Danone

Background on Danone

Danone is a French multinational food-products company. It was founded in 1919 and is headquartered in Paris. It has four primary business lines: Fresh Dairy products, Waters, Early Life Nutrition, and Medical Nutrition that are sold in over 130 markets. In 2015, it employed 99,800 people across its operations and had reported revenues of €22 billion. Danone is a publicly listed company on the Euronext Paris stock exchange.

How did Danone come to start thinking about context?

In 1972, the then-CEO of Danone, Antoine Riboud, became one of the first CEOs to openly acknowledge that business growth needed to be reconciled with societal responsibility1, 2. Then, in 1996 the company released its “Charter for the Environment” which set targets for its subsidiaries focusing on reducing water, energy use, the impact of packaging, and protecting water sources3.

In 2002, Danone began to focus on how it could address its impacts within its agricultural value chain. It did this by joining with Nestlé and Unilever to start the Sustainable Agriculture Initiative, a non-profit organisation that aims to be a platform for purchasers of agricultural raw materials to share, at a precompetitive level, knowledge and best practices relating to sustainable agriculture4. Two years later in 2004, Danone introduced a water specific charter called “A global policy for the protection of underground water resources3.” The aim of this charter was to outline the actions that would need to be taken by its subsidiaries to protect

---

water resources in the long-term\(^5\). Then in 2008, Danone France launched a program called “Nature” with an initial endowment of €100 million with the aim to help farmers compete more effectively while reducing their environmental impacts and improving the quality of their dairy products\(^6\). In that same year, Danone created the Danone for Nature Fund with Ramsar and the IUCN with the aim of funding ecosystem restoration projects that were primarily focused on reforestation, restoration of biodiversity, capturing of carbon, and combatting poverty\(^7, 8\).

Danone continued its work with its agricultural value chain with the release of a 2014 white paper that set out five principles that would support more sustainable agricultural practices within its value chain\(^9\). These principles aimed to generate a balance between economic and social value while preserving natural ecosystems\(^9\). In the same year, Danone endorsed the New York Declaration on Forest that aimed to facilitate the development of steps that would lead to the elimination of commodity-driven deforestation\(^10\). Ahead of COP21 in Paris in 2015, Danone unveiled its new climate policy\(^11\). To support this climate policy, and its commitment to becoming a zero-net carbon footprint company by 2050, Danone announced that it had formed a strategic alliance with Veolia that would focus on its water cycle, waste, and energy efficiency management activities\(^12\). The new climate policy would now expand the scope of the company’s focus from primarily its direct impacts (production, packaging, logistics, and product end-of-life) to include its shared impacts arising from its agricultural inputs\(^13\).

---


What does context look like at Danone?

1. **ACKNOWLEDGE** the need to operate within global, regional, and/or local socio-ecological thresholds.

GHG emissions: Danone acknowledges that there is now scientific evidence showing that the temperature of the planet’s oceans and atmosphere has increased by almost 1°C in the last century. The company acknowledges that it has a “direct responsibility” to contribute towards limiting global temperatures in line with the United Nations global warming objectives by managing its own emissions. It also acknowledges its “shared responsibility”, which includes GHG emissions that it is not directly responsible for but has an ability to influence. It also commits to track climate science data to ensure that its actions are linked to wider sectorial efforts to mitigate climate change.

Water: Danone acknowledges that water is a precious resource that is increasingly becoming scarce. Danone acknowledges that it needs to understand the hydrogeology of water sources surrounding its sites to better support its understanding of the limits associated with this threshold. Additionally, the company makes a commitment not to exceed the natural recovery capacity of the water resources on which it depends. Danone also acknowledges that it needs to build in responsible practices at all stages of its water value chain and that at times this may mean engaging with stakeholders outside of its normal scope of business operations to co-create innovative and restorative actions.

Land-system change: Danone acknowledges that worldwide, 300 million people live in forests and that forests are vital for some of these peoples’ survival, faith, and traditions. The company also acknowledges the importance of forests in carbon and water sequestration and protection from natural disasters, and that the conversion of land for agricultural purposes is one of the main causes of deforestation globally. Danone has committed to eliminate deforestation from its value chain and contribute towards reforestation programs.

---

Other thresholds: Danone acknowledges the importance of other socio-ecological issues including energy, biodiversity, waste, human rights, forced and child labour, and health and wellbeing but does not yet discuss them with reference to thresholds.

2 Translucently understand and PRIORITISE a set of focus areas in relation to key socio-ecological trends at the global, regional, and/or local level.

<table>
<thead>
<tr>
<th>GHG EMISSIONS</th>
<th>WATER</th>
<th>LAND-SYSTEM CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="GHG EMISSIONS" /></td>
<td><img src="image2" alt="WATER" /></td>
<td><img src="image3" alt="LAND-SYSTEM CHANGE" /></td>
</tr>
</tbody>
</table>

Danone appears to use what we call a ‘classic’ materiality approach whereby stakeholder positions and perceptions are used as one of the key tools to prioritise the company’s material focus areas. Currently, issues are ranked according to the potential impact of the activity (regulatory, financial, reputation, investor confidence, customer loyalty, and employee satisfaction) and their importance to the stakeholders. However, Danone also recognises that its business is directly linked to nature and agriculture and, as such, impacts on climate, water, soil, biodiversity, and ecosystem services will have a more profound impact on its business. The company also states that the three planetary boundaries that humanity has already boldly crossed (biodiversity loss, nitrogen pollution, and climate change) are inextricably linked to the planet’s food system.

GHG emissions: Danone recognises that it has a responsibility to measure the impact of the full scope of its GHG emissions, from its upstream raw materials to the end-of-life of its products. The company has been measuring its GHG emissions since 2007 and illustrates the outputs of this work within its Climate Change policy (Figure 1). This diagram provides an overview of where Danone believes its impacts lie in relation to its business activities. The company has yet to outline how this work is, or has, influenced how it is prioritising its actions.

Figure 1: Danone’s GHG emissions from its various business activities.
Water: Danone recognises that as a bottled water manufacturer, it has a duty to ensure that it improves the efficiency of its water use and reduces the impacts on water quality that result from its manufacturing processes. The company recognises that its greatest impact on water results from the production of its agricultural raw materials. It therefore prioritises working to support its value chain in establishing agricultural practices that respect natural ecosystems and water cycles. Despite this recognition, the company does not transparently outline its understanding of its water impacts (as it does with GHG emissions). The company is committed to use its influence to promote entrepreneurial approaches that support improving access to safe, sustainable water sources.

Land-system change: Danone recognises that certain commodities present higher deforestation risks, namely: palm oil, paper & board, soy, cane sugar, timber for energy, and bio-based plastics. The company describes (for most of these commodities) the source and quantity of each commodity purchase within its Forest Footprint policy. The company aims to further engage its value chains that are designated as high priority and develop action plans, per supplier, to support reducing deforestation risks. The company is also introducing, for new suppliers, a requirement to be automatically engaged in mapping and assessing their sources of commodities such as palm oil.

3 SET STRATEGY AND GOALS by transparently articulating the current performance gap and what portion of this gap the business will address.

<table>
<thead>
<tr>
<th>GHG EMISSIONS</th>
<th>WATER</th>
<th>LAND-SYSTEM CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

GHG emissions: Danone aims to reduce its full-scope emissions (scope 1, 2, and 3) by 50% by 2030; however, the company does not clearly outline what baseline year it used for this goal. The company aims to peak its full-scope GHG emissions between 2020 and 2025. Danone comments that its GHG emissions goal to achieve zero net emissions is consistent with the UN’s latest “emissions gap” report. The company also has an initiative called “Baseline 2015” which aims to address its scope 3 emissions. Danone has said that to achieve its goals it needs to fully engage with its value chain to support the development of more sustainable agricultural approaches; however, the company has yet to outline how it will achieve this.

Water: Danone has committed to reduce its water consumption within its factories by 60% by 2020. Danone has also set a goal to measure its water footprint by 2020. While the company acknowledges the importance of not exceeding the natural capacities linked to this ecological issue, it has yet to outline how it will incorporate the information from its
water footprinting to help it understand the gap between its current performance and the performance that is needed to operate within the limits of this threshold\textsuperscript{16}. The company has also yet to outline if it will be setting contextual goals for its value chain.

Land-system change: Danone’s goal is to eliminate deforestation from its value chain by 2020\textsuperscript{20}. However, Danone has yet to explain how it defines the elimination of deforestation or explain why it believes that the elimination of deforestation is a suitable threshold limit. The company is clearly working to develop its understanding of the impact that the commodities it purchases have on deforestation, but it has yet to outline how this knowledge informed the development of this goal\textsuperscript{7}.

Other thresholds: Danone has not yet set contextual goals in relation to any other thresholds.

4. **Transparency** TRACK performance against realistic trajectory targets.

<table>
<thead>
<tr>
<th>GHG EMISSIONS</th>
<th>WATER</th>
<th>LAND-SYSTEM CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>●●●</td>
<td>●●●</td>
<td>●●●●</td>
</tr>
</tbody>
</table>

GHG emissions: Danone has a history of reporting its performance relating to this threshold\textsuperscript{21}. The company has also developed a realistic trajectory of its future GHG emissions that could be used to monitor its progress towards achieving its goal (Figure 2\textsuperscript{14}). Danone has yet to begin reporting its performance against this trajectory. The company has not stated if it intends to develop metrics or targets to monitor the effectiveness of its influence in supporting its value chain’s adherence to the limits of this threshold.

![Figure 2: Danone zero net emissions trajectory up until 2050\textsuperscript{14}.](http://danone-danonecom-prod.s3.amazonaws.com/user_upload/danonetemplates_filewithpicture/Danone_Nature_Dashboard.pdf)


Water: Danone has a history of reporting its performance relating to this threshold. One of the ways the company reports its performance is in relation to water intensity and it presents its annual performance in a graphical form (Figure 3). While this graphic includes its progress towards its current goal, it has yet to use this to develop a realistic set of annual trajectory targets that could be used to monitor its progress towards achieving its goal. Danone has not stated if it intends to develop metrics or targets to monitor the effectiveness of its influence in supporting its value chain’s adherence to the limits of this threshold.

![Figure 3: Danone's variations in total water consumption intensity relating to production processes](image)

Land-system change: Danone does report on the compliance of its value chain with its Forest Policy within its corporate materials but it has not yet used this information to begin to develop a set of trajectory targets that could be used to monitor its progress towards achieving its goals. The company has also not yet outlined if it intends to set metrics or targets to monitor the effectiveness of its influence in supporting its value chain’s adherence to the limits of this threshold.

Other thresholds: Danone reports its performance against other socio-ecological issues including energy, biodiversity, waste, human rights, forced and child labour, and health and wellbeing but does not yet report its progress in relation to their associated thresholds.

What is the road ahead for context at Danone?

Danone is beginning to develop its understanding of the impacts that its business activities have on socio-ecological thresholds but it has not yet begun to use this information to explain why it is taking certain actions or how it is using this information within its goal setting. Danone appears to be mainly focusing on extending its influence across most of its key socio-ecological issues. To support its GHG emissions goal, the company recognises that it will need to continue building alliances with its value chain and continue implementing its Sustainable Agriculture principles across its value chain. Danone also recognises that the scientific information about climate change is continually changing and as such it commits to adjusting its Climate Change policy every 5 years.
To support its efforts in reducing its impacts on water quality, Danone works with its agricultural value chain to promote sustainable farming and specifically targets the reduction of nitrates being used which are having long-term impacts on water quality in the areas where its value chain operates. With respect to land-system change, Danone is already looking beyond its immediate elimination of deforestation goal and beginning to understand how it can extend its promotion of “deforestation-free” palm oil production beyond its own value chain.