



Dear B4Ukraine Coalition,

I want to thank you for your letter on this important matter.

As underscored in our Human Rights Policy, Danone is committed to respecting and strengthening human rights in our value chain, which means acting with due diligence to avoid infringing on the rights of others and address adverse human rights impacts with which we are involved. Human rights due diligence is an ongoing process that requires particular attention depending on categories of goods or services, or geographies. Stakeholder dialogue is key to our approach, and we actively engage with our employees, workers and external stakeholders who are or could potentially be impacted by our actions.

With respect to the conflict, and as we have highlighted previously, our first priority has been for the safety of our employees in Ukraine. We have also aimed to maintain our mission to bring health through food, providing essential products.

We have been closely monitoring the situation with a view to the impacts on people and our mission, and have been adapting as the context evolves.

This has led to the following actions.

First, Danone decided in April 2022 to significantly adapt its operations in Russia, by:

- Refocusing its portfolio on essential dairy products, infant and medical nutrition, and ceasing all imports of evian and Alpro products;
- Stopping all new investments, including advertising, brand activations and consumer promotions;
- Vowing not to take cash, dividends or profits from Russia, and to donate any profits made in the country to humanitarian relief organizations; and
- Donating to the Red Cross to support humanitarian aid for those in Ukraine affected by the crisis.

Subsequently, in October 2022, we announced that we would start working to transfer control of our Essential Dairy and Plant-based (EDP) business in Russia. This process is advancing. Our priority continues to be to act responsibly and respectfully to its local employees, consumers, and partners.

Our intention at this stage is to continue to provide specialized nutrition products for infants and patients, in accordance with our mission and in line with our Human Rights Policy. This means assessing and working to mitigate potential adverse human impacts.

Once again, Danone expresses its deep solidarity with the people who are now suffering the atrocities of war.

We remain at your disposal and thank you again for reaching out.

Yours sincerely,

Laurent Sacchi

A handwritten signature in blue ink, appearing to be 'L. Sacchi', on a light blue background.

Antoine de Saint-Affrique
Chief Executive Officer
Danone S.A.
17 Boulevard Haussmann
75009 Paris
Cedex 09
France

RE: Danone S.A.'s business operations in Russia

March 13, 2023

Dear Mr. Saint-Affrique,

We write to you as [B4Ukraine](#), a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. We expect companies to demonstrate opposition to Russia's war of aggression, public support for the people, democracy, and territorial integrity of Ukraine, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs). At stake is not only the sovereignty and territorial integrity of a democratic Ukraine, but also the continuity of the rules-based international order and the prosperity of the global economy.

We request an urgent dialogue regarding potential inconsistencies between Danone S.A.'s (Danone's) stated policies on human rights and the company's ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms.

We acknowledge that Danone has policies in place to guide the company toward ethical behaviour. In its Universal Registration Document, the company states that it "has established policies and procedures for responsible practices that apply to all its employees, its subsidiaries, the companies controlled by the Company and, in some cases, its business partners."¹ Danone's Code of Business Conduct is based on principles derived from:

"The Universal Declaration of Human Rights; The Fundamental Conventions of the International Labour Organization; The Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises; The UN Global Compact on human rights, labor standards, environmental protection and anti-corruption."²

Danone's commitment to human rights is further emphasised in the company's Sustainability Principles, Code of Business Conduct, and Modern Slavery Statement, which highlights Danone's devotion to respecting the United Nations Guiding Principles on Business and Human Rights.³ As of

¹ Danone, "Universal Registration Document; Annual Financial Report 2020," https://www.danone.com/content/dam/danone-corp/danone-com/investors/en-all-publications/2020/registrationdocuments/Danone_URD2020_EN.pdf (accessed March 13, 2023).

² Ibid.

³ Danone, "Danone Sustainability Principles & Implementation Note for Danone and Employees 2022," June 2022, <https://www.danone.com/content/dam/danone-corp/danone-com/about-us-impact/policies-and-commitments/en/2022/dsp-2022-implementation-danone-and-employees.pdf> (accessed March 13, 2023);

February 27, 2003, Danone is a participant of the United Nations Global Compact, aligning with its Ten Principles across human rights, labour, environment, and anti-corruption.⁴

It has been over one year since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, and forcible transfer of civilians). More than 21,793 Ukrainians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times.

On September 21, President Vladimir Putin escalated the war by announcing a “partial mobilisation” of the Russian population. The accompanying legislation ([Article 9 of Federal Law No. 31-FZ](#)) mandates all organisations, including the 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if at least one of the employees is eligible for military service.⁵ They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

This legislation entails new and significant legal risks for companies remaining in Russia, including potential civil and criminal liability under comprehensive sanctions regimes and recent international jurisprudence holding corporations and their officers responsible for human rights abuses abroad.⁶

Danone, “Danone’s Compliance Policies; Code of Business Conduct,” April 2022, <https://www.danone.com/content/dam/danone-corp/danone-com/about-us-impact/policies-and-commitments/en/2022/danone-code-of-conduct-2022-en.pdf> (accessed March 13, 2023); Danone, “UK Modern Slavery Statement 2021/2022,” June 2021, <https://www.danone.co.uk/content/dam/danone-corp/uk-irl/uk/UK-Modern-Slavery-Statement-2020-2021.pdf> (accessed March 13, 2023).

⁴ United Nations Global Compact, “Danone,” <https://unglobalcompact.org/what-is-gc/participants/2760-Danone> (accessed March 13, 2023).

⁵ Federal Law No. 31-FZ of February 26, 1997 “On mobilization training and mobilization in the Russian Federation” (as amended), <https://base.garant.ru/136945/> (accessed January 2, 2022).

⁶ International companies remaining in Russia are now at a greater risk of violating sanctions regimes as implementation of the legislation will likely involve transacting with sanctioned individuals or entities. Furthermore, new domestic civil and criminal cases against companies involved in violations of international law demonstrate the risk of significant liability for facilitating state-sponsored human rights abuses abroad (e.g., Lafarge case, Lundin case, Castel Group indictment, Nevsun holding, and Dassault Aviation, Thales, and MBDA France criminal complaint.) Victoria Riello and Larissa Furtwengler, “Corporate Criminal Liability for International Crimes: France and Sweden Are Poised To Take Historic Steps Forward,” September 6, 2021, <https://www.justsecurity.org/78097/corporate-criminal-liability-for-human-rights-violations-france-and-sweden-are-poised-to-take-historic-steps-forward/> (accessed January 2, 2022); The Sentry, “Breaking: France Opens War Crimes Inquiry Focused on Iconic Food and Beverage Conglomerate,” July 1, 2022, <https://thesentry.org/2022/07/01/7216/breaking-france-opens-war-crimes-inquiry-focused-iconic-food-beverage-conglomerate/> (accessed January 2, 2022); Rfi, “French technology firm charged over Libya cyber-spying,” July 2, 2022, <https://www.rfi.fr/en/business-and-tech/20210701-french-tech-firm-charged-over-libya-cyber-spying> (accessed January 2, 2022); Preston Lim, “Canadian Supreme Court Allows Corporate Liability for International Law Violations,” Lawfare, March 12, 2022, <https://www.lawfareblog.com/canadian-supreme-court-allows-corporate-liability-international-law-violations> (accessed January 2, 2022); Sherpa, “Aiding and abetting war crimes in Yemen: Criminal complaint submitted against French arms companies,” June 2, 2022, <https://www.asso-sherpa.org/aiding-and-abetting-war-crimes-in-yemen-criminal-complaint-submitted-against-french-arms-companies> (accessed January 2, 2022).

Companies may be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.⁷

A new decree issued by President Vladimir Putin on Friday, 3 March, enables the Russian government to suspend shareholders' rights and implement external management in companies that don't fulfil state defence contracts under conditions of martial law. By specifying the process of appointing Russian government representatives to manage businesses that fail to meet state orders, the latest Decree effectively creates a scenario of "partial nationalization." "The growing set of risks associated with continuing operations in Russia are now foreseeable, predictable, and largely avoidable. Companies must act now or risk enabling Russian war crimes as well as the material interests of their shareholders."⁸

Additionally, the Ukrainian government's National Agency on Corruption Prevention (NACP) is creating a list of "foreign companies that, despite the international recognition of Russia as the aggressor state and the introduced sanctions restrictions, continue to cooperate with it."⁹ These companies are recognised as international sponsors of war. So far there are 16 companies on the list, but the NACP notes that it will be expanded with "international companies that provide the public and private sector with goods and services of critical purpose, as well as [those that] contribute to the Russian budget."¹⁰

In response to this unprovoked and unjustified war¹¹ many companies have left Russia. According to the Kyiv School of Economics Institute's (KSE) #LeaveRussia [company tracker](#), Danone has decided to scale back some of its Russian operations, while continuing others.¹²

Prior to the invasion, Danone had significant business operations in Russia. In 2021, the Russian market accounted for 5% of Danone's global revenue. The company controls the Russian dairy brand Prostokvashino, in addition to offering its other brands, such as Activia, Actimel, Bio Balance, Rastishka, Tyoma, Danissimo and others. The company employs approximately 8,000 people in the country.¹³ The Ukrainian *Economic Truth* points out that Danone is one of the Western companies with the highest number of plants in Russia, with 16 factories and a farm.¹⁴

⁷ Venable LLP, "Do You Contract with State Governments? If So, Beware of Emerging State Sanctions' Obligations Related to Russia and Belarus," *JD Supra*, June 3, 2022, <https://www.jdsupra.com/legalnews/do-you-contract-with-state-governments-6537229/> (accessed January 2, 2022).

⁸ B4Ukraine, "New Kremlin regulation raises risks for the 1600 international companies left in Russia," March 7, 2023, <https://b4ukraine.org/whats-new/new-kremlin-regulations> (accessed March 13, 2023).

⁹ NACP, "International Sponsors of War," <https://sanctions.nazk.gov.ua/en/boycott/> (accessed February 6, 2023).

¹⁰ NACP, "Companies from the NACP list of "International Sponsors of War" are now in the World-check database, used worldwide for reviewing counterparties," September 7, 2022, <https://nazk.gov.ua/en/news/companies-from-the-nacp-list-of-international-sponsors-of-war-are-now-in-the-world-check-database-used-worldwide-for-reviewing-counterparties/?hilite=sponsor+of+war> (accessed February 6, 2023).

¹¹ The UN General Assembly condemned Russia's "aggression against Ukraine" and demanded that Moscow "unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders."

¹² KSE, Leave Russia, "Danone," <https://leave-russia.org/danone> (accessed March 13, 2023).

¹³ Dominique Vidalon, "French employers' group boss defends Auchan, Danone staying in Russia," *Reuters*, March 15, 2022, <https://www.reuters.com/article/ukraine-crisis-russia-medef/french-employers-group-boss-defends-auchan-danone-staying-in-russia-idUSL2N2VIOLR> (accessed March 13, 2023).

¹⁴ Olena Sniezsko, "'Mommy, it's necessary to knock...". Which Western companies have the most factories in Russia?," *Economic Truth*, August 10, 2022, <https://www.epravda.com.ua/publications/2022/08/10/690220/> (accessed March 13, 2023).

On March 6, 2022, Danone issued a statement condemning the invasion of Ukraine expressing its solidarity with “the people who are now suffering the atrocities of war.”¹⁵ In the same statement, the company confirmed the suspension of all investment projects in Russia but committed to maintaining the production and distribution of fresh dairy products and infant nutrition, to “meet the essential food needs of the local population.” At the same time, one of Danone’s Ukrainian factories was closed, while the other was previously closed, but continued operation.¹⁶

In April, it was reported that Danone was considering pulling out of Russia following the spread of information regarding the Bucha massacre. However, only a few days after, a Danone representative said that “all options are on the table” and that there was no decision at that stage to exit the country.¹⁷ Following this, in its April 20 financial report, Danone again condemned the invasion and confirmed the adaptation of its Russian operations by:

“Refocusing its portfolio on essential dairy products, infant and medical nutrition, and ceasing all imports of Evian and Alpro products; Stopping all new investments, including advertising, brand activations and consumer promotions.
Danone does not take cash, dividends or profits from Russia, and will donate any profits made in the country to humanitarian relief organizations.”¹⁸

On October 14, 2022, Danone announced its plans to transfer the effective control of its “Essential Dairy and Planted-based” business in Russia, which would result in the deconsolidation of Danone’s EDP Russia business.¹⁹ While a step in the right direction, our research shows that this action still leaves Danone significantly exposed to the Russian market. Reportedly, the company plans to continue operating its specialised nutrition business in Russia, which includes baby formula (Istra-Nutritsia plant, Nutrilon, Malyutka and Malysh brands).²⁰ Allegedly, the ‘transfer effective control’ would amount to a transfer of 75% of assets to potential investors, and only refer to Danone’s Russian brands, like Prostokvashino, Rastishka, and Tema.²¹ Danone reportedly intends to retain its share and seat on the board of directors of its Russian division.²² Moreover, the deal includes a buyback option.

We are seeking to understand Danone’s position regarding the option that would grant the company the right to buy back its assets in Russia and re-enter the market.

¹⁵ Danone, “UKRAINE - MARCH 6th,” March 6, 2022, <https://www.danone.com/content/dam/danone-corp/danone-com/homepage/Danone-statement-Ukraine-PDF-EN.pdf> (accessed March 13, 2023).

¹⁶ Ibid.

¹⁷ Dominique Vidalon, “Danone says “all options on the table” on Russia business,” *Reuters*, April 5, 2022, <https://www.reuters.com/business/retail-consumer/danone-reviewing-possible-exit-russia-source-2022-04-05/> (accessed March 13, 2023).

¹⁸ Danone, “2022 First-Quarter Sales,” April 20, 2022, <https://www.danone.com/content/dam/danone-corp/danone-com/medias/medias-en/2022/corporatepressreleases/pr-danone-q1-2022.pdf> (accessed March 13, 2023).

¹⁹ Danone, “Danone announces it plans to transfer the effective control of its “Essential Dairy and Planted-based” business in Russia,” October 14, 2022, <https://www.danone.com/media/press-releases-list/danone-announces-it-plans-to-transfer-the-effective-control-of-its-edp-business-in-russia.html> (accessed March 13, 2023).

²⁰ Jessica Broadbent, “Danone set for EUR1bn hit with Russia dairy, plant-based exit,” *Just Food*, October 14, 2022, <https://www.just-food.com/special-focus/ukraine-crisis/danone-exits-dairy-and-plant-based-russia-business/> (accessed March 13, 2023).

²¹ Sergey Mingazov, “Kommersant: Danone will sell 75% of its business in Russia with a buyback condition,” *Forbes*, February 3, 2023, <https://www.forbes.ru/biznes/484519-kommersant-danone-prodast-ot-75-biznesa-v-rossii-s-usloviem-obratnogo-vykupa> (accessed March 13, 2023).

²² Ibid.

Further, some sources report that possible buyers of Danone's business operations include Rusagro Group, Cherkizovo Group, Chernogolovka Group, EkoNiva Group, Rumelko, Agrocomplex im. N.I. Tkachev and AFK "Sistema".²³ We are asking that Danone provide clarification on the identities of prospective buyers.

Due to these apparent inconsistencies, we are requesting a clarification from Danone on whether it intends to continue operating in the Russian market. These activities risk enabling and financing Russia's violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine and violating Danone's commitment to abiding by the UNGPs. It remains to be seen how directly Danone will be impacted by the partial nationalisation, partial mobilisation, and the heightened legal, regulatory, operational, and financial risks associated with companies being required to provide direct support to the internationally sanctioned Russian military.

We seek to understand how Danone has conducted and continues to conduct heightened human rights due diligence and how the findings of such a process have resulted in these continued business activities and relationships. As noted by the UNGPs:

...the more severe the abuse, the more quickly the enterprise will need to see change before it takes a decision on whether it should end the relationship. In any case, for as long as the abuse continues and the enterprise remains in the relationship, it should be able to demonstrate its own ongoing efforts to mitigate the impact and be prepared to accept any consequences – reputational, financial or legal – of the continuing connection.

In consideration of the above points and B4Ukraine's Declaration,²⁴ we request an urgent dialogue with Danone's relevant senior management and staff to discuss the company's ongoing activities and relationships in Russia, associated risks to the people of Ukraine and the company, and potential steps to prevent/mitigate these risks. Please contact B4Ukraine at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, March 27th, 2023.

Please do not hesitate to get in touch if you require any further information.

Sincerely,

The B4Ukraine Coalition

²³ Interfax, "'Kommersant' listed applicants for the Russian business of Danone," February 8, 2023, <https://www.interfax.ru/business/885309> (accessed March 13, 2023).

²⁴ B4Ukraine, "About," <https://businessforukraine.info/about> (accessed January 2, 2022).