

**DANONE SUSTAINABILITY
PRINCIPLES
&
IMPLEMENTATION NOTE
FOR BUSINESS PARTNERS
2022**

JUNE 2022

DANONE SUSTAINABILITY PRINCIPLES

INTRODUCTION

With a long-standing mission of bringing health through food to as many people as possible, Danone aims to inspire healthier and more sustainable eating and drinking practices while committing to achieve measurable nutritional, social, societal and environmental impact.



1 SCOPE, OBJECTIVE, AND IMPLEMENTATION



These Danone Sustainability Principles, hereinafter referred to as the “DSP”, establish the standards for Danone and its partners, including suppliers, distributors and all other third parties, hereinafter referred to as “the Company”, and outline commitments to form fair, sustainable, and ethical relationships.

Danone recognises that these Sustainability Principles in some cases go beyond industry norms and/ or local regulations, and we will work to share knowledge and guidance with partners towards continuous improvement.

THE DANONE SUSTAINABILITY PRINCIPLES INCLUDE:

- The Fundamental Social Principles.
- The Fundamental Environmental Principles.
- The Business Ethics Principles.

The Principles detailed herein are complementary to the [Danone’s Code of Business Conduct](#) and to [Danone’s Code of Conduct for Business Partners](#) and to other relevant social and environmental policies, as detailed on [Danone’s website](#) and supplier portal.



The DSP requirements apply widely to the entire value chain. They apply to Danone and its partners as relevant for their business and type of operations.

- When applying to Danone, DSP's implementation is governed by :
[DSP IMPLEMENTATION NOTE FOR DANONE AND EMPLOYEES](#)
- When applying to Danone's partners, DSP's implementation is governed by :
[DSP IMPLEMENTATION NOTE FOR BUSINESS PARTNERS P.13](#)

In addition, further guidance is provided on how the DSP apply to the different tiers of Danone's Supply chain in :

[DANONE RESPONSIBLE SOURCING GUIDELINES: WORKING TOGETHER WITH SUPPLIERS TO UPHOLD DANONE'S SUSTAINABILITY PRINCIPLES](#)



2 FUNDAMENTAL SOCIAL PRINCIPLES

The Company is expected, at a minimum, to comply with applicable national and international laws and regulations, whichever provides the highest protection for workers. The Company is expected to protect and promote the human rights of their employees.

It is expected to be a fair employer and to respect international labour standards, including the core conventions of the International Labour Organization and legislation prohibiting slavery and human trafficking. These are Danone's 10 Fundamental Social Principles.

SELECTED REFERENCES:

Danone has drafted these 10 Fundamental Social Principles in accordance with internationally recognised standards:

the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, the UN Women's Empowerment Principles, the UN Human Right to Water and Sanitation, the FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT), the Children's Rights and Business Principles, the Global LGBTI Standards for Business and the UN Global Compact as well as a number of internationally recognised collaborative codes including the Ethical Trading Initiative Base Code and Global Social Compliance Programme Reference Code. Danone also upholds the OECD Guidelines for Multinational Enterprises.



2.1 NO CHILD LABOUR:

ALL WORKERS ARE OF AN APPROPRIATE AGE

All forms of unlawful employment or exploitation of children are prohibited. The Company must not employ children under the age of fifteen (15) and must implement robust age verification checks at all times to ensure this policy is upheld. If local law sets a higher minimum working age or compulsory schooling is to a higher age, this limit applies. This guidance is subject to exceptions recognized by the International Labour Organization. Young persons under 18 years of age must not be hired for positions that include hazardous work, night work or that interfere with normal educational activities. If children are found working, directly or indirectly, the Company must implement a remediation plan, develop, or participate in and contribute to policies and programmes that put the best interests of the child first and enables the child to access appropriate education until reaching 15 years of age, or the age of compulsory education in the country.

2.2 NO FORCED LABOUR, SLAVERY AND HUMAN TRAFFICKING: WORK IS CONDUCTED ON A VOLUNTARY BASIS

All work must be conducted on a voluntary basis, and not under threat of any penalty or sanctions. All forms of forced labour are prohibited, including any form of prison, trafficked, indentured, or bonded labour. In particular:

- Every worker should have freedom of movement and freedom to leave employment subject to normal contractual provisions. The ability of workers to move freely should not be restricted by the company through physical restriction (confinement), abuse, practices such as retention of passports or other form of identity papers and valuable possessions, threat of reporting illegal workers to the authorities or the menace of any form of penalties;
- No worker should pay for a job. Fees and cost associated with recruitment, employment and termination should be paid by the employer, not the employee (Employer Pays Principle);
- No worker should be indebted or coerced to work. Workers should work freely, aware of the terms and conditions of their work in advance and paid regularly as agreed. No worker should be indebted to work as a result of excessive recruitment fees, unauthorized deductions from wages, disciplinary measures, fines or inflated prices for company goods, tools, or uniforms.

2.3 NO DISCRIMINATION: ALL WORKERS ARE TREATED EQUALLY AND WITH RESPECT AND DIGNITY

The Company must treat all workers with respect and dignity. No person shall be subject to any discrimination in employment, including hiring, compensation, advancement, discipline, termination, or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group, or ethnic origin.

2.4 NO HARASSMENT AND ABUSE: FAIR TREATMENT OF WORKERS

The Company must not engage in, support, or tolerate the use or threat of corporal punishment, mental or physical coercion, bullying, harassment, including sexual harassment, or abuse of any kind.

2.5 FREEDOM OF ASSOCIATION AND RIGHT TO COLLECTIVE BARGAINING

The Company must respect the right to join or form a labour union in accordance with the law without fear of reprisal, intimidation, or harassment. Where workers are represented by a legally recognized union, the Company should be committed to establishing a constructive dialogue with the union's freely chosen representatives and bargaining in good faith with such representatives.

2.6 HEALTH, SAFETY AND WELLBEING AT WORK

The Company should ensure that the workplace and its environment do not endanger the physical integrity or health of employees. Action to reduce the causes of accidents and improve working conditions is the object of ongoing programs. Sanitary equipment, canteens and housing provided to employees are built and maintained in accordance with applicable legal requirements.

As a minimum, the company must provide employees with training, drinking water, clean toilets in adequate number, adequate ventilation, emergency exits, proper lighting, rest breaks and access to medical care. For workers working outside, such as agricultural workers, risk assessments should include a review of frequency of breaks and shade for workers in high intensity, high or low heat for long duration of time situations.

The Company should make efforts to increase awareness and understanding of stress¹ by the Company, its employees, and their representatives, and to look for ways of working that reduce factors that generate stress.

2.7 WORKING HOURS FOR ALL WORKERS ARE REASONABLE

The Company should ensure working hours, excluding overtime, are defined in workers contracts and are in compliance with the law and International standards. All overtime should be voluntary and used responsibly, considering all the following: worker safety, the extent, frequency, and hours worked by individual workers and the workforce as a whole. Overtime should not be used to replace regular employment and should always be compensated at a premium rate, as legally required, either monetarily or through time off compensation schemes. A minimum of 24 consecutive hours of rest should be provided in every 7-day work period. If allowed by law, 48 consecutive hours of rest in every 14-day work period are provided.

2.8 PAY: ALL WORKERS ARE PAID FAIR WAGES

The Company must ensure that no wage is lower than the applicable legal minimum or standard pay practices in the industry/ country and workers are paid a decent wage, as compared to standard pay practices in the industry/ country. All workers receive and understand their pay slip.

2.9 DIVERSITY AND INCLUSION

The Company is expected to promote a positive culture of inclusion and encourage diversity at all business levels to be representative of local population.

2.10 LAND RIGHTS OF COMMUNITIES AND INDIGENOUS PEOPLE

The Company will ensure the rights and title to property and land of the individual, indigenous people and local communities are respected. All negotiations with regard to their property or land, including the use of and transfers of it, adhere to the principles of free, prior, and informed consent (FPIC), contract transparency and disclosure.

¹ As defined by the European Agency for Safety and Health at Work: "A state of stress occurs when there is unbalance between someone's perception of the constraints due to work environment and one's perception of one's own resources to cope with those constraints... Stress can reduce efficiency at work and be the cause of severe health problems".

3 FUNDAMENTAL ENVIRONMENTAL PRINCIPLES

The Company is expected, at a minimum, to comply with applicable national and international laws and regulations which ever provides the highest protection for the environment. In addition, it must meet these 7 Fundamental Environmental Principles and all relevant standards relating to the environment, as detailed on Danone's supplier portal.



SELECTED REFERENCES:

Danone has drafted these 7 Fundamental Environmental Principles in accordance with internationally recognised standards:

The Rio Declaration on Environment and Development (UN 1992), The Johannesburg UN World Summit on Sustainable Development (UN 2002) the ISO 14001:2015 Environmental Management system and the FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT).



3.1 BIODIVERSITY

The Company is required to adopt an approach to preserving biodiversity in their operations and supply chains. Depending on the industry, the Company is expected to understand their organisation's impact on biodiversity and put in place controls to minimise harm and adopt restorative/ regenerative approaches such as use of beneficial pests, field margins and other regenerative agriculture practices.

3.2 DEFORESTATION

The Company is urged to adopt a Deforestation & Conversion Free commitment for their operations and supply chains that aligns with NDPE (No Deforestation, No Peat, No Exploitation) requirements, with the Accountability Framework Initiative, and maintains High carbon stock. The Company is required to provide information that supports Danone's commitment to zero deforestation and to no land conversion of High Conservation Value [HCV] lands, such as GPS coordinates of the origin of ingredients according to [Danone's Forest Policy](#).

3.3 CIRCULARITY (WASTE & PLASTICS)

Danone wants to partner with businesses to co-build a circular economy of packaging by minimizing the amount of product and transit packaging supplied, as well as increasing the reusability, recyclability, compostability and recycled content of packaging material. The Company is urged to contribute to packaging collection, sorting, and recycling solutions to mitigate packaging materials ending up in landfill or as litter. Food waste should be monitored and minimized and processes continuously optimised; where possible food surplus should be re-purposed or redistributed.



3.4 WATER

In line with Danone's [Water Policy](#), the Company is expected to adopt a water strategy which aligns with: preserving water resources, driving water circularity (reduce, reuse, recycle) and ensuring operations do not negatively affect access to safe potable water for the community.

3.5 CLIMATE CHANGE & GREENHOUSE GASES EMISSIONS

In line with Danone's [commitment to be a Net Zero business by 2050](#), the Company is expected to measure and minimize their direct and indirect greenhouse gas emissions of their different activities. That means decreasing energy consumption, increasing the use of renewables, and applying regenerative agriculture practices. The Company shall optimize transportation to reduce fuel consumption.

3.6 ENVIRONMENTAL MANAGEMENT

The Company is required to implement a recognised environmental management system to identify, minimise and mitigate environmental impacts. The Company must ensure they have obtained all the necessary legal environmental permits required for operations, including those for use and disposal of water and waste. This should include measuring its transported, imported, and hazardous wastes according to the Basel Convention.

Hazardous materials, chemicals and dangerous substances shall be safely stored, handled, recycled, reused and disposed of per manufacturer's recommendations.

Only legally approved chemical substances shall be used. The Company is required to reduce the use of chemicals, veterinary residues and fertilizers and exclude the use of chemicals and fertilizers which are hazardous to people's health.

3.7 ANIMAL WELFARE

Companies who provide animal products (i.e., milk, meat, fish, eggs), either as ingredients or as part of finished or semi-finished products, shall comply with the five freedoms of the World Organisation for Animal Health [OIE], to protect the welfare of the animals. The Company should ensure good husbandry systems and practices to prevent occurrence of diseases so as to minimise the use of veterinary drugs. Eggs must be at minimum cage-free.

Animal testing should not be performed if another scientifically satisfactory method of obtaining the result sought, not entailing the use of an animal, is reasonably and practically available.

4 ETHICAL PRINCIPLES

The Company, is expected to be familiar with and comply with all applicable legal and contractual obligations relating to their business activities, including these Ethical Principles.

4.1 SELECTION PROCESS AND CONFLICT OF INTEREST

Danone reserves the right to conduct integrity screening including any due diligence on the Company, as part of its selection process. The Company is required to declare in writing any potential conflict of interest prior to the start of the selection process.

4.3 GIFT AND HOSPITALITY

The Company is prohibited from offering gifts or hospitality above a nominal value to Danone employees, customers or other relevant stakeholders (such as government officials) when working on behalf of Danone. Any gift offered must be of a purely nominal value and must not be intended (or able to be perceived as such) to influence a business decision. Any hospitality offered must be linked to business purposes, must be of an appropriate nature and must not be intended (or able to be perceived as such) to influence a business decision. No gift or hospitality may be offered during tender or contractual negotiations.

4.2 ANTI-BRIBERY AND CORRUPTION, MONEY LAUNDERING, COMPETITION LAW AND INTERNATIONAL TRADE SANCTIONS

The Company shall abide by all applicable anti-corruption, anti-fraud money laundering, international trade sanctions and competition laws.

At Danone we have a zero tolerance stance on bribery and corruption. The Company shall not engage in any form of bribery or corruption in order to obtain an unfair or improper advantage, whether actual or perceived.

The Company shall not participate in activities which could be seen as impeding competition. The Company shall not have dealings with restricted parties and will ensure the necessary screening of any related party and shall comply with all applicable international trade sanctions laws.

RAISING A CONCERN

Any failure to comply with these Principles (including any failure by an employee of the Company or anyone acting on behalf of the Company to so comply), of which the Company is aware, should be immediately reported to Danone. The failure to do so will be a breach of these Sustainability Principles.

Should the Company have any concerns regarding this Code of Conduct, or its application please speak directly to your contact at Danone.

At Danone we strongly support a culture of speaking up for both the company and their workers without any fear of retaliation against those who report actual or suspected breaches. There will be no retaliation against anyone who reports a genuine concern. All cases will be appropriately investigated and, where breaches are found, appropriate actions will be taken. Danone has a zero tolerance on attacks on Human Rights Defenders and expects its business partners to adopt the same approach and cascade this to their suppliers.

If for any reason the Company would prefer to report a concern confidentially through another channel, Danone also have a dedicated reporting tool available called DANONE ETHICS LINE (www.danoneethicsline.com). This tool can also be used anonymously if needed.

DSP IMPLEMENTATION NOTE FOR BUSINESS PARTNERS

INTRODUCTION

At Danone, we have made responsible sourcing practices an integral part of our strategy and aim to promote decent working conditions, environmentally responsible practices, and ethical behaviour as part of our ongoing commitment to developing a sustainable supply chain.



1 SCOPE AND OBJECTIVE

The Danone Sustainability Principles, hereafter the “DSP”, set out what is required and expected from all Suppliers, Agents, Distributors and other third parties, hereafter “Business Partner”, and acceptance and adherence to the DSP (or provision of equivalent principles) is mandatory to do business with Danone.

- By suppliers we mean direct suppliers of goods & services (Tier 1 suppliers), sub-tier suppliers of goods & services (Tier 2) and origin suppliers of goods & services i.e., farm level/ raw material extraction/ fishing or input provision (Tier 3 and beyond). In this spirit:
 - Third party/ external manufacturers of Danone are considered as Tier 1 suppliers.
 - Joint Venture’s partners are expected to meet equivalent principle requirements and are asked to share their continuous improvement journey accordingly.
- The DSP requirements apply widely to the entire supply chain. They apply to the Business Partners as relevant for their business and type of operations. Further guidance is provided on how the DSP and supporting policies apply to the different tiers of Danone’s supply chain in:

DANONE RESPONSIBLE SOURCING GUIDELINES: WORKING TOGETHER WITH SUPPLIERS TO UPHOLD DANONE’S SUSTAINABILITY PRINCIPLES

- Danone will take appropriate measures to ensure compliance with the DSP and encourage continuous improvement to best practice with our suppliers and expect them to do the same within their own supply chain.
- Business Partners are not permitted to sub-contract the production of goods and services for Danone without first informing Danone in writing and receiving written agreement that this is acceptable to Danone.

It is the responsibility of the Business Partner to disseminate, educate and exercise due diligence in implementing requirements equivalent or similar to the DSP with their own operations and their supply chain up to origin suppliers of raw materials, and to enforce these standards with their own monitoring programme.

2 IMPLEMENTATION

Acceptance and adherence to the Danone sustainability Principles is understood to be confirmed by the Business Partners when they accept to undertake business with Danone, including signature of a Contract or General Terms and Conditions of Purchase (GTCP) and/or acceptance of performance of a Purchase Order.

Each Business Partner guarantees they will comply with the Danone Sustainability Principles at all times and will demonstrate that they are continuously improving beyond minimum requirements. If Danone has approved sub-contracting, the sub-contracted workplaces are expected to meet the Danone Sustainability Principles expectations.

Danone's commitment to transparency means we expect our Business Partners to share with Danone information regarding their relevant supply chain sustainability policies and practices, conditions, or risks, and how such conditions or risks are being prevented or addressed. If requested by Danone, Business Partners will disclose to Danone information related to their supply chain, directly or via a specialized internet platform recommended by Danone. This may include information on raw materials geographical origin, social, environmental or ethical attributes, and locations used in production and supply of those materials and services. Danone undertakes to maintain confidentiality of this data, and only use it to assess compliance against the DSP.

The Business Partner agrees that Danone or its authorized external body shall have the right at any time, with prior reasonable notice, to monitor the permanent adherence and implementation by the Business Partner of the Danone Sustainability Principles.

For this, Danone reserves the right to request the Business Partner to disclose relevant policies or procedures and complete assessments at Business Partner cost through desktop or announced/ unannounced audits of their facilities, including accommodation provided by the Business Partner or labour providers, and workplaces to which the Business Partner have sub-contracted production of Danone-procured products.

If any of Danone Sustainability Principles commitments are found to be breached, the Business Partner will be expected to implement a corrective action plan and timeline to resolve the failure effectively and promptly. Where requested by Danone, the Business Partner shall meet and discuss the reasons leading to the breach.

Danone is committed to working with the Business Partner to support any necessary improvements in line with the UN Guiding Principles, if through our business operations we have caused or contributed to a negative human right and/or environmental impact.

If we then believe there is both commitment from the Business Partner to avoid a recurrence, and the capacity to do so, we will continue to work with them providing the breaches do not continue to reoccur. On the rare occasions that we do not believe the Business Partner is committed to remediation, Danone will take appropriate action, which may involve cancelling purchase orders and ceasing to trade in accordance with our contracted terms.

The Business Partner must provide a grievance mechanism for workers

(and their organisations, where they exist) to raise workplace concerns.

This grievance mechanism must involve an appropriate level of management to address concerns promptly, using an understandable and transparent process that provides timely feedback to those concerned, without any retaliation.

The mechanism must also allow for anonymous complaints to be raised and addressed. The existence and scope of this mechanism must be clearly communicated to all workers and their representatives, and all workers must have equal access.



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ONE PLANET. ONE HEALTH