



DANONE'S MODERN SLAVERY STATEMENT

2015/16



DANONE

This statement has been published in line with the Modern Slavery Act 2015. It outlines the measures taken by The Danone Company and its UK businesses during 2015/16 to prevent slavery, servitude and forced or compulsory labour (Modern Slavery) in our business and supply chains.¹

INTRODUCTION

Danone, one of the world's largest food companies, is well aware that the world is changing, and changing fast.

The world's population is set to increase from 7 billion to 9 billion in 2050. The need to produce more food, sustainably managing and controlling our use of natural resources is becoming a major challenge. To sustain our current lifestyle and accommodate growth in new regions, it is predicted we would require 3 more planets in the next 40 years.

Our position affords Danone both the responsibility and the opportunity to make a difference to our company, our planet and the communities with whom we share the world - bringing health through food to as many people as possible.

For Danone, this is nothing new.

In 1972 Antoine Riboud, our founder and CEO, gave a speech in which he defined Danone's "dual project" – a commitment to ensure economic success is balanced with social progress. For us, company growth cannot and should not happen at the expense of our corporate and social responsibility.

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

As Antoine Riboud said in 1972:

"Corporate responsibility does not end at the factory gate or the office door. The jobs a business creates are central to the lives of employees, and the energy and raw materials we consume change the shape of our planet. [...] It is clear that growth should no longer be an end in itself, but rather a tool used to serve the quality of life without ever being detrimental to it."

Like any company, as our current chairman Franck Riboud (son of Antoine) said recently, Danone is "first and foremost a human adventure".

People are our greatest assets. Across the world, and across all our four business units, we work with thousands of people who produce, source, make and sell our products.

We are firmly committed to ensuring that everyone who works for Danone is safe, supported and empowered as, together, we work towards our mission.

Yet we know that no sector or industry is immune to the risk of Modern Slavery. At Danone we share a responsibility to be alert and to act to prevent this abuse of human rights. We continue to look for ways to improve our preventative processes and we contribute to cross-industry efforts on tackling Modern Slavery through our participation in the Consumer Goods Forum and AIM Progress.

As part of our ongoing commitment to social progress and economic success, Danone does not stand still. We are continually challenging ourselves to be better. And, in so doing, striving to make a greater positive impact on the world in which we operate.

² Down To Earth, Danone

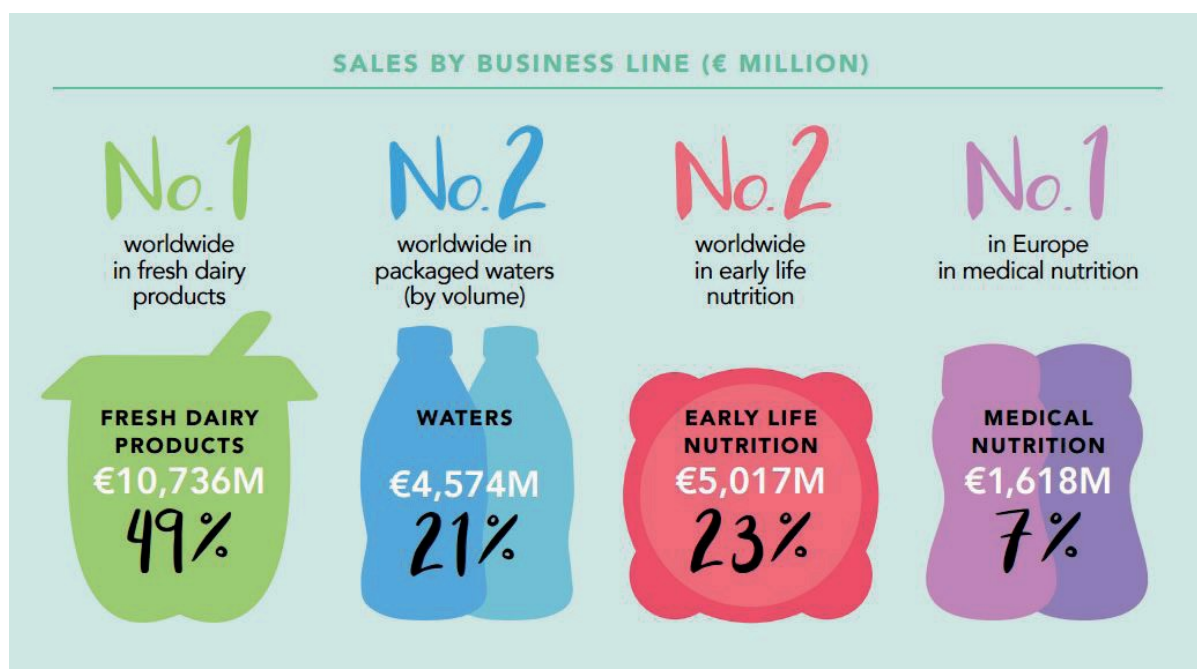
³ In 2016, Danone, as a member of the Consumer Goods Forum, signed a Social Resolution on Forced Labour - the first industry commitment of its kind on this issue. Danone works via the Consumer Goods Forum's Social Sustainability Committee to implement this resolution.

OUR BUSINESS, OPERATIONS & SUPPLY CHAINS

Danone is a world leading food company built on four business lines: Fresh Dairy Products, Waters, Early Life Nutrition, and Advanced Medical Nutrition. Each of these businesses is united under the same mission – to bring health through food to as many people as possible.

We are present in more than 130 countries across five continents: operating 197 production sites with nearly 100,000 employees; dealing directly with around 140,000 dairy farmers; and interacting with near 50,000 suppliers.⁴ Our corporate headquarters are based in Paris, with our UK businesses based in London, Trowbridge and Liverpool.

Every day, Danone touches the lives of millions of people. Every day, we work to ensure the impact we have is positive for our staff, our partners, our consumers and our planet.



⁴ Further detail on how Danone interacts with milk producers can be found [here](#).

POLICIES

INTERNATIONAL LABOUR ORGANISATION (ILO) FUNDAMENTAL CONVENTIONS

In light of our dual economic and social project, we have worked closely with the International Union of Food Workers (IUF) since 1976 to support human rights via multiple framework agreements.

Notably, in 2005, we signed an agreement with the IUF on the seven Fundamental Social Principles defined in the ILO's conventions.

1. **Child labour:** No children below age 15 are employed by the company or if the local law is set higher, that limit would apply;
2. **Forced labour:** The company does not use forced or compulsory labour, i.e. any work or service performed under threat or that is not consented to by the person concerned;
3. **Non-discrimination:** The company refuses to engage in any discriminatory practices;
4. **Freedom of association and the right to collective bargaining:** The company recognises and respects employees freedom of association and their right to freely choose their representatives, employees' right to collective bargaining and ensures that employee representatives do not suffer any discrimination;
5. **Workplace health and safety:** The company ensures 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 objective of ongoing programmes. As a minimum, appropriate sanitary and medical facilities and drinking water are made available;

6. **Working hours:** The company ensures that national legal restrictions applicable on working hours, including overtime, are complied with;
7. **Compensation:** The company ensures that: no wages paid are lower than the applicable legal minimum; all employees receive a payslip; employees receive an appropriate wage, as compared to standard pay practices in the country and desired market position; wage rates for overtime are in all cases higher than for normal hours.⁵

Proper application of these principles by Danone's companies is verified through audits carried out jointly by Danone and the IUF.

Prior to this agreement with the IUF, from 2001, Danone formalised these values to form our Social Fundamental Principles.

Together with our environmental and business ethics principles, these form Danone's Sustainable Development Principles – formalised in 2009. We implement these principles (each detailed later in this document) via our:

- 'Danone Way' approach;
- 'RESPECT' programme;
- and Code of Business Conduct.

In 2003, Danone became a member of the United Nations Global Compact, which integrates the fundamental conventions of the ILO. We reconfirmed our commitment in 2009.

⁵ See Danone 2016 Registration Document, p.186

CODE OF BUSINESS CONDUCT

Our Code of Business Conduct covers all employees of Danone globally, as well as controlled companies, and companies of which we have joint or minority ownership. The Code commits that:

- We respect the human rights of our employees.
- We provide fair remuneration and working hours, with a healthy work-life balance.
- We will not tolerate any form of forced, bonded and child labour.

The Code is consistent with founding texts including: The Universal Human Rights Declaration; the fundamental conventions of the ILO; the United Nations Global Compact on human rights, labour rights, environmental protection and anti-corruption; and the guiding principles of the Organisation for Economic Cooperation and Development (OECD) for multinational companies.

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 last year. Non-compliance may result in disciplinary action up to and including termination of employment.

The Compliance programme includes:

- (i) 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);
- (ii) New processes to ensure transparency of our interaction with third parties; and
- (iii) Training of staff on policies

CODE OF CONDUCT FOR BUSINESS PARTNERS

All Business Partners, including suppliers, distributors and all other third parties, are required to meet our ethical conduct expectations as outlined in our Code of Conduct for Business Partners.

The Code notably sets out our expectation that Business Partners (and any of their agents and subcontractors) protect and promote the human rights of their employees. We expect them to be fair employers and to respect international labour standards, including the core conventions of the International Labour Organisation and legislation prohibiting slavery and human trafficking.

WHISTLEBLOWING

We operate a whistleblowing programme, embodied in Danone Ethics Line, which has received the European Privacy Seal. All Danone employees and suppliers have access to this tool to report any breach of the Code of Business Conduct or to discuss any legal or ethical standards under which Danone operates.

Danone Ethics Line is highlighted in our Code of Business Conduct. Our business makes every effort to ensure this system is visible to and understood by all employees.

CORPORATE GOVERNANCE

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

For this reason, since 2006 our Global Board of Directors has contained a specialised Social Responsibility Committee which monitors group-wider deployment of best practices. It also examines the adoption of innovative initiatives combining business logic with social commitment. The Committee is composed of three Directors, two of whom have been recognised as independent by the Board of Directors.

DUE DILIGENCE AND AUDITS OF SUPPLIERS AND SUPPLY CHAIN

Danone's dual social and economic commitment is built on partnerships. We know that nothing is achieved in isolation. Through collaboration and co-operation across all local, national and international stakeholders we come closer to achieving our long-term mission.

Given that we work with thousands of suppliers around the world, we operate two programmes to deliver robust policies to strategically prevent Modern Slavery within our supply chain. The first, called 'RESPECT', covers all our supply chain except for raw milk producers. The second, known as 'FaRMS', is a specific programme to cover most of our milk producers:

1. THE RESPECT PROGRAMME

The RESPECT programme was launched in 2005 and has been implemented since 2006 to extend our Dual Economic and Social Project to our entire supply chain. This global policy ensures compliance in all divisions with the seven fundamental labour principles defined by the International Labour Organisation.

The suppliers involved cover all of Danone's purchasing categories (except raw milk), including raw materials (fruit preparations, powdered milk, etc.), packaging (plastic, cardboard, etc.), production machinery, transport and other services (promotional products, industrial services, etc.). Subcontractors, i.e. suppliers that manufacture finished products on behalf of Danone, take part in the above-mentioned RESPECT initiative, although Danone uses very little subcontracting since the vast majority of its finished products are produced in its own plants.

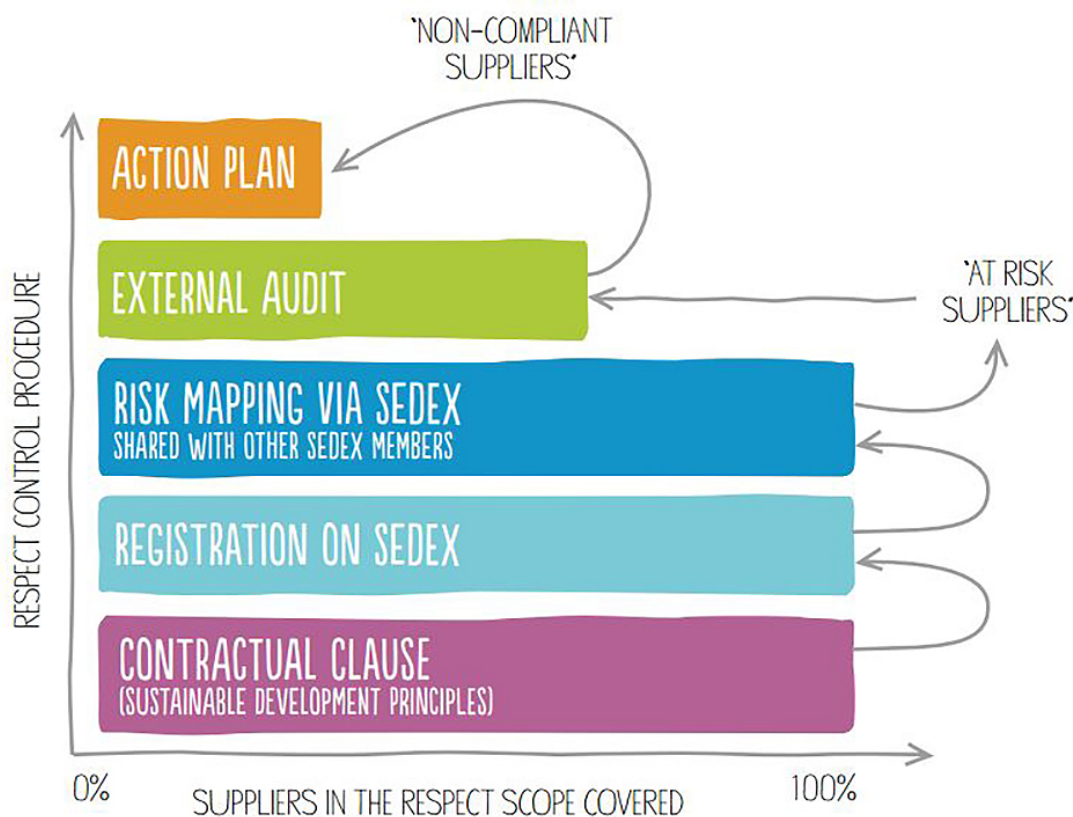
The RESPECT programme is achieved through a system of controls that includes: suppliers' signature of the Sustainable Development Principles; a map of supplier risks drawn up by

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purchasing managers; external labour audits of the most at risk suppliers; corrective action plans in case of non-compliance identified during the audit; and monitoring of this action plan by Danone's purchasing managers.⁶ A network of 'Respect Champions' are animating the program at local level.

In 2016, 108 audits were conducted among the suppliers identified as 'at risk', with improvement plans implementation being monitored.⁷

RESPECT is based on a specific tool called SEDEX (Supplier Ethical Data Exchange), a dedicated online information-sharing and pooling platform used by many companies in the food and beverage sector which allows their suppliers to enter information regarding their production sites, sustainable development and societal responsibility policies, and share this information with several customers at once.⁸



⁶ External verification of suppliers identified as at risk carried out through SMETA audits (Sedex Members Ethical Trade Audit).

⁷ See Danone 2016 Registration Document, p.185

⁸ Danone is a member of the AIM Progress forum for Fast Moving Consumer Goods (FMCG) manufacturers and suppliers. Its aim is to "Positively impact peoples lives through our combined leadership of robust responsible sourcing practices throughout our supply chains".

2. FARMER RELATIONSHIP MANAGEMENT SOFTWARE (FaRMS)

Danone collects more than 8 billion litres of fresh milk each year. In line with our company mission, we only support agriculture that generates both economic and social value. We are committed to a sustainable and high-quality supply of milk at stable prices.

We therefore closely collaborate with the farmers who supply the essential raw materials we rely on every day – learning from them, and providing them with advice, training and information on quality and best practices.

In 1995 we established our in-house FaRMS programme, to manage and assess the farming practices of the 140,000 dairy farmers who supply us, all of whom do so directly. We work with a wide variety of farms around the world, including subsistence farms and family farms, and so require a tailored approach.

The FaRMS programme establishes a compass with four axes of assessment: sustainable farming; economic sustainability; social sustainability; and environmental sustainability. Using seventy criteria, developed in coordination with the Sustainable Agriculture Initiative, the compass guides us towards any improvements required.

Under the social sustainability axis, farms are assessed on their working conditions. They are mandated to:

- Provide a recognised employment relationship based on national law
- Ensure that workers' working hours comply with national and local laws
- Ensure that wages and benefits received by workers comply with national and local laws
- Comply with applicable laws and international recommendations on working conditions
- Not use any form of forced labour
- Not use child labour

ASSESSMENT OF MODERN SLAVERY RISK WITHIN OUR SUPPLY CHAIN

In Q4 2016, Danone Group undertook a CSR risk assessment of the supply chains of twenty purchasing categories. The template for the assessment was based on the international standards of ISO26000, GRI G4 and SA8000, and had a strong focus on issues relating to Modern Slavery. impact we have is positive for our staff, our partners, our consumers and our planet.

The human rights section of the assessment considered the issues of child labour and forced labour/slavery. The working conditions section assessed working hours and wages.

The resulting risk matrix lead the company to target priority commodities and services to further improve their traceability and upholding of specific human rights. A corrective action plan is being implemented as part of our global action plan.

MODERN SLAVERY TRAINING

Danone employees are the guardians and drivers of our long-term mission. Through their energy and their commitment, we come close to achieving health through food across the food and for the planet.

All employees are made aware of the need to prevent practices associated with Modern Slavery in the following ways:

1. **Danone Code of Business Conduct:** On joining Danone, all employees are made aware of this document and commit to upholding the Code. Ongoing training is also provided as part of the wider compliance programme, as previously detailed.
2. **RESPECT:** Training sessions about the RESPECT programme, including the Fundamental Social Principles, are routinely provided to buyers, who manage supplier compliance.

ASSESSMENT OF EFFECTIVENESS IN PREVENTING MODERN SLAVERY

Since 2001, our unique programme 'Danone Way' has assessed and managed the implementation of measures by our Company to reduce the risk of Modern Slavery. It achieves this by:

1) Providing guidelines⁹ and minimum standards for implementing Danone's strategic priorities on preventing Modern Slavery, which include:

- Communication and management of our Code of Business Conduct and compliance policies (including the Danone Ethics Line);
- Implementation of the RESPECT programme to prevent engagement with suppliers showing CSR risks;
- Management of employment organisation and working time practices, in line with ILO conventions (including ILO Convention 138 on no child labour or forced labour).

2) Allowing subsidiaries to measure the maturity of their practices and performance levels:

- Key themes relevant to Modern Slavery (including Governance and HR Fundamentals) are broken down into key topics to form points of measure of maturity.¹⁰
- In 2015 we changed our assessment methodology to provide a deeper level of information on practice implementation.
- In 2016, our priority has been to reflect on new ways of working between subsidiaries and centralised teams on responsible procurement.

⁹ Guidelines are issued in the internal 'Danone Way Referential' document, which lists all of Danone's sustainability priorities, including those relating to Modern Slavery. The document is updated annually to reflect the evolving challenges Danone has to tackle.

¹⁰ Four key themes are addressed in total, to cover the whole of Danone's sustainability initiatives: Governance; HR Fundamentals; Nature; Health and Nutrition.

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- Danone Way results are consolidated at corporate level to measure our overall performance and published in our Integrated Report and are audited by an independent third party.
- Our latest results, from 2016, show that 95% of subsidiaries have communicated our Business Conduct Policy to all employees. 84% of subsidiaries have trained buyers in the RESPECT programme.

3) Guiding subsidiaries on how to improve their performance by structuring and implementing a Sustainability Roadmap:

- Results from these measurements are used to produce Sustainability Roadmaps – setting out progress steps for implementation by subsidiaries.
- Our new methodology, introduced in 2015, allows for greater support at a corporate level in producing these plans.

CONCLUSION

Holding true to our conviction that people are our greatest asset, Danone's tailor-made programs and policies look to uphold our responsibility to our employees, suppliers, communities, and the world.

Through our commitments, made in coordination with the IUF and in line with ILO principles, we have ingrained globally recognized human rights standards within our organisation: from employee contracts to board-level monitoring.

Nonetheless, we recognise that Modern Slavery is not a static issue, and so remain vigilant to protecting and promoting our greatest asset: our people.

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



James Mayer (Danone Nutricia Early Life Nutrition) on behalf of Nutricia Limited



Adam Grant (Danone Dairy) on behalf of Danone Limited



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



Cem Kucukcan (Danone Nutricia Advanced Medical Nutrition) on behalf of Nutricia Limited



Tanya Hene (Nutricia Liverpool) on behalf of SHS International Limited

