



POSITION « FOREST »

FOR PAPER & BOARD PACKAGING

DATE: OCTOBER 26, 2012

CONTEXT

Forests cover 30% of the world's land surface (3,69 billion hectares in 2005) and provide 1.6 billion people with wood products (energy source for heat and cooking, source of income, etc.) and non-wood products (food, health). Worldwide, 300 million people live in forests, including 60 million indigenous people for whom forests are vital to their survival, faith and traditions.

Forests are also associated with precious ecosystem services like carbon sequestration (40% of world sequestered carbon, source) that help tackling climate change, water sequestration that provides populations with clean water and protection against natural disasters (floods, desertification, etc.). Further, Forests play a key role in the preservation of vegetal and animal biodiversity. Not to mention its economic and cultural impact on people who depend on forest.

From 2000 to 2010, Forests declined by 13 million hectares a year, for a net deforestation estimated at 5.2 million hectares per year which represents an annual forest loss equivalent of two times the surface of Belgium, a threat to major life-supporting services and significant contributor to Greenhouse Gas emissions (estimated 20% of world GHG, source Greenpeace).

Primary forests continue to degrade (at least 72% of Indonesia original forest cover has been destroyed with a loss of 2 million ha/year since 2001, source World Bank), with both a loss of vegetal and animal precious biodiversity at stake. Primary forests of basin of Congo and the Amazon rainforests are also threatened. These forests must therefore be protected.

According to the Institute for Climate Impact Research 2001 report, the main causes to deforestation are land conversion to agriculture, mostly intensive, but also cattle industry, urbanization, mining and unsustainable exploitation of timber due to logging.

GROUPE DANONE PAPER & BOARD SOURCING POLICY

Recognizing that the preservation of forests is critical for the planet (particularly Indonesian, basin of Congo and the Amazon rainforests) and requires the action of all parties involved, Danone has engaged in a strategy to "eliminate deforestation impacts from its supply-chain" as well as "reforestation program" by 2020 ([link: forest footprint policy](#)).

This ambition covers all paper-based packaging products (used for primary or secondary packaging) which could have a potential negative impact on forest management.



Concretely this commitment is split in three main objectives. Progress will be tracked, quantified and reported in the Group Sustainable Development report as well as in the Forest Footprint Disclosure Project:

1. Reduce: actively reduce paper based packaging weight by product.

Danone purchases less than 0,5% of world production, which represents 507 000 tons in 2011. Paperbased packaging accounts approximately for 45% of total packaging weight. The group continuously works to reduce packaging weight and will track based on 2011 consumption intensity (paperbased packaging weight/product weight ratio) which will be taken as a baseline for future monitoring of improvements made and made transparent.

2. Recycled: develop the use of recycled fibres for packaging as a priority.

Out of total paperbased packaging materials used by Danone today, 73% are produced from recycled fibres. Danone strategy is to grow this rate for all applications where it is technically feasible in order to limit to the maximum the use of virgin fibre. In High Deforestation Risk areas (Indonesia, Malaysia, Australia, PR Congo, Brazil, Russia...), Danone sources already 87% recycled fibres, special efforts will be done in those regions. Danone will also seek transparency on board composition and potential virgin content in it.

3. Certified sources: when it is not possible to use recycled fibres, ensure virgin fibre legal origin and chain-of-custody traceability.

First, fundamental social and environmental principles are embedded in Danone purchasing standards (Respect program linked with Sedex platform [link www.sedex.com](http://www.sedex.com)) and apply as well to purchases of virgin fibre based packaging (27% of volumes). Danone purchasing policy requires full compliance with prevailing law in countries where our contracts are performed and stipulates that our suppliers must comply with the standards set out in our corporate Respect policy, particularly where social and environmental issues are concerned. It also paves the way for follow-up audits built into Respect policy processes. This external third-party auditing will be required for suppliers which are sourcing paper pulp materials from high deforestation and illegal logging risk areas as from 2014. To go further than minimum legal requirements, specific "responsibly managed forests" criteria will be added to current sourcing standards and specifications for paperbased packaging in line with Danone new 2020 targets as described below.

At Danone we understand a forest is "responsibly managed" when the wood harvesting practices take place in an environmentally appropriate, socially beneficial and economically viable manner and the following conditions are excluded:

- Illegal wood harvesting
- Violation of traditional and civil rights
- High conservation values threatened by management activities
- Conversion of natural forests to plantations or non- forest use

The group ambition is to reach 100% supply from recycled and responsibly managed forest sources by 2020, and as early as 2015 for High Deforestation Risk areas, with a clear priority to either recycled fibres or FSC certified sources for virgin fibres. PEFC certification or relevant National Certification Schemes could be used as an option in regions where they are recognized, are endorsed by independent and competent stakeholders and ensure a reliable guarantee of responsible sources. Danone will engage with external stakeholders and be transparent on selection criteria and implementation guidelines to safeguard sustainable purchasing standards.



Concerning Tier 2 suppliers (supplying wood paper pulp), this new strategy will be formalized and shared in full transparency through Danone Tier 1 packaging suppliers specifications, including list of endangered species and country of origin. Danone and Tier 1 suppliers will seek to overcome potential traceability and transparency hurdles in the supply-chain. In High Risk countries, Danone will ask third-party audits to be planned and put in place by Tier 1 suppliers to ensure compliance as from 2014.

This is the work plan for the coming months, within the framework of Danone 2020 targets.