRS or Proterra for soy. In addition, Danone has a long history of collaborative projects on the ground (see page 9).

In 2018, Danone updated its risk mapping process to include changes to its ingredient portfolio resulting from the WhiteWave acquisition.

- **Milk:**

On a value basis, milk represents the main raw material purchased by Danone. We source local, raw milk from 58,000 farms in around 20 countries, both directly and indirectly. Milk collection methods reflect the broad diversity of the world's production systems. Over 90% of our producers own small farms with fewer than ten cows and these suppliers are located primarily in emerging countries in Africa and Latin America. Every day, they deliver their output to a collection centre, where we collect it.

In South Africa, Europe and Russia, our suppliers are family farms with herds ranging from a few dozen to thousands of cows. Though these producers represent only 15% to 20% of our milk suppliers, they contribute most of the volume and we generally collect milk directly from them. In regions without a strong tradition of milk production, such as North America and certain Middle Eastern countries, we work with larger farms to ensure reliable access to sufficient volumes of quality milk.

Because farmers play a critical role in the sustainability of the agriculture sector, we use our programs and social innovation funds to support numerous projects that enable farmers to build skills over the long term.

### 2. FIRST TIER SUPPLIERS

The First Tier suppliers comprise those across all of Danone's purchasing categories, i.e. raw materials transformation (fruit preparations, powdered milk, etc.), packaging, production machinery and transport and other services. Danone's due diligence programme, "RESPECT" is described on pages 8 and 9. >



## Our Supply Chain (continued)

### 3. PRODUCTION SITES

As of 31 December, 2018, Danone has 194 production sites around the world in our principal markets. The production facilities are widely dispersed, except in the Specialised Nutrition Businesses, whose sites are more concentrated.

Danone also rents some facilities, notably offices and warehouses. The production sites are inspected regularly to assess possibilities for improving quality, environmental protection, safety and productivity. On the basis of these reviews, management establishes plans for the expansion, specialisation, upgrading and modernisation (or closing) of specific sites.

### 4. DISTRIBUTION

Although they vary to reflect local specificities, Danone's distribution model broadly reflects three main approaches:

- Distribution aimed at major retail chains;
- Distribution to traditional market outlets; and
- Distribution to e-commerce, on-the-go and convenience stores.

We establish global partnerships with our main distributors in order to help develop the sales of our products. These partnerships are related in particular to logistics collaboration, online sales development and food safety management.

In particular, Danone has taken several initiatives to work closely with large retailers in order to optimise the flow of goods and the inventory levels of our customers with the Efficient Consumer Response (ECR) approach. In addition to inventory management, automatic inventory replenishments and just-in-time delivery, ECR aims at working with distributors to better manage consumer demand and expectations at the points of sale.



## Partnerships, Policies and Commitments

The global supply chains that power the food and beverage sector carry the risk of human rights and environmental violations, both at farm or plantation level upstream and at direct suppliers. To mitigate these risks, Danone has established a set of fundamental principles and policies; made specific public commitments; and is working with suppliers towards more responsible practices.

### ALIGNMENT TO UN SDGs

As part of our nine long-term goals, we are actively working towards addressing SDG 8: Decent Work and Economic Growth and specifically targeting 8.7, to “Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers and by 2025 end child labour in all its forms”.



### PARTNERSHIP WITH THE INTERNATIONAL UNION OF FOOD WORKERS (IUF)

In light of our dual economic and social project, Danone has worked closely with IUF since 1985 to support human rights via multiple framework agreements, we have ten worldwide agreements with the IUF covering the following topics:

- Sharing economic and social data;
- Promotion of equality of men and women in the workplace;
- Skills training;
- Trade Union rights;
- Procedure in the event of changes in business activities affecting employment or working conditions;
- Definition of social indicators;
- Fundamental social principles;
- Diversity;
- Health, safety, working conditions and stress; and
- Sustainable employment and access to rights.

The framework agreements between Danone and the IUF are deployed in each entity and on-site compliance assessments are conducted every year by a Danone representative and an IUF representative, with a total of 60 visits between 2009 and 2018.

Both Danone and the IUF are committed to reducing precarious employment through a shared methodology, definitions and processes. We encourage our entities to apply best practices to encourage dialogue with employees, including recommending they monitor: the number of business and socially oriented information sessions for all employees; the proportion of employees covered by labour representatives; and the annual number of meetings between site managers and employee representatives. We also offer labour-relations training programs within our entities to ensure compliance and alignment. >



## Partnerships, Policies and Commitments (continued)

### ALIGNMENT TO INTERNATIONAL LABOUR ORGANIZATION (ILO) CONVENTIONS: THE DANONE FUNDAMENTAL SOCIAL PRINCIPLES INCLUDED IN OUR SUSTAINABILITY PRINCIPLES FOR BUSINESS PARTNERS

According to the ILO, more than half the world's workforce is part of the informal economy, which is marked by the denial of rights at work. Furthermore, an ILO report estimated that 12 million people were victims of forced labour in the private sector alone, at any given time in 2016.

In 2001, Danone formalised its seven Fundamental Social Principles based on the standards defined by the ILO conventions. These were initially co-signed with the IUF (International Union of Food Workers) and published in 2001. The Principles include support of:

- Abolition of child labour;
- Abolition of forced labour;
- Non-discrimination;
- Freedom of association and the right to collective bargaining;
- Workplace health and safety;
- Working hours; and
- Compensation.

Together with our Environmental and Business Ethics Principles, these Fundamental Social Principles form the Danone Sustainability framework, which applies to our own operations and has been extended to our supply chain to ensure responsible sourcing. See **Danone's Sustainability Principles for Business Partners** on our website.

All Business Partners, including suppliers, distributors and all other third parties, are required to meet our sustainability and ethical conduct expectations as outlined in these Principles. The Principles include:

- Seven labour principles based on the criteria set by the ILO;
- Five environmental principles: preservation of resources; use of chemicals; climate change and greenhouse gas emissions; environmental management; and animal welfare; and
- Principles of business ethics for fair, lawful transactions, expanded in 2017 to reflect the provisions of Danone's Code of Conduct for Business Partners.

Danone's Sustainability Principles are incorporated into a clause in our contracts with direct suppliers. Under this clause, the supplier warrants that the labour and ethical principles are already in place in its own organisation and that its employees, agents, suppliers and subcontractors comply with these as well. The supplier also undertakes to adopt the environmental principles.

### ALIGNMENT TO THE UNITED NATIONS GLOBAL COMPACT (UNGC)

In 2003, Danone became a member of the United Nations Global Compact. We reconfirmed our commitment in 2009. Our public commitment can be found on the **UN Global Compact website**.

### MEMBERSHIP WITH THE CONSUMER GOODS FORUM (CGF)

As a member of the Consumer Goods Forum, Danone joined the 2016 CGF collective resolution to eradicate forced labour from global supply chains. As part of this commitment, we reaffirm our resolve to strive to end forced labour through the mainstreaming of the CGF's Priority Industry Principles that state:

- Every worker should have freedom of movement;
- No worker should pay for a job; and
- No worker should be indebted or coerced to work.

In 2018, this commitment was formalised in the **Danone Statement on Forced Labor** and the CGF three Priority Industry Principles were inserted in the Danone Sustainability Principles for Business Partners, to reinforce the position regarding forced labour. In addition, we sharpened our focus on temporary workers in 2018, issuing a Global External Workforce Policy to be deployed in 2019.

The Global External Workforce Policy is a set of internal guidelines that require staffing agencies to respect the fundamental rights and freedoms of workers, focusing especially on practices such as requesting workers to pay recruitment fees. Danone mapped the relevant risks, with special attention to the status of migrant workers in regions where our entities are based. Three priority regions were targeted for the rollout of the policy as of 2019, using training modules and operations assessment tools.

### CODE OF BUSINESS CONDUCT

Danone's Code of Business Conduct covers all employees globally. The Code is based on principles derived from the Universal Declaration of Human Rights, the fundamental conventions of the ILO, the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and the UN Global Compact on human rights, labour rights, the environment and anti-corruption.

Employees are required to commit to the Code of Business Conduct as part of their terms of employment and as part of a wider compliance programme across Danone, which was launched in 2015. Non-compliance may result in disciplinary action up to and including termination of employment.

The Code of Business Conduct has been translated into 34 languages and compliance is enforced through:

- The roll-out of a number of new policies alongside the Code of Business Conduct in the areas of integrity/anti-bribery, competition law and data privacy (which explicitly refer to disciplinary actions in the event of non-compliance);
- New processes to ensure transparency of our interaction with third parties; and
- Training of staff on policies.

We have rolled out a communication campaign to inform employees that the Code of Business Conduct and responsible practices policies are available on our internal portal. All employees are made aware of their obligation to follow the Code of Business Conduct when they are recruited. Danone's goal is to use in-person training and e-learning to educate all employees about our responsible practices and policies, with priority given to positions deemed at highest risk. Training is also provided at a local level, extending coverage to every Danone employee.

The Code of Business Conduct is supplemented by our Integrity Policy which defines the rules and responsibilities governing the conduct of every Danone employee and describes the expectations that must be met by various employees, in particular Executive Committee members, general managers and Directors of Human Resources, Public Affairs, Medicine and Healthcare.



## Governance and Due Diligence

Danone has a long-term commitment to social responsibility and good governance is an integral part of our corporate structure and operations. A key principle for our governance is that we place social and societal responsibility at the heart of our management and strategy.

### GOVERNANCE OF HUMAN RIGHTS

Danone has adopted a governance structure and effective policies and processes to meet the expected standards of Human Rights and Modern Slavery compliance.

Compliance with our responsible purchasing and human rights programmes is monitored by the Nature and Water Cycle team, under the responsibility of the Chief Procurement & Cycles Officer. Responsible purchasing and human rights compliance are also followed up at Board of Directors level. In 2018, the Social Responsibility and Audit Committee of the Board of Directors were informed of the human rights due diligence, formulated by Danone, for its own operations and supply chain.

### WHISTLEBLOWING

In 2018, Danone created a Personal Ethics Commission whose responsibilities include anticipating issues and reviewing human resource alerts from the Danone Ethics Line twice per year.

The Danone Ethics Line is a confidential whistleblowing system available for employees, suppliers and other third parties to submit confidential reports. Though it was initially used to report suspected fraud, corruption, or other cases of non-compliance, it has now expanded to include reports of discrimination, issues affecting health and personal safety, human rights violations and environmental violations. The Danone Ethics Line can be accessed online by anybody, in any country. In addition, we enforce a clear policy of not retaliating against whistleblowers if they report a genuine concern.

In 2018, Danone received 297 alerts on various issues, including human resources, corruption and fraud. Of these, a total of 12 reports fell into the "human rights" category, which includes violations in the areas of child labour, forced labour, right to collective bargaining, working time and wages. The category is selected by the whistleblower and the reports received in 2018 focused on routine human resources matters.

None of them qualified as a human rights violation, but all have been or are being pursued in thorough internal investigations. The reporting process was developed in consultation with employee representatives and ensures that whistleblowers are protected. All reported wrongdoing will be examined by a steering committee comprising representatives of the Sustainable Development, Human Resources and General Secretary functions.

### TRAINING AND DEVELOPMENT


Danone has rolled out a communications campaign to inform employees that its Code of Business Conduct and responsible practices policies are available on its internal portal and all employees are made aware of their obligation to follow the Code of Business Conduct when they are recruited.

Danone's goal is to use in-person training and e-learning to educate all employees about its responsible practices and policies, with priority given to those in positions deemed at highest risk. Training is also provided at a local level, extending coverage to every Danone employee.

### SUPPLIER DUE DILIGENCE

In 2017, we developed and published our first Vigilance Plan for human rights, the environment and personal health and safety, applicable to both direct activities and those of our suppliers, in compliance with the French law on Vigilance (Devoir de Vigilance).

We also took this opportunity to update our Responsible Procurement program (RESPECT) for first tier suppliers (excluding raw milk) – towards one of reasonable due diligence, with close attention paid to human rights through an emphasis on continuous improvement. The RESPECT program is based on the Danone Sustainability Principles for Business Partners (which encompass Human Rights) and the Forced Labor Statement.

As a key part of our due diligence process, Danone asks suppliers to join the Sedex platform (Supplier Ethical Data Exchange) and to complete a self-assessment questionnaire evaluating their sustainability performance, which is then analysed by Sedex. 



\* The Fund carries out actions in employment, skills and employability, access to knowledge and micro-entrepreneurship.



## Governance and Due Diligence (continued)

At the end of 2018, 4,043 supplier sites had joined the platform. When Sedex determines that a supplier is at risk, it is audited by a third-party organisation using the SMETA (Sedex Members Ethical Trade Audit) protocol, which covers labour, health and safety, the environment and business ethics.

Danone is stepping up its assessment procedure by adopting a more selective approach with two aims: (i) concentrate on high-risk regions and (ii) become more effective in helping suppliers improve their performance. In 2018, the Company conducted a risk analysis using geographic and sector-based data for the 4,000 Danone supplier sites registered on the Sedex platform. Based on the results, the Company identified some 200 sites that were potentially at risk for human rights issues and launched a two-year plan to audit them.

When critical non-conformities are identified, purchasing teams track action plan deployment by the suppliers. Since July 2017, we have monitored an indicator that tracks timely launch and closure of SMETA audits. As of 31 December, 2018, over 50% of our suppliers were in compliance with Danone's standards. In most cases, critical non-conformities were related to safety and working hours we continue to monitor outstanding action plans.

Through the Sedex platform, Danone also has access to audits of shared suppliers by peer companies and participate in mutual audit recognition through the AIM-Progress forum. In 2018, a total of 333 SMETA audits were carried out on our suppliers, either by Danone itself or by our peers.

### SUPPLIER SUPPORT

Danone has a long history of supporting small producers. We work directly with select producers further up the supply chain and have developed many collaborative projects that help small producers address environmental and labour issues. For example:

- The Livelihoods fund for family farming is supporting a vanilla plantation project, involving 3,000 family farms. Its aim is to develop solutions that improve the quality and traceability of vanilla production, boost food security for farmers and preserve biodiversity.
- To counter forced labour and informal employment abuses in the recycled plastic sector, we have worked with the Danone Ecosystem Fund and local partners to develop cooperatives for waste-pickers. These organisations enable their members to move from the informal economy to paid jobs that are recognised by public authorities and include benefits.
- For raw milk suppliers, Danone has developed innovative contracts with direct milk producers to reduce milk price volatility, thereby offering better visibility and financial stability. (Cost Performance Model).

### MULTI STAKEHOLDER INITIATIVES

Beyond our direct operational control, Danone is involved in multiple dedicated platforms such as The Palm Oil Innovation Group (POIG), Support Asia for Sustainable Palm Oil (SASPO), Roundtable on Sustainable Palm Oil (RSPO), the Sustainable Agriculture Initiative, AIM-Progress and the Consumer Goods Forum, that each aim at developing and promoting sustainable approaches that are respectful of people and the environment.



## Our Commitment



### WHAT'S NEXT

We will continue to make strides in our efforts towards fighting for Human Rights and against Modern Slavery across our supply chain moving forward. Specifically, for 2019, we plan to take action in the following ways:

- We plan to land our 2018-2019 Audit Plan, finalising around SMETA 100 audits worldwide on suppliers that have been identified as high risk or priority. We make a point of engaging suppliers on the remediation of critical non-conformities.
- We plan to deploy our Global Policy for External Workforce (GPEW) by providing our HR and Procurement teams with an assessment tool and implementation guidelines to engage labour agencies on no recruitment fees. We will also update the Danone subsidiary assessment tool to monitor the deployment.
- We will develop a Human Rights e-learning module for all HR and Procurement teams.

### SIGNATURES FROM GENERAL MANAGERS AND DIRECTORS

As General Managers and Directors of the UK businesses of The Danone Company, we approve this statement.

**James Pearson**  
(Danone Waters)  
on behalf of Danone Waters  
(UK & Ireland) Limited

**Adam Grant**  
(Danone Essential  
Dairy & Plant Based)  
on behalf of Danone Limited

**Gustavo Hildenbrand**  
(Danone Specialised Nutrition)  
on behalf of Nutricia Limited

**Javier Gutierrez**  
(Nutricia Liverpool)  
on behalf of SHS  
International Limited





## Contacts

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