DANONE
ONE PLANET. ONE HEALTH

Responsable Sourcing at Danone

AFRIQUE : ENJEUX, APPROCHES ET CONCEPTS DES ACHATS RESPONSABLES

3 MAY, 2021

AGENDA

1 CONTEXT: A FOOD REVOLUTION

2 WHY SOURCE RESPONSIBLY?
HOW THE STAKES ARE TRANSLATED FOR DANONE?

3 DANONE'S APPROACH TO RESPONSIBLE SOURCING

A FOOD REVOLUTION HAS BEGUN,

as a NEW GENERATION asks for a fresh approach and challenges the mainstream FOOD SYSTEM.

Our ambition
Bringing health through food to as many people as possible

ONE PLANET. ONE HEALTH

DANONE

Healthier
eating and drinking

Circular & Inclusive
business stewardship

Sustainable
value

STRONG
PROFITABLE
SUSTAINABLE
GROWTH

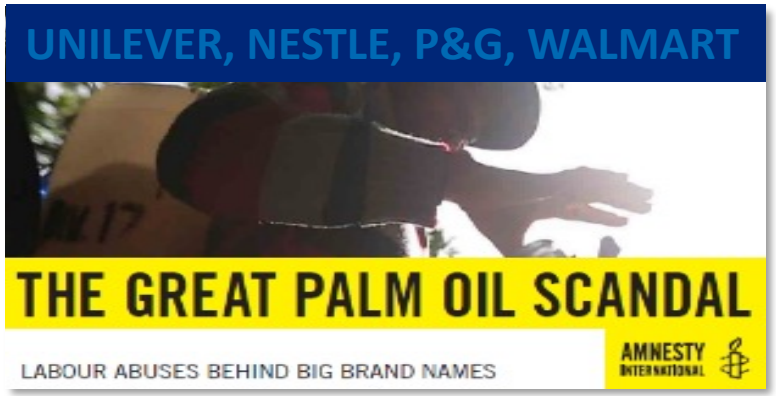
We believe the health of the people and the health of the planet are intimately interdependant

WHY SOURCE RESPONSIBLY?
WHAT IS AT STAKE?

RESPONSIBLE SOURCING: A COMPELLING BUSINESS & MORAL CASE

REPUTATION

INVESTOR
NGO
CUSTOMER - CONSUMER



investors

VIGEO.EIRIS, UNE SOCIÉTÉ AFFILIÉE DE MOODY'S

61% consumers

look for information about how food companies protect workers' human rights.

OPERATION

SECURE SOURCING

US blocks Xinjiang goods from Chinese companies, accusing them of slave labour

WION Web Team | Washington, DC, United States of America | Oct 09, 2020, 11.08 AM(IST)

REGULATION

FROM SOFT
TO HARD LAW

- UN Guiding Principles on Business & Human Rights
- OECD Guidelines for Multinational Entreprises

- ✓ French annual Vigilance Plan
- ✓ EU Directive: annual Extra-financial reporting
- ✓ UK annual Modern Slavery Statement
- ✓ Australia/NZ Modern Slavery Statement

GROWTH

INCREASE MARKET SHARE

50% of Consumer Packaged Goods growth between 2013-2018 in the US came **from sustainability-marketed products.**

DANONE'S APPROACH TO RESPONSIBLE SOURCING

EU DIRECTIVE – WORKSHOP PREPARATION GUIDELINES
3 MAY, 2021

SCOPE OF ACTION FOR RESPONSIBLE SOURCING & HUMAN RIGHTS

Upstream

Field

Priorities: fruits, sugar cane, palm oil, cocoa, plant based complex supply chains, traders Farmers – Agricultural workers

Fresh Milk

58 000 farms, 20 countries Direct relationship or only 1 intermediary ~cooperative

Tier 1

Food transformation
Packaging
Logistics & other services

Total suppliers: 50 000 +
~3 800 sites registered

Sedex

RESPECT
DANONE RESPONSIBLE SOURCING

Own Operations

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Downstream

Sales

Recycling

TIER 1 SUPPLIERS: RESPECT PROGRAMME - 2 TO 5 STEPS

1	2	3	4	5
ALL SUPPLIERS	**ALL SUPPLIERS**	**ALL SUPPLIERS IN SCOPE**	**PRIORITY & HIGH RISK SUPPLIERS**	**SUPPLIERS WITH RED/ORANGE NON CONFORMITIES**
Onboard supplier on RESPECT	**Sustainability clause in contract or GTCPs**	**Supplier in RESPECT database SEDEX registration**	**Audit Plan**	**Remediation Audit closure**
		Registration & self-assessment questionnaire Sedex Or other platform	Danone risk assessment + prioritisation Audit Methodology SMETA	
KPI 0: buyer training		KPI 1	KPI 2	KPI 3

WHAT IS A SMETA SOCIAL AUDIT?

The **4 pillars** of a SMETA

- Labour Standards
- Health & Safety
- Business Ethics
- The Environment

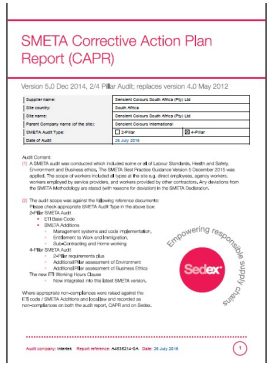
The audit includes

- Management interview
- Document review
- Facility tour
- Worker interviews

Auditor who speaks the local language

The results include

1. Audit report

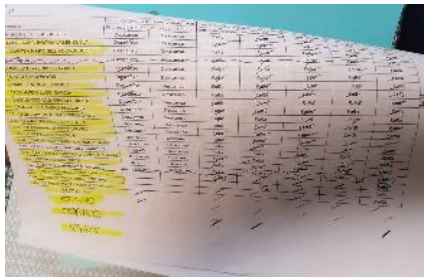


2. Corrective Action Plan (CAP)

For more information, refer to https://www.sedexglobal.com/products-services/smeta-audit/

AUDITS SHOW AREAS OF CONCERN => WITH CORRECTIVE ACTION PLAN

Fire safety & emergency
Health & safety
Systems & protections
Building unsafe



Working hours and wages
workforce record systems

Lack of business license, permits, building certificate

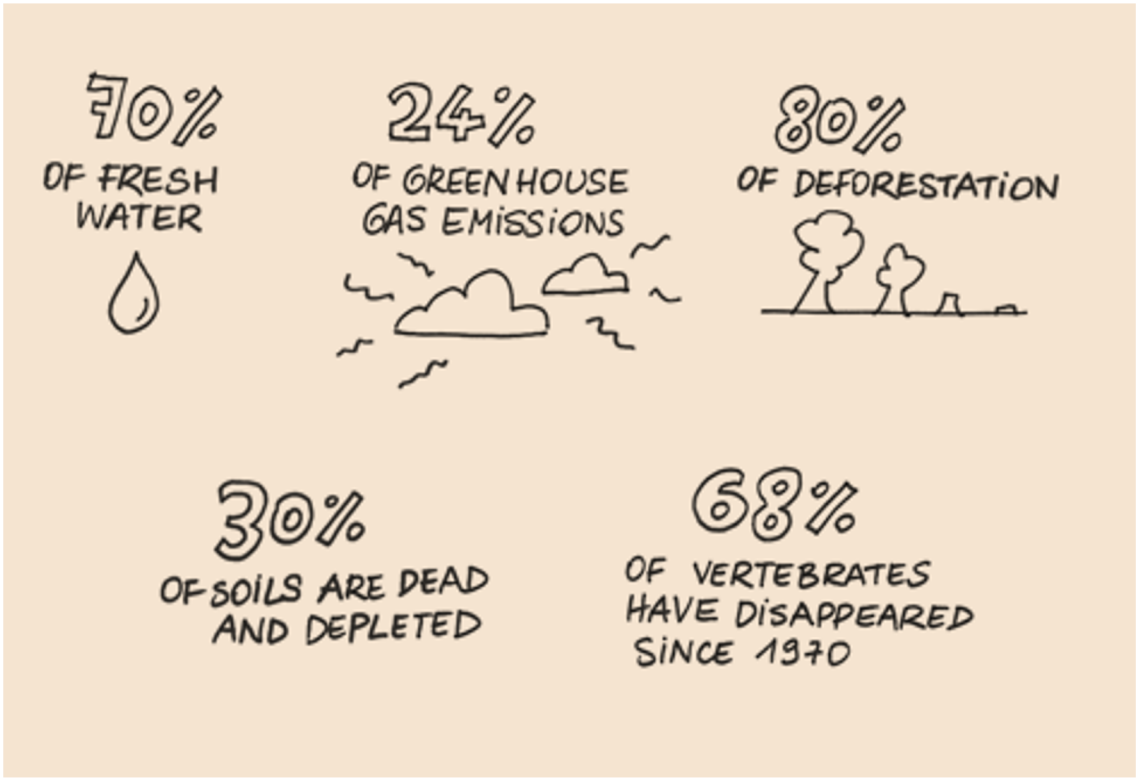
Freedom of association and collective bargaining

Environmental issues
Waste disposal

Forced labor and child labor

ENVIRONMENTAL ISSUES IN AGRICULTURE – DANONE SUPPLY CHAIN

FOR THE PLANET



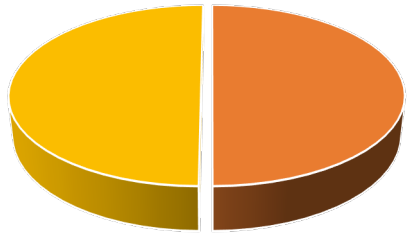
FOR DANONE

- **75%** (Volume) from direct sourcing **= 58 000 farms** mostly dairy farms

- **60%** of CO2 Footprint
- **90%** of Water Footprint

HUMAN AND LABOUR RIGHTS IN AGRICULTURE

1 billion people
working in agriculture globally



50% of them **workers**

But Agricultural workers remain among

poorest and most **vulnerable** **people**

Farmer: A **beautiful** and **critical** job !

80% Danone milk farmers
small holders < 10 cows

Livelihoods
Market access
Resilience

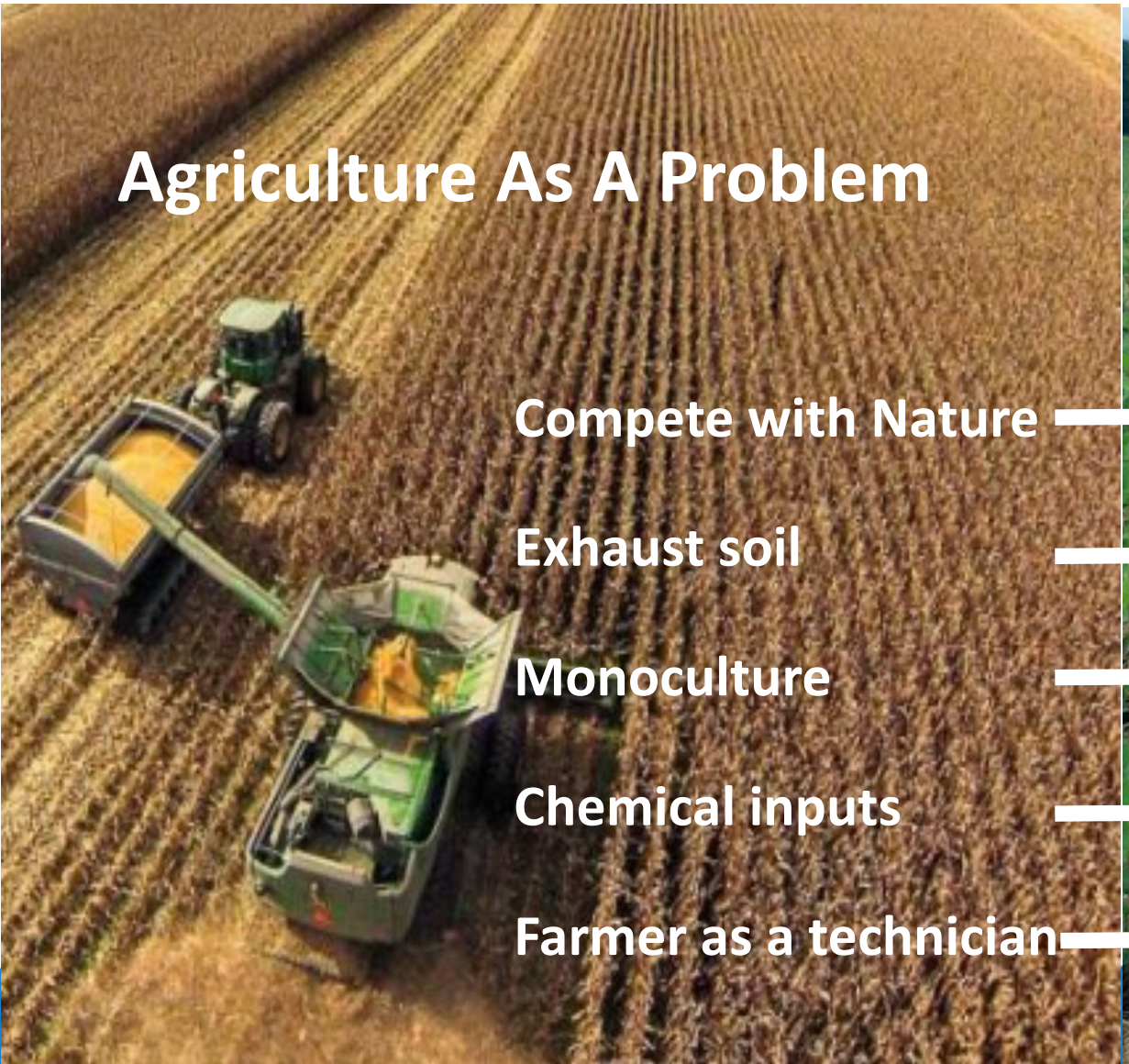
informal jobs

Forced labor
child labor

vulnerability of
migrant workers

gender
inequality

REGENERATIVE AGRICULTURE SHIFTS THE PARADIGM



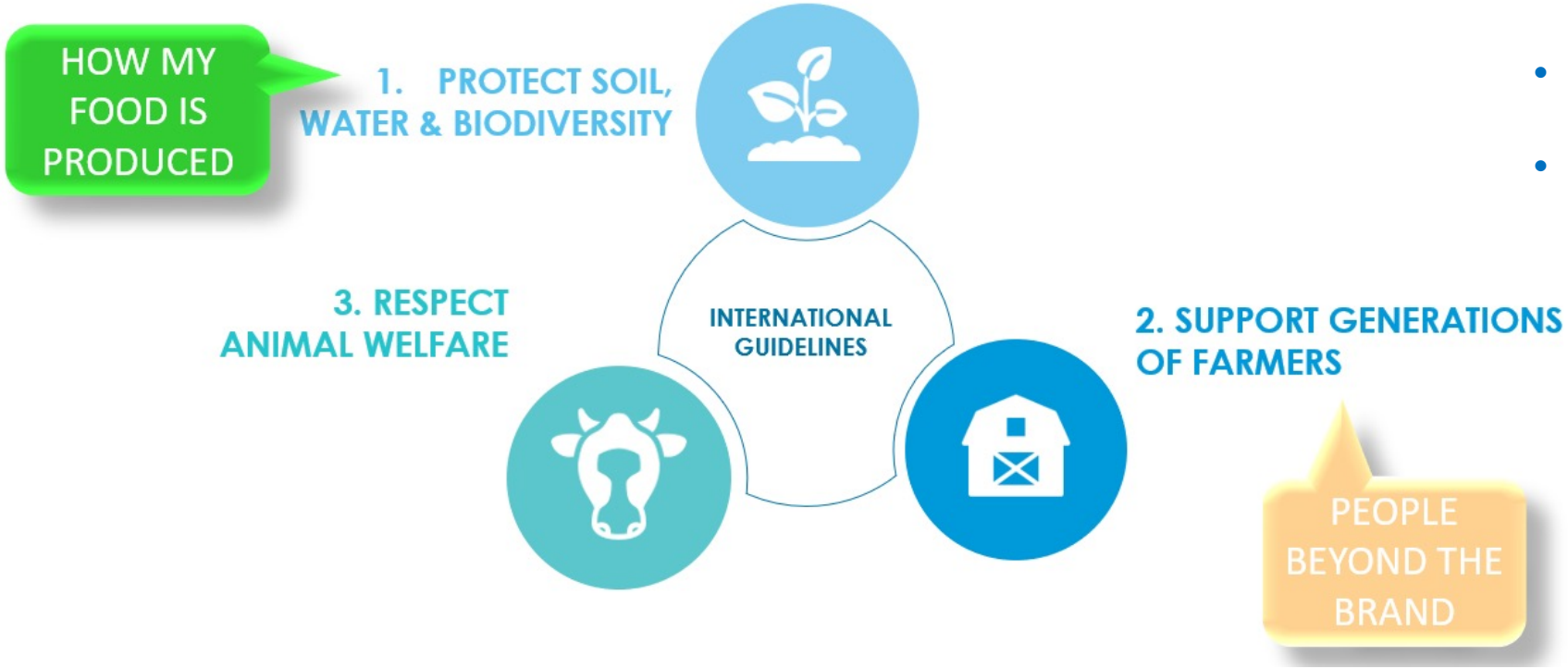
Agriculture As A Problem

Agriculture As Part Of The Solution

Compete with Nature	→	Partner with Nature
Exhaust soil	→	Nourish soil and protect water
Monoculture	→	Diversity
Chemical inputs	→	Reduced inputs based on Nature resilience
Farmer as a technician	→	Farmer as a steward of his ecosystem

REGENERATIVE AGRICULTURE BY 2030

In collaboration with WWF



- **Continuous improvement**
- **From basics to best practice**

- **Ambition: transition strategic raw materials production: milk, plant-based, vegetables & fruits to Reg Ag**
- **Define route to finance the transition and build connections with brands & topline growth**

EXAMPLE IN EGYPT MILK SUPPLY CHAIN: COLLABORATION IS KEY

Challenge

- low and volatile **milk price**, access to market unsecured due to **quality** issues
- low access to **resources**, low **productivity** & **revenue**
- low inclusion of **women** in the milk collection center activities although most farmers and **key role**

Goals

- help farmers develop **reg ag practices**
- increase productivity and milk quality to **secure access to market & income**
- **empower women** by building their capacities in order to develop sustainable and resilient farming models

Project Alban Baladna since 2010

- setting up new collection centers and renovating existing ones to meet new quality standards
- access to discounted bulk quality feed, veterinary services, water management
- training in hygiene, milking, animal welfare and organization

=>

- Better environmental practices
- milk volume and quality have increased, and rejection rates dropped => higher income and strengthened commercial relationship - long term contracts
- 24 women trained in several technical areas and recruited to become community leaders and disseminate the knowledge in their community

8000+ farmers

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care®

CHANGE OF PARADIGM WITH CONSUMERS AND SUPPLIERS

SUSTAINABILITY AS BUSINESS MODEL DRIVER

73%

want food companies
to say **how their food is produced**

61%

look for information about how food companies protect **workers' human rights.**

66%

are willing to pay more for ethical or sustainable brands, up from 55% in 2014

50%

of Consumer Packaged Goods growth between 2013-2018 in the US came **from sustainability-marketed products.**

- **Acceleration of transparency on origin / local / purpose driven product /social acceptance**
- **Transformation of relationship with suppliers => partnership, inclusivity, innovation enablers**
- **Through collaboration and systemic change (no company alone can achieve it!)**
- **Increase business resilience for all, create differentiating opportunity + SAVE THE PLANET & THE PEOPLE!**