



DANONE FOREST UPDATES ON KEY CATEGORIES – 2020 DATA

Danone is committed to eliminating deforestation from its supply chain. We signed the New York Declaration on Forests and we participate actively in the Consumer Goods Forum (CGF) resolution to achieve zero net deforestation and conversion in key commodity sectors. In addition, we issued our Forest Policy in 2012. To clarify our global strategies on key materials and ingredients, we issued our Paper & Board Policy in 2012, Soy Policy in 2014, and Palm Oil Policy in 2015. We are participating in alliances that further collaboration and progress towards zero deforestation, including: the Roundtable on Sustainable Palm Oil (RSPO); the Palm Oil Innovation Group (POIG); the Southeast Asia Alliance for Sustainable for Palm Oil (SASPO); the North America Sustainable Palm Oil Network (NASPON); and Roundtable on Sustainable Soy (RTRS).

As a member of CGF Forest Positive coalition, Danone endorses the new theory of change - it represents the coalition's ambition to transition towards being forest positive businesses. It encompasses two main strategies: the first focuses on supply chain management and the second on collaboration. By transitioning from deforestation- and conversion-free supply chains to deforestation- and conversion-free businesses, coalition aims to accelerate efforts to remove deforestation from entire supply chains and production operations. Additionally, in taking a more integrated land use approach instead of pursuing siloed, uncoordinated initiatives, the coalition aims to encourage more transformational change in key production landscapes through stakeholder collaboration.

Danone is working on renewing its commitment to Deforestation and Conversion Free (DCF) beyond 2020 aligned with Accountability Framework Initiative (AFI). This will be disclosed in due course.

The update below provides a snapshot of where we are on our roadmaps to date.¹

CATTLE: FRESH MILK

Our approach to milk sourcing is both:

- regenerative, meaning we promote farming practices that improve the health of local ecosystems by strengthening soil carbon sequestration, by reducing water use and preserving biodiversity, and by empowering a new generation of farmers and respecting animal welfare
- local, meaning we work directly with 58,000 dairy farms, over 90% of which own fewer than ten cows.

In 2020, we sourced around 5.100 K tons of fresh milk. The sourcing breakdown by region is as follow:

29% from Europe

¹ Volumes listed are based on 2020 data.

24% from CIS²

21% from USA and CANADA

11% from LATAM

15% from other regions (Asia/Middle East, Africa)

In Brazil and Argentina, where there is a risk of deforestation, we have conducted extensive risk assessment incl. animal feed:

- Ceará and Minas Gerais regions in Brazil;

- Abasto Sur, Mar y Sierras and occasionally elsewhere in the Buenos Aires and Sante Fe province in Argentina

We do not disclose specific farmer names and locations to protect personal information, in accordance with General Data Protection Regulation in place as of May 5, 2018, and other personal data privacy laws.

SOY

Direct sourcing

Danone sources 56K tons of soybeans directly, for use in our plant-based products in Europe (Alpro) and North America, from areas that are not at risk for deforestation. More specifically, Danone sources 48 K tons of soybeans directly for Alpro, and 8 K tons for Danone North America.

60% of soybeans used by Alpro are grown in Europe (France, Austria, Italy, Netherlands, Belgium), and the remaining 40% come from Canada. 100% of Alpro soybeans are ProTerra certified, covering environmental, social and non-GMO criteria. About 15% are also organic, and 85% are conventional.

Soybeans used by Danone North America are grown in the United States with a small % from Canada; over 2/3 of which are non-GMO Project Verified and 1/3 are Certified Organics.

Indirect sourcing

For indirectly sourced soy mainly used for cow feeding, Danone is implementing projects to help farmers plant local soy alternatives making them less dependent on imported soy, as well as reducing the risk of importing soy from deforestation prone areas. For example, Danone Germany, with the support of the Ecosystem Fund, launched in 2017 the Profee project which aims to encourage a switch to regional sources of protein and improve the feeding practices of family farmers. This helps to maintain the agriculture cultural landscape in Bavaria and improve soil quality as well as reduce the risk of deforestation in Latin America by sourcing local feed.

Indirectly, only around 20% of soy used in cow feeding (fresh milk production) is not traced and the rest presents minimal risk. Though soy represents less than 5% of the feed ratios for Danone dairy cows, which are mostly grass- and grain-fed.

Soy used for animal feeding in the United States and Latin America is purchased locally, from regions that are low-risk for deforestation.

100% of soy purchased in the United States is grown there.

² Commonwealth of Independent States

Regarding Latin America:

- Brazil: 100% of soy used by the farms where we source milk comes from Minas Gerais State. Soy used for 85% of milk we source comes from the Central de Compras facility managed by Danone Brazil, which traces and maintains documentation on soy origin (See Annex 1 for a full list of municipalities). Our aim is for 100% of the milk farmers in our supply chain to use this facility.
- Argentina: 100% of soy used for animal feed is grown in the Buenos Aires province, which is not at risk for deforestation. See Annex 2 for list for locations of soy grown by the largest supplier (cooperative) to the farms where we source milk.

Danone led a traceability exercise with Transparency for Sustainable Economies (Trase) to determine the risk linked to soy imported to Europe, Russia and Africa for animal feeding to produce fresh milk. In addition, we undertook country by country analysis to have more accurate assessment of the origins of indirect soy in 2019. Based on this study, we estimate that 27% of the soy used for animal feeding by farmers is untraced and could be a risk of deforestation, mainly in Europe, Russia and Africa.

Danone has a more accurate analysis because we evaluate country by country the type of soybeans used by our farmers. Our strategy to minimize this risk is to a) continue our work on traceability and origins of indirect soy; b) work with farmers to transition to local soy/soy alternatives. At the end of 2020, Danone purchased 14,000 RTRS credits in order to promote the transition to sustainable soy.

PAPER

Recognizing that the pulp & paper industry has contributed to tropical deforestation, it is essential that the management of timber plantations does not come at the expense of forests, peatlands and local populations. The best way to prevent deforestation from Danone's supply chain is by sourcing mainly recycled paper, and when virgin paper is necessary, to source only certified paper. This is why Danone has the target of purchasing 100% either recycled paper or certified virgin paper.

To achieve transparent sourcing for virgin fibres, Danone uses independent certification bodies, such as FSC, PEFC and SFI. The use of certification is a way to ensure chain of custody, and to show our efforts to customers, reinforcing our brands. More certified timber for paper/board packaging will mean more sustainability-conscious customers being reassured of the sourcing quality. It is also a way to work more closely with our suppliers and peers and innovate in the field of packaging.

While we have a strong preference for the FSC certification, it is not available in all countries. In these cases, Danone works with their suppliers to select certifications that are aligned with its own policy and ensures that forests are managed in a sustainable manner. To reach its commitments, Danone is encouraging producers to increase their FSC/PEFC/SFI certified volumes and strengthen other local certifications to secure supply.

Full year results

Danone sourced around 596 ktons of paper and board in 2020, 7% less than in 2019. In total, 98% of purchased volumes of timber for paper/board comes from recycled or virgin certified fibers. In other words, 98% is compliant with our commitment. This is an increase of 8% vs 2019. Since March 2021, 99% is compliant.

Of the 596 k tons of paper-based packaging purchased in 2020, 67% of paper we use in our packaging materials in 2020 are produced from recycled fibers.

In 2020, 94% of the virgin paper we purchased (=174kt of 185kt) was certified FSC (76%), PEFC (6%) or SFI (12%). The increase from 2019 (then 84% virgin certified) was mainly a result of transitioning volumes in EU and US to certified. Of the remaining 11 kton non-certified virgin paper, 76% was in transition and has obtained certification in 2021. Danone continues to push for a transformative approach in specific areas where certified timber is not (yet) accessible, such as some countries in Africa. This difficulty of accessibility in African countries explains the non-achievement of the target this year.

Sustaining the level of certified virgin fiber has been a challenge. With the acquisition of WhiteWave in 2017, Danone’s paper footprint increased, and virgin fiber certification became more important. In addition, there is a general lack of FSC on the NORAM market as demand is larger than supply. In 2018 Danone started to work with its suppliers to select robust alternative certifications to FSC, like SFI and PEFC, that ensure that forests are managed in a sustainable manner. In 2020, Danone worked with various US based suppliers, as well as operations and marketing, to ensure that where possible pack changes include certification logos, so as to effectively communicate to the consumer on certified materials, and compensate for the premium paid for these certified materials. By the end of 2020, 97% of NORAM volumes were virgin certified, and overall, 97% of the volumes in NORAM were ‘compliant’ (either recycled or virgin certified).

	2019	Unit	2020	Unit
Total paper used	643.799	Metric tons	596.610	Metric tons
Recycled	69	%	67	%
Virgin	31	%	33	%
Virgin certified	84	%	94	%
Compliant =recycled paper + virgin certified	90	%	98	%

Traceability

Our focus has been in large part on recycled and certified fibers as a protection against deforestation, but we are working towards full traceability for our virgin paper supply:

Overview 2020 VIRGIN volumes		Tonnage	Cert. %
FSC Chain of Custody	<i>Identity Preserved</i>	140.528	76%
FSC controlled wood	Mass Balance	1.152	0,6%
PEFC Chain of Custody	<i>Identity Preserved</i>	10.225	6%
PEFC Sustainable Forest Management Certification	Mass Balance	500	0,3%
SFI Chain of Custody	<i>Identity Preserved</i>	21.434	12%
not certified		11.544	6%
		185.384	94%

Considering both Recycled and Virgin paper, 157.151 tons can be traced back to mills in ‘Forest Risk Countries’:

- 13.958 tons, equivalent to 2.3% of all purchased paper, can be traced back to a mill in Brazil. Roughly 50% of all paper coming from Brazil is Recycled. Of the virgin volumes, 99% are certified FSC.
- 10.167 tons, equivalent to 1.7% of all purchased paper, can be traced back to a mill in Mexico. 100% is FSC Recycled with Chain of Custody.
- 128.627 tons, equivalent to 22% of all purchased paper, can be traced back to a mill in Indonesia. 100% of it is Recycled. 71% are FSC Chain of Custody and the remaining volumes are PEFC Certified.
- 2.115 tons, equivalent to 0,35% of all purchased paper, can be traced back to a mill in Argentina. 82% is Recycled (100% FSC Chain of Custody) . Of the remaining virgin paper, 76% is PEFC Chain of Custody and 24% is FSC Chain of Custody.
- 2.285 tons, equivalent to 0,38% of all purchased paper, can be traced back to a mill in Thailand. 100% of all paper coming from Thailand is Recycled, of which 40% FSC Chain of Custody.

The remaining 439 ktons come from the following low-risk countries: Austria, Belgium, Canada, Chile, China, Finland, France, Germany, Hungary, Italy, Japan, Kazakhstan, Korea, Morocco, Poland, Portugal, Romania, Russia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, The Netherlands, Turkey, UK, Ukraine, USA

Danone is working on renewing its commitment to Deforestation and Conversion Free (DCF) beyond 2020 aligned with Accountability Framework Initiative (AFI). This will be disclosed in due course.

PALM OIL

Danone consumed around 67 K tons of palm oil and palm oil derivatives worldwide in 2020 (68,000 tons in 2019). It represents less than 0,1% of global world production and less than 1% of Danone's procurement spend, making us a relatively small consumer in the consumer goods sector. On full year basis, Danone achieved 50% RSPO Segregated (SG) and 48% RSPO Mass balance (MB). In H2 2020, as our latest Mill Mapping shows, 55% of total palm oil volumes are RSPO SG and 44% are RSPO MB. The remaining 2% of Danone palm oil is not RSPO certified – this volume is sourced from and used in Africa. Danone is currently working on the transition of this volume to certified volumes.

Description	Total volumes (Metric tonnes)	Conventional	RSPO MB	RSPO SG
CPO	50.862	1.435	29.563	19.864
PKO	328		61	267
Fractionated products	15.568		2.265	13.303
Derivatives	534		534	
Total	67.292	1.435	32.423	33.434

Our supply chain

The Forest Positive coalition published its Palm Oil roadmap in September 2020 and one of the key actions are traceability and accountability. This is why Danone has set and maintained its traceability target at 100%. The Earthworm Foundation traces for Danone the origins of all the sourcing of its Palm

Oil back to the mills. Danone updated its supply chain details (Tier 1 suppliers and mills) recently, as part of its commitment to transparency: see <https://www.danone.com/content/dam/danone-corp/danone-com/about-us-impact/policies-and-commitments/en/2021/Danone-Palm-Oil-H2-2020.pdf>. The updated mapping from our partner Earthworm will be published in summer 2021, showing we have 100% traceability to mill and 85% traceability to plantation. Below is an overview of the sourcing regions:

Sourcing Regions	PKO Volume (m tons)	PO Volume (m tons)	% PKO	% PO	Total Volume (m tons)	%Total Volume
Indonesia	117	21.302	8%	68%	21.420	65,0%
Malaysia	1.289	6.837	90%	22%	8.126	24,7%
Papua New Guinea	4	1.876	0%	6%	1.880	5,7%
Nigeria	-	527	0%	2%	527	1,6%
Guatemala	3	496	0%	2%	499	1,5%
Costa rica	-	305	0%	1%	305	0,9%
Colombia	3	146	0%	0%	149	0,5%
Honduras	3	47	0%	0%	50	0,2%
Nicaragua	3	2	0%	0%	5	0,02%
Panama	3	2	0%	0%	5	0,02%
Grand Total	1.426	31.541	100%	100%	32.967	100%

To guarantee traceability, Danone aims to have 100% RSPO certified Palm Oil. The RSPO certification ensures the credibility of palm oil sustainability claims, as palm oil producers must adhere to the stringent RSPO Principles & Criteria for Sustainable Palm Oil Production by accredited Certifying Bodies and can be withdrawn at any time in case of infringement of the rules and standards. Danone continues to push for a transformative approach in specific areas where RSPO certified and/or Segregated Palm Oil is not yet accessible, such as some countries in Africa.

Sourcing RSPO certified volumes will also help to progress toward our NDPE commitment. We have started a pilot with our top suppliers to monitor progress toward verified NDPE, using the Implementation Reporting Framework (IRF). At the time this report was written we were not able to consolidate the information for our supply chain. Even so, we are confident of the results due to our commitment to sourcing RSPO SG volumes.

Danone is working on renewing its commitment to Deforestation and Conversion Free (DCF) beyond 2020, and aligned with Accountability Framework Initiative (AFI). The new commitment will include a

larger scope of topics, as well as monitoring progress toward NDPE, using IRF. The new commitments and policy will be disclosed in due course.

Suppliers & Traders

Danone believes that only suppliers who source responsibly can help Danone reach its objective of removing deforestation from its supply chain. As part of a deforestation specific risk assessment; Danone conducts a mapping of its supply chain at least annually, which involves 100% of its direct suppliers.

Procurement of forest-related commodities allows one-to-one exchanges with suppliers on forest-related risks. Since 2020 we have been working with our top Tier 1 suppliers in a Connect4Growth initiative to integrate our One Planet commitments in supplier roadmaps. For these Strategic suppliers, it means understanding fully what their commitments are on Responsible Sourcing, and building concrete short, mid and long-term roadmaps to improve traceability and to tackle Environmental and Social risks in the supply chain. The framework enables us to monitor supplier performance against the elements of Responsible Sourcing, including progress on delivery across the entire palm oil business.

We also work with suppliers to find solutions. Because there was no segregated palm oil in the US, we co-built new solutions with a few traders, using it as an opportunity to create demand for traceable and sustainable palm oil. In 2019, Danone negotiated long-term contracts with its US palm suppliers to co-build the first segregated RSPO Supply chain for the US market. The final deals were signed in early 2020 and implementation started in December 2020.

Even with 98% certified volumes, Danone is aware of the various issues, including human rights concerns, that might affect our supply chain. In 2019, with the support of Earthworm Foundation, Danone put in place a dedicated Grievance mechanism and a team that meets weekly to address incoming NGO and media alerts. When allegations of noncompliance against palm oil producers arise, we carry out an investigation with support from internal and external experts. If the producers are confirmed as noncompliant, we work with our Tier 1 suppliers to suspend them until they demonstrate concrete progress vis-à-vis our Palm Oil Policy.

In 2020 we registered 16 alerts, of which eight were related to deforestation in palm oil and four related to human rights in palm oil. The regions identified were Malaysia, Indonesia and South America. For four of the palm alerts, the results of our investigation lead to us suspending the producer. In these instances we got in touch with 100% of our Tier 1 suppliers to remind them of our NDPE commitments, as well as notify them that the suspended producer may only (re)enter our supply chain with our permission and upon providing a clear improvement roadmap. In one case we engaged with the T2 supplier to understand the progress they were making. The monitoring of alerts and grievances informs ongoing risk assessment and help us better understand the challenges of the supply chain.

Tier 1 Supplier
AAK
BAKELS
BUNGE
CARGILL

FUJI
OLEOFINOS
PRESCO/SIAT
UNITED PLANTATIONS
WAHANA

Landscape engagement

Danone believes that the journey towards responsible palm oil requires an innovative approach and a higher level of co-creation between all stakeholders involved in order to develop positive solutions. Danone supports the principles of "The Palm Oil Innovation Group" (POIG) and signed-up to the Charter for Retailers and Manufacturers.

Danone has chosen to prioritize its direct support to smallholders by investing in pilot projects for smallholders in high-risk deforestation regions. For example, Danone has been a supporter of the Siak Pelalawan Landscape Programme (SPLP) since it was launched in July 2019 by the Siak government. As a Supporter within the coalition, Danone’s commitment focusses on ‘Goal 2’, which has the target to ensure that by 2025, for at least 50 high priority villages in Siak and Pelalawan the livelihoods of palm oil farmers and their communities has improved.

Project deliverables of SPLP are monitored at least annually. Among some of the results of 2020: trained village facilitators were installed in five villages in Siak and Pelalawan districts, to act as key entry points for village support programme. The villages have been mapped and smallholder capacity building started, focussing on sustainable peatland management, sustainable use of forest land and high environmental value areas, and Fire Free Villages.

Finally, since 2020 Danone has been working with The Livelihoods Fund, Mars and Musim Mas to design a project that demonstrates that a transparent and biodiverse palm oil model is doable for independent smallholders. The aim is to help 2,500 independent smallholders In Sumatra, Indonesia, regenerate 8,000 ha of palm oil in degrading land areas, while restoring an additional 3,500 ha of local biodiversity over 10 years. For Danone, it will be an important step in better engaging with upstream suppliers on NDPE commitments. More about the project in due course.