

## **B Lab Statement on Bonafont Mexico B Corp Certification**

B Lab's independent Standards Advisory Council has rendered the following decision and guidance regarding eligibility for B Corp Certification for bottled water companies:

"Bottled water companies are eligible for B Corp Certification with additional review by the Standards Advisory Council and, at minimum, incremental disclosure on their public B Corp profile regarding material sensitive issues in the industry."

<u>Bonafont Mexico</u>, in the scope of Danone de México's B Corp certification, is required to disclose a summary of its practices in the areas of Sustainable Usage, Water Access, and Waste as a part of its B Corp Certification. For more information on the review process, please refer to B Lab's statement on the bottled water industry and B Corp Certification <u>here</u>.

### **Summary of Company**

Bonafont Mexico is an indirect subsidiary of <u>Danone</u>, a global food company with the mission of bringing health through food to as many people as possible. Danone builds on categories in three businesses: Essential Dairy & Plant-based products, Waters, and Specialized Nutrition.

Bonafont Mexico, included in the Danone de México B Corp Certification scope, is a manufacturing and wholesale business unit, which means it produces and markets Danone's Bonafont Mexico water brands. Bonafont was acquired in 1996 by Danone Group, and in 2001, a joint venture was set up with Pureza Aga. Bonafont Mexico comprises 2 sub-business units: Bonafont for formats below 10 Liters and Bonafont en tu Casa (BEC) for 20-liter returnable jugs. As of 2023, Bonafont Mexico has more than:

- 32 plants,
- 45 distribution centers, and
- 7,900 employees across the country.

The company is responsible for the bottling, distribution, and sale of safe drinking water for personal consumption. In its last fiscal year (2023), reported to B Lab, the company earned 95% of its annual revenue from this water business unit. Bonafont Mexico has the following brands of water:

- Bonafont, Aguas Frescas, Levite, Bonafont kids
- Ser pura (Arcoiris before)
- Ultrapura

As an indirect subsidiary of Danone, Bonafont Mexico embraces the <u>One Planet. One Health</u> vision that is based on the belief that the health of the people and the health of the planet are



interconnected and therefore seeks to protect and nourish both. It is a call to action for all consumers and everyone who has a stake in food to join the food revolution: a movement aimed at nurturing the adoption of healthier, more sustainable eating and drinking habits.

#### **Bonafont Mexico Practices**

#### Water Access

Bonafont Mexico's sites are owned or rented from private landlords. At each site where Bonafont Mexico operates, the company holds water extraction rights granted by the National Water Commission (CONAGUA), the Mexican government agency responsible for regulating water access and extraction practices. Under Mexico's National Water Law, water extraction rights are granted for periods ranging from 5 to 30 years and may be renewed for an equivalent duration.

The cost or price of the water is defined by the <u>Federal Law of Rights</u>, which is updated every year. All Bonafont Mexico's sites are committed to following this Law and paying the required annual fee for the water usage. In Mexico, water extracted by a borehole can only be paid to the CONAGUA administration.

Based on the WWF Watershed Risk Filter (see <u>Danone 2024 Water Policy</u>, page 14) used by Danone globally, which has been cross-referenced with official data from CONAGUA regarding aquifer availability and water stress levels, there are 22 Bonafont Mexico factories located in water-stressed regions. To address and mitigate the scarcity context, the company has implemented a water stewardship acceleration plan and a roll-out plan for all sites, with a priority rating based on criticality. In 2023, the plan was implemented at 77% of sites located in water-stressed regions, with the goal of achieving 100% coverage by 2030. The plans were built involving stakeholders to develop and implement specific actions that will promote water reuse, improve restoration and preservation of watersheds, conservation of water resources, and improvement of agricultural practices through lower water consumption and higher crop yields.

Bonafont Mexico is part of the <u>EcoAlberto project</u> since it started its operations in 2011 – it was created with the collaboration of <u>Danone Communities</u>, Bonafont en tu Casa, and the rural community of El Alberto. Within this project, Bonafont ensures quality control of the water, aligned with Danone's quality protocols and processes, among other activities (marketing, and financial support). The project aims to bring safe drinking water at an affordable price through schools, proxy stores, hospitals, and small restaurants in the communities. So far, the project has provided safe drinking water to more than 30,000 people in 78 rural communities in the state of Hidalgo, Mexico (from 2016-2024, 34.8 million liters of safe drinking water were sold at an affordable price).



In addition, Bonafont Mexico provides safe drinking water to low-income communities through two brands: Ser Pura in Guadalajara and Ultrapura in Tijuana. These two brands represent less than 3% the total annual volume of water sold across all water brands. Through these two brands, Bonafont Mexico provides 96,875 people with safe drinking water every year (93 million liters a year, which represents 2.5% of the total volume sold in water brands) at an affordable price in line with <u>UN threshold recommendations</u> - the water costs should not exceed 3 per cent of household income.

In 2018, Bonafont Mexico also started the Aguascalientes program with partners Veolia, Livelihoods Funds, Secretariat of Rural Development and Agribusiness (SEDRAE), State Agricultural Council, Agribusiness Consulting and Development Services (SEICODESA) and Kaab consultores to optimize water efficiency & increase farmers' revenues. By subsidizing drip irrigation to 280 farmers located in water-stressed regions, the company saved 4.5 million m3 of water in 2023 through new and more efficient water irrigation systems.

Bonafont Mexico has reported that they are not engaged in any lobbying or policy advocacy for cheaper water prices and follow Danone's global <u>Advocacy Policy</u>. The company also reported that there are no current stakeholder concerns regarding its water access that remain unaddressed.

#### Sustainable Usage

100% of Bonafont Mexico water sources are boreholes. The permitted flow rates are overseen by CONAGUA, including the water rights, monitoring of the extraction, and groundwater levels of the boreholes. The factories are committed to operating in compliance with the water permits issued by this authority.

Every three months, Bonafont Mexico must present to CONAGUA a report capturing the volumes extracted over the period for each borehole. At the end of the year, Bonafont Mexico must communicate a full annual report capturing the total amount of water extracted and demonstrating compliance with the water licenses and extraction rates allowed. Additionally, the authority can also visit the site and validate the water meter and/or request water extraction reports anytime. Those reports are then used by the authority to analyze and identify impacts on the water level of the aquifers.

As for controlling the quality of water, all Bonafont Mexico water plants are equipped with on-site laboratories, where the company performs more than 100 tests daily to ensure the quality of its products. In addition, the company performs external analysis in accredited laboratories and in Danone's specialized water laboratory in France to ensure compliance with national, international regulations, and stricter standards set by Danone.



As an indirect Danone subsidiary, Bonafont Mexico also benefits from Danone's global expertise in comprehensive watershed management through tools like SPRING and regular Water Risk Assessments. Since 2022, Danone has been working on designing an enhanced version of its SPRING evaluation Tool (watershed management and performance tool). The new version now encompasses all water management practices (from watershed management to wastewater) but will also be applicable to all factories across the world (Waters, Dairy, Specialized Nutrition) – not only bottled water factories, enlarging the scope of operations of the program from around 70 sites to more than 160.

The new version, SPRING 2030, integrates the latest changes in water governance at Danone, including the new <u>Danone Water Policy (2024)</u>, the water risk assessment, and the update of the company's water and carbon mapping tool, Greentrack. Among the key drivers behind this redesign of the tool was also the will to integrate any water intake type (groundwater, surface, municipal water), and not only groundwater as was previously the case.

Finally, SPRING 2030 is also designed to go beyond an evaluation tool (attributing a level and a score to a factory, assessing their level of maturity on water management practices) - the new version empowers factory leadership to set action plans to increase their level of maturity and practices on the entire water cycle. In 2024, the new SPRING 2030 tool was rolled out on all Mexico sites.

#### Waste Management

In 2023, the company achieved a 44% average recycled PET in its bottles across its full portfolio. The amount of recycled content varies across different bottle sizes and product categories. The company aims to increase its recycled content each year so that by 2030, it achieves 60% of rPET.

Bonafont Mexico jug operations represent 70% of the volume sold by Bonafont – the jugs are 100% circular as they are returnable and have a useful life of up to 4 years. The entire jug process is designed to encourage its return. If the jug is not returned, an additional fee will be charged. Free home delivery is available, as shown in the link <a href="here">here</a>. The jug must also be returned in good condition.

The jugs are made of PET, and at the end-of-life of the jug, the company is engaged in recycling the materials through various options (reusing the PET flakes for the creation of new items, such as new bottles, plastic sheets, textiles, and/or flexible packs).

Bonafont Mexico is actively engaged in industry associations to promote waste collection and recycling. The company is a founding member of <a href="ECOCE">ECOCE</a>, a non-profit civil association that promotes environmental education and the recycling of containers and packaging in Mexico. This



industry association is asking its members a fee per kg of PET put on the market to fund PET collection and promote recycling education.

#### Update regarding Water Access concerns at the Juan C. Bonilla facility

During Bonafont's B Corp Certification journey, some reports have referenced concerns from the local community regarding water access in Juan C. Bonilla plant, Puebla. See examples here:

- <u>Mexico: Water extraction by Bonafont (a Danone brand) is drying up Puebla's wells, say protesting residents (March, 2021),</u>
- <u>Mexico: Danone, Nestlé, and Dr. Pepper exploit springs in vulnerable communities under the promise of development, say civil organizations (April, 2021),</u>
- Mexico: Bonafont (a subsidiary of Danone) files criminal lawsuit against Indigenous defenders from Santa María Zacatepec, who are protecting their land and water (August, 2021),
- Communities of the United Peoples of the Cholulteca and Volcanoes Region state that Bonafont filed criminal complaints against them; the company made the announcement publicly (September, 2021),
- Mexico: Members of the United Peoples of the Cholulteca Region and the Izta-Popo are beaten and arrested during an assembly opposing the reopening of the Bonafont plant (November, 2021),
- Bonafont's response regarding the assaults and arrests of opponents to the reopening of the Puebla plant (December, 2021),
- <u>Mexico: The National Guard evicts water defenders from the Bonafont company facilities</u> (February, 2022),
- <u>"La Casa de los Pueblos," a community project occupying the Bonafont plant facilities—blamed for water scarcity in Puebla—is evicted (February, 2022),</u>
- Bonafont's response to accusations of water scarcity due to extracting over one million cubic meters of water beyond the allowed limit in Puebla (February, 2022),
- Mexico: Ibero-American University Puebla would mediate the socio-environmental conflict between the United Peoples of the Cholulteca region and Bonafont (March, 2022).
- <u>Mexico: Civil Mission in Zacatepec observes presence of merchandise from the company Bonafont during consultation on indigenous self-determination (March, 2022),</u>
- Mexico: Protesters demand the closure of the Bonafont plant one year after the appearance of a sinkhole in Santa María Zacatepec (Jun, 2022).

Due to these allegations related to Human Rights Violations, B Lab Global requested that Bonafont implemented the following:

- an action plan/commitment to address Human Rights on Water access in Mexico,
- an official response to the Business & Human Rights resource center to be published on the website as per the Company Response Mechanism.

BONAFONT's response to the allegations and matters at the Juan C. Bonilla facility



The Juan C Bonilla plant has produced drinking water in returnable bottles of 20 liters since 1996. It was acquired in 2004 by Bonafont, which operates more than 32 plants across the country. This specific plant operated a single extraction well at 130 meters deep and followed the conditions of the concessions and rights granted by CONAGUA. As recorded in the public records, the volume of the water concession represented 0.09% of the availability of water for industrial use in the aquifer of Puebla's Valley. On March 22nd, 2021, a group of approximately 120 protestors blocked all access to Bonafont's waters plant in Cholula, Puebla, during a particularly intense water scarcity crisis in the municipality. They claimed Bonafont was over-exploiting the watershed, which would have a direct impact on resources available to the local population and the pollution the local river. The protest was organized by a group called Pueblos Unidos, which includes both national-level cells and a local group claiming to represent an Indigenous community.

On August 8th, 2021, a group of around 150 people, organized around Pueblos Unidos, illegally trespassed in the plant, assaulting security guards and causing property damage. The authorities were notified, but did not intervene, as they were waiting for instructions from the State Governor. The group took possession of the plant and remained in control of the facility for 11 months.

On February 15, 2022, the State and Federal authorities retook control of the site in a joint operation by an order issued by the state courts. The long-term damage to the borehole prevented Bonafont from operating on the aquifer, and, after the company regained control of the facility, it was repurposed as a warehouse. However, all warehouse operations were discontinued in October 2023. Since then, Bonafont has <u>publicly stated</u> (in the third paragraph of the linked article) that it does not plan to have any water bottling plant in Juan C. Bonilla, Puebla.

Danone Global, together with Bonafont, has worked on different fronts to address the topic and fulfill B Lab's requests:

- (1) Reinforcing its commitment to Water Access for communities around its sites

  First, Danone undertook a comprehensive review of its Water Policy (called Danone Impact
  Journey Report on Water) and published an updated version in 2024: Danone Water Policy

  2024. In this version, Danone focuses more on Water access for communities around its sites,
  in line with its Human Rights policy commitments and the EU Corporate Sustainability Reporting

  Directive (CSRD). The company also recognizes the "direct impact on the health and livelihoods
  of the communities surrounding our direct operations".
- (2) <u>Strengthening our corporate team on Stakeholder engagement</u>
  In 2024, Danone created and filled a new position in the Global Public Affairs team for a <u>Community Affairs Strategy Director</u>. The new director aims to establish a common ambition and structured approach to community engagement across all geographies, equipping sites with tools, training, and governance to foster inclusive, mutually beneficial, and strategic relationships with local stakeholders. The goal is to empower every site to become a trusted,



resilient, and proactive member of its community.

# (3) Committing to implementing a new methodology to enhance stakeholder engagement with affected communities

In the updated <u>Water Policy</u>, Danone also announced a commitment<sup>1</sup> to implement a robust global methodology across all our production sites to engage with communities directly on their priority issues. This project aims to ensure Danone has an on-the-ground consultation process covering social, environmental, and health considerations across its entire value chain. This will allow the company to tailor its efforts to local contexts and to rely on scientific assessments, comprehensive stakeholder engagement, and collaboration, and to work collaboratively to design effective and sustainable solutions.

Danone is still in the early stages of developing a more systematic and comprehensive approach to stakeholder engagement and priority actions with affected communities. Danone's Country Business Units (CBUs) and sites adapt their stakeholder consultation and engagement processes to their specific contexts. In late 2024, Danone conducted a self-assessment survey across its production sites worldwide to assess the level of maturity of the site's community engagement practices and identify areas for improvement. Through this assessment, the Group identified Country Business Units in Mexico, Indonesia, and Poland with robust approaches to community engagement.

- (4) <u>Improving Mexico Bonafont's stakeholder engagement process locally</u>
  In parallel, the Mexico team has worked on significantly improving their stakeholder engagement process locally, with the following initiatives launched since 2023:
  - Created Community Engagement Committees across all Bonafont sites, meeting quarterly with local community representatives, municipality representatives, external consultants, and Danone representatives, including the factory directors,
  - Trained all factory directors in stakeholder mapping, collaboration, and engagement through a tailor-made Danone Mexico training program co-developed with a consultancy firm,
  - Developed an internal mentoring program with Human Resources for Social Management, with dedicated training and resources (handbook, toolkit, etc.),
  - Developed and started implementing a Water Impact Journey to protect and restore water resources in Mexico,

<sup>1</sup> danone-impact-iourney-report-on-water-2024.pdf (page 20)



- Created and filled the role of a Community Engagement Associate Manager in Mexico to ensure the efficiency of the processes implemented and strengthen our dialogue with local communities.
- (5) In addition, Danone also responded to the Business & Human Rights Center to address the claims of violation of <u>Human Rights of Indigenous populations</u> in Mexico:
  - Bonafont's response regarding the assaults and arrests of opponents to the reopening of the Puebla plant (December, 2021),
  - Bonafont's response to accusations of water scarcity due to extracting over one million cubic meters of water beyond the allowed limit in Puebla (February, 2022),

## **B Lab's Public Complaints Process**

Any party may submit a complaint about a current B Corp through <u>B Lab's Public Complaint</u> <u>Process</u>. Grounds for complaint include:

- 1. Intentional misrepresentation of practices, policies, and/or claimed outcomes during the company's <u>certification process</u>
- 2. Breaches of the B Corp Community's core values as expressed in our <u>Declaration of Interdependence</u>