

**KnowTheChain Food & Beverage Benchmark Methodology  
Version 2 (December 2017)**

**SCORED DISCLOSURE**

Please for all the themes, refer to Danone Registration Document 2017 (mostly p. 182 to 185)  
[http://danone-danonecom-prod.s3.amazonaws.com/Danone\\_-\\_Registration\\_Document\\_2017.pdf](http://danone-danonecom-prod.s3.amazonaws.com/Danone_-_Registration_Document_2017.pdf)

**THEME 1 COMMITMENT AND GOVERNANCE**

**1.1 Commitment**

The company:

(1) has publicly demonstrated its commitment to addressing human trafficking and forced labor.

See Danone's Registration Document 2017 p. 183:

**Responsible procurement and Human Rights**

The RESPECT program is also inspired by the United Nations Guiding Principles on Business and Human Rights and constitutes implementation of the Vigilance Plan as required by law.

Given the specific features of supply chains in the farming sector, Danone has decided to broaden its scope beyond suppliers with whom the Company has established business relationships to integrate the upstream portion of its supply chains in the event of serious social or environmental risks.

In 2016, Danone joined the Consumer Goods Forum's collective initiative to eradicate forced labor from global supply chains. In this framework, in November 2017 Danone committed to monitor its operations for forced labor practices by 2020. This commitment particularly targets the recruitment and situation of Danone workers employed through labor service providers and subcontractors' employees.

**1.2 Supply Chain Standards**

The company's supply chain standard:

(1) requires suppliers to uphold workers' fundamental rights and freedoms (those articulated in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labor;

The Danone Supply Chain Standard is "Danone's Sustainability Principles for Business Partners" that has been updated in 2018 and published on Danone's Website by itself plus introduced via links in the 2017 Integrated Reports. It includes the Danone Code of Conduct for Business Partners and will soon become the only standard. The Sustainability Principles can be found on the website: [danone.com > sustainability > positions papers and policies > unique business approach: http://www.danone.com/en/for-all/sustainability/position-papers-and-policies/](http://www.danone.com/en/for-all/sustainability/position-papers-and-policies/) (scroll down to the Principles)

(2) has been approved by a senior executive; by 2 Senior VPs plus others

(3) is easily accessible from the company's website; see reference above

(4) is updated regularly, following internal review and input from external stakeholders; and 3<sup>rd</sup> version

(5) is communicated to the company's suppliers.

Communication to company suppliers takes place during initial discussions so the supplier know in advance that they will have to sign the Sustainability Clause containing the Principles.

### **1.3 Management and Accountability**

The company:

- (1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies and standards that addresses human trafficking and forced labor; and
- (2) has tasked a board member or board committee with oversight of its supply chain policies and standards that address human trafficking and forced labor.

**See Danone's Registration Document 2017 p. 183:**

#### **Responsible procurement and Human Rights**

At Board of Directors level, the Social Responsibility Committee (see section *Corporate Responsibility Governance*) will monitor the Vigilance Plan implementation and Human Rights due diligence developed by Danone in its own operations and its supply chain.

Additional comment for clarification:

The Danone SRC committee made out of Board Members will start from 2018 to have dedicated meetings on Human Rights due diligence and forced labor.

### **1.4 Training**

The company undertakes programs which include:

- (1) the training of all relevant decision-makers within the company on risks, policies, and standards related to human trafficking and forced labor; and
- (2) the training and capacity-building of suppliers on risks, policies, and standards related to human trafficking and forced labor, covering key supply chain contexts.

### **1.5 Stakeholder Engagement**

In the last three years, the company has engaged relevant stakeholders by:

- (1) providing at least two examples of engagements on forced labor and human trafficking with policy makers, worker rights organisations, local NGOs, or other relevant stakeholders in countries in which its suppliers operate, covering different supply chain contexts; and
- (2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labor and human trafficking across the industry.

**See Danone's Registration Document 2017 p. 183 & 184:**

#### **Responsible procurement and Human Rights**

In 2016, Danone joined the Consumer Goods Forum's collective initiative to eradicate forced labor from global supply chains. In this framework, in November 2017 Danone committed to monitor its operations for forced labor practices by 2020. This commitment particularly targets the recruitment and situation of Danone workers employed through labor service providers and subcontractors' employees.

Lastly, Danone contributes to collaborative initiatives carried out in the agri-food sector in favor of responsible procurement practices, particularly by taking part in AIM Progress and the CGF (including to improve and reinforce RSPO certification practices and criteria).

For several years now, Danone has cooperated with specialized stakeholders to strengthen action to combat the various forms of forced labor in supply chains. For example, to fight informal employment in recycled plastic procurement, Danone has developed cooperatives of waste-pickers with support from local partners, enabling these workers to leave the informal economy and gain access to paid employment, recognized by public authorities, and complemented by social benefits. In Brazil, since 2011, 76 cooperatives benefiting more than 1,600 workers have been jointly created with support from the Danone Ecosystem Fund, the Essential Dairy and Plant-Based subsidiary in Brazil and local partners: Nenuca Institute for Sustainable Development (INSEA), Fundación Avina, and the Initiative for Inclusive Regional Recycling.

## **THEME 2 TRACEABILITY AND RISK ASSESSMENT**

### **2.1 Traceability**

The company discloses:

- (1) the names and addresses of its first-tier suppliers;
- (2) the countries of below first-tier suppliers (this does not include raw material suppliers);
- (3) the sourcing countries of raw materials at high risk of forced labor and human trafficking; and
- (4) some information on its suppliers' workforce.

### **2.2 Risk Assessment**

The company discloses:

- (1) details on how it conducts human rights supply chain risk or impact assessments that include forced labor risks or assessments that focus specifically on forced labor risks; and
- (2) details on forced labor risks identified in different tiers of its supply chain.

**See Registration Document 2017 p. 183**

#### ***Assessment of first-tier suppliers***

*Procedure applied up to 2017*

Assessment of first-tier suppliers, *i.e.* Danone's direct suppliers, is based on their CSR performance as self-declared on Sedex (*Supplier Ethical Data Exchange*). A risks analysis carried out by Sedex completes this self-declaration. At the end of 2017, 4,082 supplier sites were registered on the platform compared with 4,282 in 2016. This lower figure is due to changes in scope following sales of subsidiaries in 2017 and continued centralization of procurement at Danone.

Suppliers at risk identified by Sedex are audited by third-party organizations certified according to the SMETA protocol (Sedex Members Ethical Trade Audit) which covers the social, environmental and ethics dimensions. Sedex also provides Danone with access to audits commissioned by peers on common suppliers, thanks to the AIM Progress consortium's mutual audit recognition. In 2017, 195 SMETA audits were carried out on Danone suppliers, either by Danone itself or by its peers.

The procurement teams monitor supplier implementation of action plans whenever cases of critical non-compliance are detected. Most cases concerned health and safety issues, working hours or compensation. In July 2017, Danone introduced an indicator to monitor the timely start of SMETA audits and of non-compliance closure: 65% of Danone's suppliers complied with Danone's standards; this rate was 100% for central procurement.

#### *Reinforcing first-tier supplier assessment starting in 2018*

In addition to registration on Sedex, and in order to reinforce first-tier supplier assessment, Danone developed a new approach at the end of 2017 to segment its suppliers according to three levels of priority. Danone will determine these levels proactively, using geographical, sector-specific and trade data. Audits will be mandatory for all high priority suppliers. Appropriate assessment measures will also be taken for medium priority suppliers.

#### **Assessment of suppliers further up the supply chain**

Assessment of suppliers situated further up the supply chain is only possible when Danone has been able to establish traceability and identify the places of production. Drawing inspiration from the United Nations principles, Danone focuses on priority categories and geographic areas determined by the risks map.

As part of the traceability work done with first-tier suppliers in respect of fruit, in 2016, Danone chose to assess suppliers at production locations in certain priority geographic areas. An audit program was carried out in 2016 and 2017 on a representative sample of farms covering seven main categories of fruit representing 75% of total volumes purchased. These audits were conducted by independent third parties based on the Sustainable Agriculture Initiative (SAI) FSA 2.0 tool. The results served to define a reference base and an improvement plan for environmental focuses. Starting in 2018, Danone will be launching field investigations in the area of Human Rights with local stakeholders.

### **THEME 3: PURCHASING PRACTICES**

#### **3.1 Purchasing Practices**

Purchasing practices and pricing may both positively impact labor standards in the company's supply chain, and increase risks of forced labor and human trafficking. The company:

- (1) is taking steps towards responsible raw materials sourcing;
- (2) is adopting responsible purchasing practices in the first tier of its supply chain; and
- (3) provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts).

**In addition to your comments and existing references, please find also in Registration Document 2017 p. 182:**

#### **Relations with farmers and fair pricing policy**

Danone's partnerships with its milk producers cover technical aspects, such as milk quality and the farm's economic performance, as well as environmental and societal aspects. In recent years, Danone has developed innovative contracts with producers in the United States and Europe to reduce milk price volatility, thereby offering better visibility and financial stability. In 2017, Danone also launched this model in Russia.

These CPM (Cost-Performance Model) contracts define the price of milk taking production costs into account and are developed in partnership with milk producers or their organizations. At present, 40% of milk collected in Europe and the United States comes from producers working with Danone under CPM contracts. Furthermore, since 2016 in the United States, Danone has been working with its milk producers under the Dannon Pledge (see section *Sustainable Agriculture*).

In France, Danone initiated reflection in 2015 with Producer Organizations (PO) to progressively and jointly develop new price formulas integrating milk production costs based on specific local specificities. In 2017, after signing an agreement with the sixth and latest organization of milk producers (300 dairy farms in south-west France), all of Danone's producers belonging to a PO were covered, over 2,000 farmers.

In total, 19% of milk collected by Danone is covered by CPM contracts.

#### **Plus p. 184**

For upstream agricultural productions, Danone has initiated certification processes for high-risk categories: RSPO for palm oil, UTZ for cocoa, FSC for paper and RTRS for soy.

Danone also develops collaborative projects to support producers, addressing both environmental and social aspects, by working on soil restoration, sustainable farming practices, and improving producer income and working conditions. Examples include:

The Sustainable Moroccan Strawberry project launched by Danone with support from the Danone Ecosystem Fund and local partners GIZ, Dirafrost, Messem and Groupe Elephant Vert to help Moroccan strawberry

producers improve their farms' management and yield as well as the working conditions and social welfare coverage of their seasonal employees;

The vanilla plantation project supported by the Livelihoods Fund for Family Farming. This project will be conducted with 3,000 family farms to develop solutions to improve quality and traceability of vanilla production, as well as food security for the farmers and biodiversity conservation.

### **3.2 Supplier Selection**

The company:

(1) assesses risks of forced labor at potential suppliers prior to entering into any contracts with them.

### **3.3 Integration into Supplier Contracts**

The company:

(1) integrates supply chain standards addressing forced labor and human trafficking into supplier contracts.

See Registration Document 2017 p. 182:

These Sustainable Development Principles are included in a contractual clause with suppliers: the supplier warrants that the social and ethical principles are already in place in its own organization and that its employees, agents, suppliers and subcontractors comply with them.

Additional comment: The discussion takes place first at supplier selection and then at the signing of the contract. The clause is translated in the language of the contract.

### **3.4 Cascading Standards through the Supply Chain**

The company:

(1) requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain standards addressing forced labor and human trafficking.

See Registration Document 2017 p. 182:

These Sustainable Development Principles are included in a contractual clause with suppliers: the supplier warrants that the social and ethical principles are already in place in its own organization and that its employees, agents, suppliers and subcontractors comply with them.

Additional comment: The discussion takes place first at supplier selection and then at the signing of the contract. The clause is translated in the language of the contract.

## **THEME 4: RECRUITMENT**

### **4.1 Recruitment Approach**

(1) has a policy that requires direct employment in its supply chain;

(2) requires employment and recruitment agencies in its supply chain to uphold workers' fundamental rights and freedoms (those articulated in the International Labour Organization's

Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labor; and

(3) discloses information on the recruitment agencies used by its suppliers.

**See Registration Document – Agreement with IUF:**

Through a Convention which was signed with the IUF in 2016, Danone commits to working together with the IUF to bring continuous progress in limiting or, where mutually agreed, reducing temporary forms of employment through a process of monitoring and negotiation.

#### **4.1 Recruitment Fees**

The company:

(1) requires that no worker in its supply chain pay for a job—the costs of recruitment should be borne not by the worker but by the employer ("Employer Pays Principle"); and

(2) takes steps to ensure that such fees are reimbursed to the workers, in the event that it discovers that fees have been paid by workers in its supply chain.

**See Update Sustainability Principles :**

### **3.2 Forced Labour**

The Business Partner does not use forced or compulsory labour, meaning any work or service performed under threat or that is not consented to by the person concerned.

This refers to the three (3) following principles:

○ 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 Business Partner through physical restriction (confinement) abuse, practices such as retention of passports 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 and employment should be paid by the employer, not the employee (Employer Pays Principle).

[danone.com > sustainability > positions papers and policies > unique business approach:](http://www.danone.com/en/for-all/sustainability/position-papers-and-policies/)

<http://www.danone.com/en/for-all/sustainability/position-papers-and-policies/> (scroll down to the Principles

#### **4.3 Monitoring and Ethical Recruitment**

The company:

(1) takes steps to ensure employment and/or recruitment agencies used in its supply chain are monitored to assess and address risks of forced labor and human trafficking; and

(2) provides details of how it supports ethical recruitment in its supply chain.

#### **4.4 Migrant Worker Rights**

The company:

- (1) takes steps to ensure migrant workers understand the terms and conditions of their recruitment and employment, and also understand their rights;
- (2) takes steps to ensure its suppliers refrain from restricting workers' movement, including through the retention of passports or other personal documents against workers' will;
- (3) takes steps to ensure migrant workers are not discriminated against, and not retaliated against, when they raise grievances; and
- (4) provides evidence of how it works with suppliers to ensure migrant workers' rights are respected.

**See Principles for prohibiting the retention of passport:**

## 3.2 Forced Labour

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### Additional Comment

The CGF Principles are now communicated to the Suppliers as part of Danone's sustainability Principles.

## **THEME 5: WORKER VOICE**

### **5.1 Communication of Policies**

The company takes steps to ensure:

- (1) its policies and standards, which include human trafficking and forced labor, are available in the languages of its suppliers' workers; and
- (2) its human trafficking and forced labor policies and standards are communicated to workers in its supply chain.

### **5.2 Worker Voice**

The company:

- (1) works with relevant stakeholders to engage with and educate workers in its supply chain on their labor rights;
- (2) takes steps to ensure that there are worker-to-worker education initiatives on labor rights in its supply chain;
- (3) provides evidence of the positive impact of worker engagement in its supply chain; and
- (4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.

### 5.3 Freedom of Association

The company:

- (1) describes how it works with suppliers to improve their practices in relation to freedom of association and collective bargaining;
- (2) works with local or global trade unions to support freedom of association in its supply chain;
- (3) takes steps to ensure workplace environments in which workers are able to pursue alternative forms of organizing (e.g., worker councils or worker-management dialogues) where there are regulatory constraints on freedom of association; and
- (4) provides at least two examples covering different supply chain contexts of how it improved freedom of association for supply chain workers.

[See Danone Registration Document 2017, Danone's collaboration with IUF](#)

### 5.4 Grievance Mechanism

The company:

- (1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chain is available to its suppliers' workers and relevant stakeholders;
- (2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;
- (3) takes steps to ensure that workers or an independent third-party are involved in the design or performance of the mechanism, to ensure that its suppliers' workers trust the mechanism;
- (4) discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism; and
- (5) provides evidence that the mechanism is available and used by workers below tier one in its supply chain, or by relevant stakeholders in key supply chain contexts.

[See Danone's Registration Document 2017 p. 184:](#)

#### Whistleblowing system

In 2017, Danone integrated two new categories of wrongdoings that may be reported via the Danone Ethics Line (see section *Danone's responsible practices*) to cover suspected environmental and Human Rights violations. The reporting process guarantees whistleblower protection and was developed in consultation with staff representative bodies.

All reported wrongdoings will be examined by a steering committee comprising representatives of the Sustainable Development, Human Resources and General Secretary functions.

## THEME 6: MONITORING

### 6.1 Auditing Process

The company has a supplier audit process that includes:

- (1) non-scheduled visits;
- (2) a review of relevant documents;



- (3) interviews with workers;
- (4) visits to associated production facilities and related worker housing; and
- (5) supplier audits below the first tier.

**See Danone's Registration Document 2017 p. 184:**

***Assessment of suppliers further up the supply chain***

Assessment of suppliers situated further up the supply chain is only possible when Danone has been able to establish traceability and identify the places of production. Drawing inspiration from the United Nations principles, Danone focuses on priority categories and geographic areas determined by the risks map.

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**6.2 Audit Disclosure**

The company discloses:

- (1) the percentage of suppliers audited annually;
- (2) the percentage of unannounced audits;
- (3) the number or percentage of workers interviewed during audits;
- (4) information on the qualification of the auditors used; and
- (5) a summary of findings, including details regarding any violations revealed.

See Registration Document 2017 and Integrated report 2017

<http://iar2017.danone.com/performance-in-2017/human-rights-and-responsible-procurement/?L=>  
(scroll down all the way to Compliance with Danone remediation standards)

**THEME 7: REMEDY**

**7.1 Corrective Action Plans**

The company's corrective action plans include:

- (1) potential actions taken in case of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision;
- (2) a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, spot-checks, or other means;
- (3) potential consequences if corrective actions are not taken; and
- (4) a summary or an example of its corrective action process in practice.

See Registration Document 2017 and Integrated report 2017

**7.2 Remedy Programs / Response to Allegations**

A. If no allegation regarding forced labor in the company's supply chain has been identified in the last three years, the company discloses:

- (1) a process for responding to the complaints and/or reported violations of policies and standards; and
- (2) at least two examples of outcomes for workers of its remedy process in practice, covering different supply chain contexts.

B.1. If one or more allegations regarding forced labor in the company's supply chain have been identified in the last three years, the company discloses:

- (1) a process for responding to the complaints and/or reported violations of policies and standards;
- (2) a public response to the allegation, which covers each aspect of each allegation;
- (3) outcomes of the remedy process in the case of the allegation(s); and
- (4) evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

B.2. If one or more allegations regarding forced labor in the company's supply chain have been identified in the last three years, and the company denies the allegation, the company discloses:

- (1) a process for responding to the complaints and/or reported violations of policies and standards;
- (2) a public response to the allegation, which covers each aspect of each allegation;
- (3) a description of what actions it would take to prevent and remediate the alleged impacts; and
- (4) that it engages in a dialogue with the stakeholders reportedly affected in the allegation, or requires its supplier(s) to do so.

## **NON-SCORED DISCLOSURE**

### **Commitment to address forced labor in the supply chain**

The company has developed measurable and time-bound commitment(s) to address forced labor in the supply chain.

### **Compliance with Regulatory Transparency Requirements**

#### **UK Modern Slavery Act**

Where applicable, the company discloses annual statements under the Modern Slavery Act which fulfils the three minimum requirements (director signature, board approval, link on homepage).

#### **California Transparency in Supply Chains Act**

Where applicable, the company discloses a statement under the California Transparency in Supply Chains Act which fulfils the minimum requirements (conspicuous link on homepage, reporting against five areas).

### **Additional information**

Please note the below information may be displayed on a company's scorecard, or may be used for KnowTheChain's analysis purposes more broadly.

#### **Business model**

To put the KnowTheChain analysis into context, companies are invited to disclose relevant information on their business model, such as sourcing countries, owned versus outsourced production, etc. [Note KnowTheChain reserves the right to edit the information provided]

#### **Addressing forced labour risks related to third-party products**

Where a company--in addition to own branded products--sells third party products, the company discloses how it assesses and addresses forced labor risks related to third party products (relevant for retail companies).