



## FOREST FOOTPRINT POLICY

DATE: OCTOBER 15, 2012

### CONTEXT<sup>1</sup>

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) 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 (Attachment 3), 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.

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<sup>1</sup> Unless specified, source is FAO (Food and Agriculture Organization of the United Nations): <http://www.fao.org/forestry/en/>



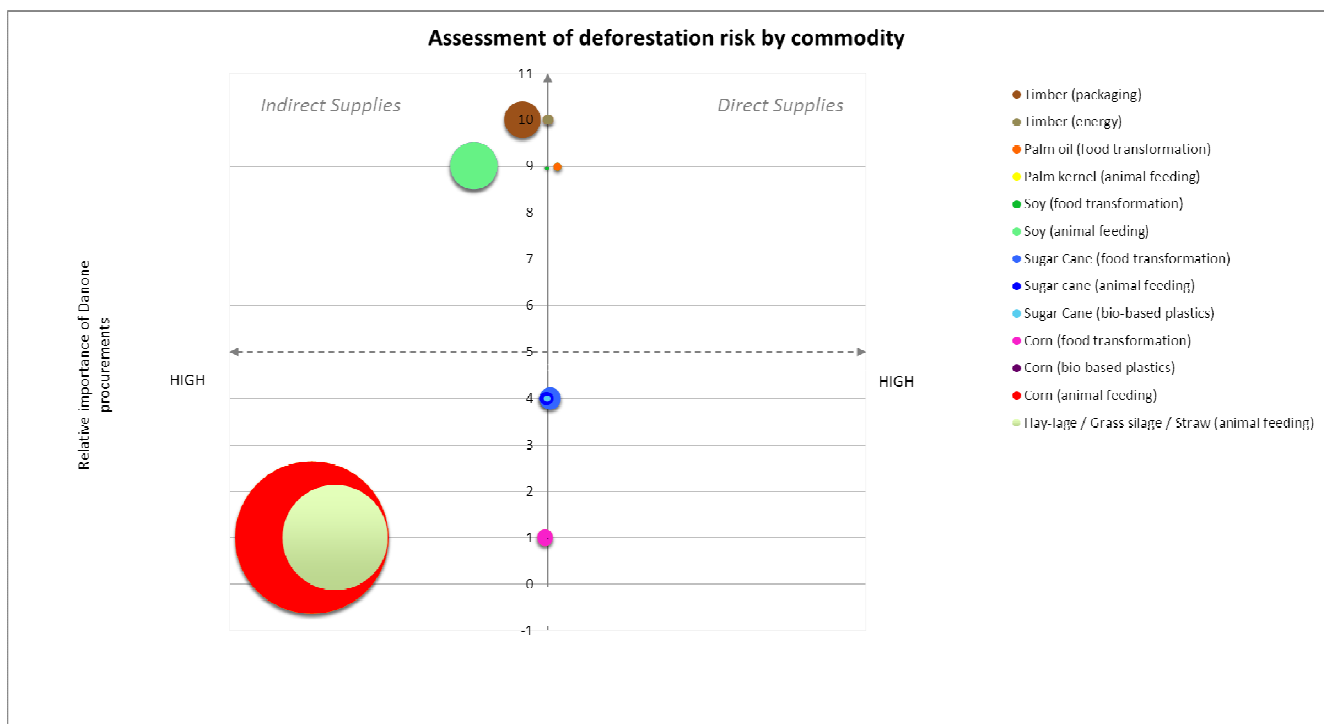
## DANONE POLICY

**Forests constitute an essential link in the Food chain.** They regulate the climate, the water cycle and shelter the richest ecosystems in the world. Recognizing that their preservation is critical for the planet and requires the action of all parties involved, Danone has engaged in a dedicated policy, built on two complementary pillars: eliminating deforestation from its supply-chain and contributing to reforestation. The countries where the risk of deforestation is considered as high are mainly: Indonesia, Brazil, PR Congo, Thailand, Malaysia, Australia, Bolivia and Venezuela. Mexico, Argentina, Ivory Coast and Ghana are considered as medium risk countries.

### I – Eliminate deforestation impacts from supply chain by 2020

This ambition covers all of Danone products and activities that may have a potentially negative impact on forest management. The related commodities can be purchased directly (estimated 3% of total group purchases) or indirectly (when Danone has no direct contact with the commodity producers, estimated 97% of total purchases).

This ambition will be achieved by developing **specific sourcing strategies for each key commodities that are associated with high deforestation risks**: palm oil (policy in place since November 2011) and paper & board (policy in place since June 2012). Soy, cane sugar, timber for energy and bio-based plastic for packaging will be communicated step by step and as soon as possible when co-built and aligned with key stakeholders.





These strategies will be based on Danone purchasing standards, which require full compliance with prevailing law in the countries where our contracts are performed and stipulate that our suppliers must comply with the standards of our corporate Respect policy (Sedex platform [link www.sedex.com](http://www.sedex.com)). These policies will seek to **ensure traceability of all priority risk commodities** for both direct and indirect sourcing, **which will target 100% sustainable sourcing when standards exist** and will be endorsed by independent and competent third-parties. They will also include reinforced **plans in areas with high deforestation risk** (as per FAO 2010 risk mapping see attachments). **When standards do not exist**, Danone will engage with external stakeholders and be transparent on selection criteria and implementation guidelines to safeguard sustainable purchasing standards.

Danone will regularly update the above lists, seeking relevant stakeholders inputs, to make sure that they cover future evolution in global deforestation hotspots. Progress on compliance versus our policies will be tracked, quantified and reported yearly in the Group Sustainable Development report starting 2014 as well as in the Forest Footprint Disclosure Project starting 2012.

Danone will also contribute to build industry-wide policies in the Consumers Goods Forum and participate in specific working groups to fulfil its commitments.

## **Specific commitments:**

### **1. PULP AND PAPER**

Purchases: Danone purchases less than 1% of world production for packaging end-uses.

It represents 507kt of paper and board in 2011 (73% from recycled paper), 159kt mainly in Indonesia, Brazil, Colombia, Thailand and Malaysia (87% from recycled paper).

Commitment:

- Direct supply: In April 2012 the group committed to reach 100% supply from sustainably managed forest sources by 2020, with a clear priority to either recycled fibres or FSC certified sources for virgin fibres.
- Indirect supply: management of traceability hurdles and third-party audits will be planned and put in place by suppliers to ensure compliance as from 2014.

### **2. PALM OIL**

Purchases: Danone purchases less than 0,05% of world production.

It represents 26kt in 2011 (direct sourcing), 100% from Indonesia

Commitment:

- Direct supply: Since 2011, Danone is a member of the RSPO (Roundtable for Sustainable Palm Oil) and is committed to source 100% of its palm oil needs from physically segregated CSPO (certified sustainable palm oil) sources by the end of 2014.
- No indirect supply.



### **3. SOY AND SOY HULLS (mainly for animal feeding):**

Estimated purchases: Danone purchases less than 0,3% of world production. It represents 900kt estimated in 2011, 210kt in Brazil and Argentina About 99% are indirect purchasing (very rough estimate of indirect purchase to be confirmed in 2013). Soy can be used in the daily feed ration of dairy cows, estimated today at an average of 5% of feed ration and potentially trace from countries like Brazil and Argentina. Direct purchases of **Soy derivatives** are lecithin, oil, proteins and fibres for a total volume of 6kt.

Commitment: to be issued.

### **4. TIMBER FOR ENERGY**

Purchases: estimated 41kt in 2011, 23kt in Brazil.

Commitment: to be issued.

### **5. CANE SUGAR**

Purchases: Danone purchases less than 0,02% of world production mainly from Brazil and Mexico It purchases directly 400kt of sugar worldwide, 190kt from sugar cane, 110kt from Brazil and Mexico and an estimated 70kt indirect purchase for animal feeding (100% in Brazil).

Commitment: to be issued.

### **6. BIO-BASED PLASTICS BIOMASS FEEDSTOCKS**

Purchases: 15kt (bio-based plastics from sugarcane, sugarcane waste and corn), 12kt from Brazil, the remainder from India which is a medium risk country. Indirect sourcing only.

Commitment: specific "Packaging policy" (also covering Food Security) to be issued.

To note, Danone is also concerned with the following commodities for which the potential risk of deforestation is estimated significantly lower:

1. **Corn** (indirect sourcing): estimated 9100kt used for animal feeding, 2180kt from Brazil, Mexico and Argentina. Corn is usually a "second wave" crop, it may therefore not be considered as a high risk commodity. 100% indirect (rough estimate of indirect purchase to be confirmed in 2013).
2. **Sugar from beet** (direct sourcing): for a total volume of 210kt produced from 1600kt of beet in Europe.
3. **Fruits** (both direct and indirect sourcing): strawberries, peaches... for a total volume of 125kt originating from low deforestation risk countries.
4. **Fructose syrups** (direct sourcing): for a total volume of 100kt, essentially produced from 135kt of corn (marginally from tapioca) originating from the USA, Turkey, Argentina and China (low to medium risk countries).
5. **Cocoa** (both direct and indirect sourcing): for a total volume of 5300t originating from Ivory Coast and Ghana.
6. **Meat** (direct sourcing): for a total volumes of 4000 tons used in Baby Nutrition division, mainly in Europe.



7. **Palm Kernel** (indirect sourcing): no trace in animal feeding for fresh milk production in our latest June 2012 study to be updated on a regular basis.

## **II - Pro-actively contribute to programs preventing deforestation or promoting reforestation**

In 2008, Danone created the Danone for Nature Fund in partnership with UICN and the RAMSAR Convention. This fund supported ecosystems restoration programs which leverage carbon economy by supporting pilot projects to develop reforestation, restore biodiversity, capture carbon and combat poverty: in 2009 and 2010, the Fund financed the plantation of 100 million mangrove trees on 7000 hectares by local communities in Senegal. Three new projects were launched in 2011, in Africa, Asia and Latin America for a total of 13000 hectares plantations at end 2011 with the ambition to reforest 25000 hectares by 2013.

Since mid-2011, in order to grow its operational capability, Danone transformed this Fund into a multi-shareholder platform, named Livelihoods, together with other companies like Schneider Electric, Crédit Agricole... (€30m - €50m investment).

Furthermore, Danone has developed ecosystem programs with local communities to protect forests around watershed areas, particularly in Argentina, France and Indonesia.