

5.4 PEOPLE & COMMUNITIES

Contents

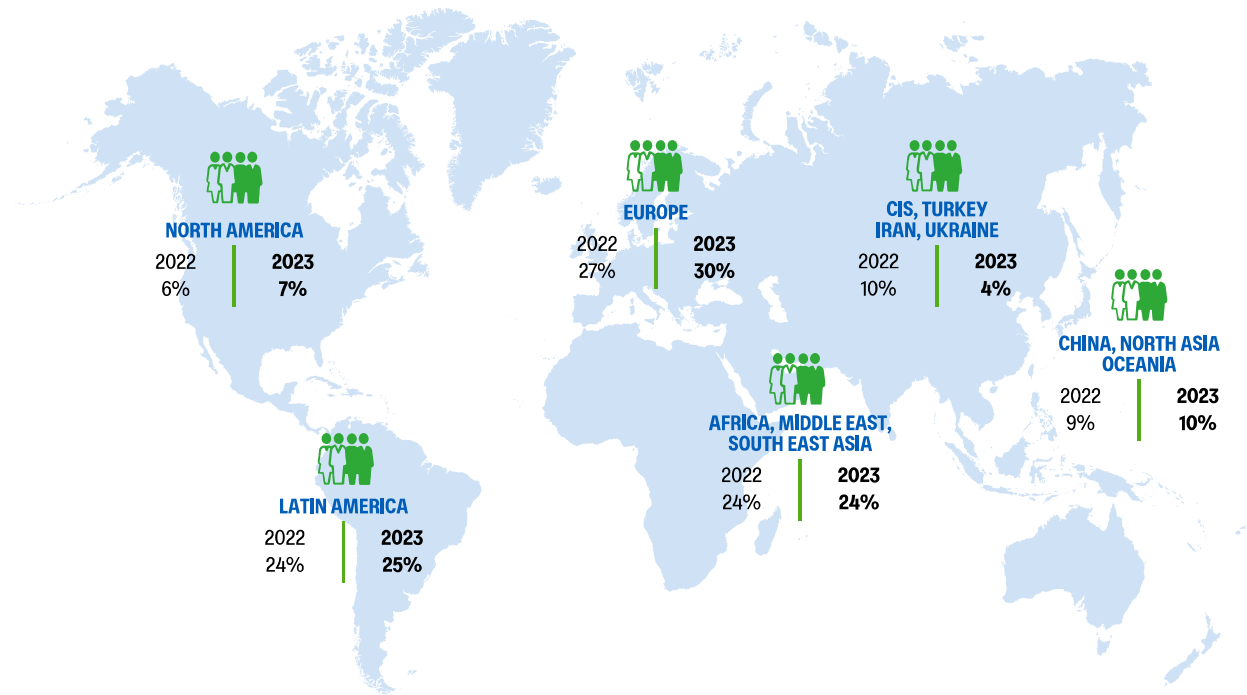
DANONE'S EMPLOYEES	205	SUSTAINABLE SOURCING AND HUMAN RIGHTS FOR WORKERS IN THE VALUE CHAIN	216
> Danone's employment approach	205	> Focus on the agricultural supply chain	217
> Human Resources	206	> Focus on Tier 1 suppliers other than dairy farmers: RESPECT Program	219
> Culture	206	SOCIAL INNOVATION FUNDS	221
> Diversity, Equity and Inclusion (DEI)	207	> Danone Communities	221
> Workplace safety: the WISE ² program	208	> Danone Ecosystem	221
> Employee Learning and Development	210	> Livelihoods Carbon Fund	222
> Compensation and benefits	211	> Livelihoods Fund for Family Farming	222
> Health benefits - for employees	212		
> Social dialogue	212		
> Employee security	213		
> Respecting and promoting human rights in Danone's operations	214		

DANONE'S EMPLOYEES

Danone's employment approach

Employees

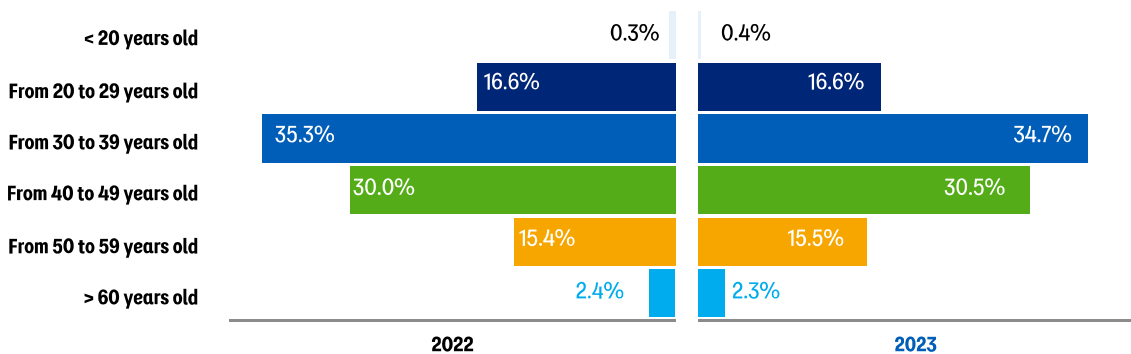
BY GEOGRAPHIC ZONE



TOTAL NUMBER OF EMPLOYEES



(a) Social Indicators Scope (refer to section 5.8 Methodology note).



Percentage of women in the organization

	2022		2023	
	Total	% women	Total	% women
Board of Directors ^(a)	12	50%	12	50%
Executive Committee ^(a)	16	25%	15	20%
Managers, senior managers and executives	22,488	52%	22,033	53%
<i>Senior managers: executives (excluding Executive Committee) and senior managers</i> 🌱	1,637	42%	1,657	43%
<i>Other managers</i>	20,851	53%	20,376	53%
Non-management employees	73,584	26%	66,706	25%
TOTAL EMPLOYEES	100%	32%	100%	32%

(a) For more information, see section 6.1 Governance bodies.

Conditions and organization of Danone's working time

	2022	2023
Hires ^(a)	14,835	13,507
Dismissals ^(a)	6,405	5,568
Absenteeism rate ^(a)	3.1%	2.9%
Employee turnover rate ^(a)	20%	19%
Part-time employees ^(a)	3%	4%

(a) Social Indicators scope, see section 5.8 Methodology note.

Danone enables employees to adapt their work schedules in accordance with their local environment, for example by allowing them to work part-time work or remotely. This has a positive impact on well-being at work. In 2021, the Group launched the "Future of Work" study among its employees to reflect on how to transform its ways of working. Following this consultation, Danone worked with employees to develop new solutions offering them the possibility to work from third party spaces, adapt their physical and digital work environment and adopt a hybrid working model.

Human Resources

Bringing health through food to as many people as possible would not be achievable without the passion and quality of Danone's employees. Attracting and retaining talent, and creating the conditions in which they can give the best of themselves, are critical objectives for Danone's success.

Through its Human Resources strategy, Danone aims at providing a healthy, safe and inclusive place to work, promoting life-long learning and development, with the ambition of being a great talent hub.

Culture

Building on its legacy, Danone wants to promote a culture where performance and sustainability go hand in hand. In 2022, the Human Resources team facilitated an intense global conversation on culture: interviews, workshops, and a Culture survey were conducted in all Zones and Functions to better understand how Danone employees feel about the Group's values and behaviors as well as about the "Renew Danone" strategy.

The insights from the feedback received helped refresh and update the Group's culture in order to:

- increase awareness of the Danone HOPE Values (Humanism, Openness, Proximity & Enthusiasm). These are the four fundamental values that each Danone employee should use as a moral compass to make the right decisions, not only on everyday topics, but also on strategic decisions that might have a big impact on the future of the Group;
- launch a new set of Danone Behaviors, critical to achieving the "Renew Danone" strategy objectives:
 - *Put Danone first: Consumers, patients and customers are at the center of what we do: we exist for them and we need to act and work as one team to meet their needs,*
 - *Lead with people: We grow as leaders by developing others,*
 - *Keep it simple: We deal with complexity by bringing focus and a pragmatic approach,*
 - *Be accountable: We are decisive and fact-based,*
 - *Walk the talk: We do what we say, acting as role models.*

Danone's vibrant, value-driven culture is a very powerful asset that inspires employees. It makes them proud and attracts new talent to the Group.

Diversity, Equity and Inclusion (DEI)

Definition

Diversity, Equity and Inclusion are at the heart of the Danone Culture. For Danone’s employees, it means being able to be themselves at work so they can unleash their full potential.

Governance

DEI is embedded at all levels of the organization and its strategy and actions, progress on deliverables and results are reported to the external advisor, the Mission Committee, and internally to the CSR Committee. Regular DEI reports are given during meetings of the Executive Committee, People & Communities Operational Steering

Policy

DEI policy

Three fundamental policies have been rolled out to create an inclusive and diverse environment:

- “Global DEI Policy”, which sets standards of equity and fairness;
- “Global Parental Policy”, which sets common foundations for both primary and secondary caregivers;

Committee, Human Resources Board/Executive Committee and DEI Leads community meetings. DEI Steering Committee members are working on a transformational approach based on the three pillars: People, Brands and Partners. Sponsored by one Deputy Chief Executive Officer and two Executive Committee members, they develop the DEI strategy and policies globally, stay updated on best practices and trends, promote an inclusive and diverse culture, identify and address barriers and challenges and set DEI objectives.

Employee networks - such as the local Women in Tech, Women in Operations and Pride networks in Benelux, North America, the United Kingdom and Ireland and the Disability ERG - focus on specific aspects of DEI.

- “Anti-harassment and Discrimination Policy”, an extension of the “Global DEI Policy”, reinforcing Danone’s commitment to a workplace free of harassment and discrimination.

In 2023, Danone continued promoting inclusive behaviors and gender equality. The main targets, and the main progress made in 2023 are as follows:

Priority	Target	Status in 2023
Promotion of inclusive behaviors	Maintain inclusion index above peers ^(a)	Score of 79% in the Inclusion Index = +2 pts vs.peers 🟢
Gender balance	Achieve gender balance in management globally by 2030	43% of senior management positions (executives and senior managers) held by women 🟡
	By 2025, we will ensure that above 40% of our senior leaders globally identify as women.	53% of management positions held by women
	40% to 60% gender balance in the Executive Committee by 2029 ^(b)	20% of Executive Committee members are women, as of December 31, 2023
Gender pay gap	Drive equity and close gender pay gap by 2025	2.1 pts in 2023 in manager, senior manager and executive positions 🟡

(a) Measured through the Danone People Survey. Peers refers to other similar companies in the benchmark available through our survey supplier (Qualtrics).

(b) Legal requirement (Rixain Law), to be met by March 1, 2029.

In addition to the global KPIs, each country and function worked on its local and functional DEI Roadmap and KPIs as part of its growth and people agenda.

Disability

In 2023, Danone made plans to increase the number of people with disabilities across the Group. It put in place actions and initiatives to reach this goal, and further analyzed the situation in individual countries to determine the relevant KPIs and roadmaps at local level and achieve each local target.

Following voluntary self-identification through the Danone People Survey to understand how many Danone employees with a disability are represented across the different functions and roles, Danone also launched a global disability awareness campaign. The aim of this campaign was to help close recruitment, hiring, engagement, retention and promotion gaps, independently of local legal frameworks.

Danone also focuses on ensuring the most suitable work environment for disabled employees. As such, the Group renewed its global membership with Business Disability Forum, a non-profit organization, which aims to create a disability-smart world by linking businesses, disabled people, and governments.

Danone also supports inclusive brand initiatives. For instance, Danone Italy created a highly impactful social inclusion project with the “Danette/Pizzahut” partnership that highlights the work of autistic people.

Parental policy

Danone is committed to creating the conditions every employee needs to fully benefit from being a parent, and to developing a family-friendly culture.

Danone’s Global Parental Policy is based on three key components:

- pre-natal support, including modified working conditions and nutrition counseling during pregnancy;
- extended parental leave for both men and women, including 18 weeks for a primary birth parent, 14 weeks for a legally adoptive primary parent and 10 working days for a secondary parent;
- post-natal support, including job protection measures and return-to-work support, flexible working conditions and breastfeeding support by providing lactation rooms for mothers at all sites that employ more than 50 women.

The parental policy is deployed in 58 countries in which Danone operates.

5 SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

5.4 People & Communities

Action plans

In 2023, Danone held several internal Diversity, Equity and Inclusion events, simultaneously broadcast live in several of the Group's main languages:

- International Women's Day: the Group organized events and activities under the theme "Embracing Equity";
- International Pride Day: in addition to several events organized by local Employee Resource Groups, Danone held a global live-streamed townhall in its Amsterdam offices to raise awareness of how to create a safe and inclusive workplace. This was supported by leaders who actively participated in the event;
- Inclusive Diversity Week: a full week with local and global events to celebrate diversity and increase awareness on this topic;
- International Day of Persons with Disabilities: global live-streamed event focused on "Leadership and Inclusion" by leveraging Danone's partnership with the 2024 Paralympic Games. A Paralympic athlete participated as a guest speaker and Danone employees learned more about the meaning of disability in the workplace, with some local projects showcased.

Since 2022, a Country General Manager is presenting the status of Diversity, Equity and Inclusion, the main KPIs and local initiatives related to the topic, to the Executive Committee on an almost monthly basis.

Furthermore, Danone continues to be a member of the LEAD Network, whose mission is to attract, retain and advance women in the consumer goods and retail sector via annual conferences and mentoring support.

Outcomes

External recognition

Danone's work to foster an inclusive environment has helped to improve the Group's position in major external indexes. In 2023, Danone ranked in the Top 100 World in Equileap's Gender Equality Global Report and was ranked #6 in France. In addition, for the fifth time, Danone was included in the Bloomberg Gender-Equality 2023 Index. Danone was also certified by Bureau Veritas for UN Consultant Arborus Fund's GEEIS label and featured in the *Financial Times*' "Diversity Leaders" as well as Forbes' "World's Top Companies for Women" (#8 in its category).

Also in 2023, Danone received the Arborus Fund's Gender Equality Diversity and International Standard - Sustainable Development Goal Award for the "Lisa Nazava - Water filters for safe drinking water" project in Indonesia. This project empowers low-income households to purify their well, tap, river or rain water and make it safe to drink by

manufacturing and selling affordable, high quality water filters. They currently impact 450,000 people in Indonesia, contributing to the health of hundreds of thousands of women and children who get safe drinking water at home and relieving the burden of women and girls in rural areas who are traditionally responsible for water collecting.

Focus - Engagement

Danone's employees help to build the Group's strategy. Through the Danone People Survey and Pulse programs started more than two decades ago, all Danone employees worldwide – regardless of their Zone or Function – have the opportunity to express themselves, share their beliefs and put their ideas into action to build the Danone of tomorrow.

In particular, the Danone People Survey measures the various dimensions of Danone employees' engagement: personal accomplishment, motivation, and advocacy, as well as indices that track well-being and inclusion.

In 2023, 91% of all eligible Danone employees worldwide participated in the Danone People Survey, 1% more than in the 2022 edition (90%). The survey was conducted following the Qualtrics methodology and technology.

In 2023, the overall Engagement Score stood at 79 points. When compared externally, Danone employees have higher levels of engagement than peers in the consumer goods industry (+8 points).

Workplace safety: the WISE² program

Definition

Danone is responsible for ensuring the health and safety of its employees, temporary employees and contractors at all its sites, providing a healthy and safe working environment that reflects a long-term and respectful commitment to the work-life balance of its employees.

Governance

Managed by Operations, the WISE² program is deployed at each entity, at production sites, logistics warehouses and sales and distribution locations. Health and Safety managers at the subsidiaries and sites support the program's smooth deployment.

The program is overseen at the Group level by the Safety Steering Committee, which is chaired by the Chief Operations Officer and the Chief Human Resources Officer, both members of the Executive Committee. They are supported by the Vice President Industrial Excellence and the Head of Health, Safety and Well-being.

Policies

WORKPLACE HEALTH AND SAFETY PROGRAM - WISE²

2023 objectives

In 2020, Danone achieved its five-year ambition to reduce lost-time accidents by 50% between 2015-2020. It maintained the positive results trend observed during Covid-19, despite the difficulty in applying Danone's standards in terms of safety audits and safety procedures in particular. Zero fatalities remains the Group's long-term objective ^(a).

After a challenge with the safety results in 2022, Danone set incremental safety improvements in 2023. Its objective was to reduce its accident frequency rates (FR1+2), which include lost-time accidents and non-lost-time accidents, by 19% compared to 2022 (see section 5.4 *People & Communities*, section *Outcomes* below).

Application scope

Monitoring, analysing and deploying action plans on all types of accidents (fatal accidents, lost-time and non-lost-time accidents): all people working at Danone sites (employees, workers from staffing agencies and other outside labor providers and subcontractors).

WISE² program operation

WISE² is a worldwide program that seeks to continuously reduce the number of workplace accidents through two approaches:

- promoting the culture of workplace health and safety at all Group sites;
- ensuring compliance with standards for the most critical risk situations.

To address these risk situations, the Group continuously defines new standards and updates existing standards, including those related to the WISE 12 Basics, Danone's health and safety standards in plants (work at height, chemicals, confined spaces, explosive environments, hazardous gases, fire & evacuation, equipment safety, forklifts, racks & pallets, truck loading/unloading, truck fleets, work permits and hazardous energy). Specific risks related to sales and corporate activities are being tackled thanks to the WISE 12 Basics related to these functions (pedestrians, ergonomics, field/merchandising, home office, travel & hotels, personal safety, events (team building & conferences), risk analysis, office & facilities management, contractors and emergency planning). Finally, since 2019, Danone has implemented the WISE 12 Basics in proximity distribution.

In 2023, Danone decided to increase its expectations regarding road safety. A new road safety standard has been validated to protect Danone employees and contractors on the road, for deployment in 2024.

(a) Following a fatal traffic accident in 2021, Danone has reinforced the preventive measures included in its standards to mitigate the risks of road accidents and promote defensive driving.

Action plans

The sites are responsible for conducting their own risk assessments. In Europe, in particular, the Single Risk Assessment Document (*Document Unique d'Évaluation des Risques - DUER*) requires companies to assess their risks and implement the necessary action plans to ensure employee safety.

This risk assessment is to be revised once a year to take new risks into account and eliminate certain risks through specific action plans. Mitigation plans are to be implemented and the remaining risks are to be assessed once actions have been carried out. Health and Safety managers on site are in charge of updating Single Risk Assessment Documents and Site directors are legally accountable for this update. Area managers at production sites work with safety teams to carry out the assessment.

Danone encourages its employees to identify and report risks and accidents through a participatory system open (i) to all Danone employees; (ii) on some sites, to workers employed through agencies,

trade workers and subcontractors. In cases of major risks or accidents, special procedures and a system for escalating reports have been established according to the management levels.

Each year, Danone strives to perform WISE² audits at approximately 50% of Danone production and logistics sites, covering both the safety culture and compliance with standards. Since 2018, Danone has also deployed the WISE² compliance standards in countries where convenience store distribution is significant (Egypt, Indonesia, Mexico and Morocco). In 2022, following the improvement of the global health situation, Danone was able to progressively resume WISE² on-site audits. WISE² audits are also performed in certain administrative headquarters.

In addition, the WISE² action plans include the management of working conditions, particularly with initiatives to assess ergonomic risks, provide training on repetitive motions, posture and workstation configurations. The rate of workplace illness and related absenteeism are monitored at the local level.

Outcomes

(number of accidents, except frequency rate in percentages)	Year ended December 31					
	2022			2023		
	Fatal accidents ^(a)	Accidents with at least 1 day lost time ^(a)	Frequency rate 1 (FR1) ^(a)	Fatal accidents ^(a)	Accidents with at least 1 day lost time ^(a)	Frequency rate 1 (FR1) ^(a)
TOTAL	1	269	1.1	3	207	0.9

(a) Safety scope, see section 5.8 Methodology note.

	Year ended December 31	
	2022	2023
Frequency rate 2 (FR2) ^(a)	0.68	0.56
Severity rate ^(a)	0.06	0.03

(a) Safety Scope, see section 5.8 Methodology note.

In 2023, Danone achieved its target decreasing FR1+2 of 19.2% versus previous year, landing at 1.48. Auditing and training programs engaged in the last years are delivering their impact and allowing Danone to continue its journey towards its ambition FR1+2 <1.

Nevertheless, in 2023, Danone faced three fatalities of its employees on the road leading to the creation of a road safety program that will continue to be deployed in the coming years. This program will be now integrated into the compliance risk program of Danone and therefore will be audited.

In 2023, Danone continued to reinforce its safety basics with two specific programs driving a positive impact on Machine Safety and Ergonomics. Those will feed the continuous improvement trend of Danone in the coming years.

Focus – Promoting well-being in the workplace and preventing stress

Since 2014, Danone has included the promotion of health and well-being in the workplace in its WISE² program. Danone has set out a systematic approach built around five pillars: (i) ensuring a good work rhythm, (ii) making daily work meaningful, (iii) promoting healthy ways of working, (iv) managing employees with kindness and authenticity, and (v) promoting a healthy lifestyle and environment. Practical guides encourage the subsidiaries and sites to implement these pillars. In 2023, Danone accelerated its well-being program, leveraging all initiatives through the Be Well program focused on sport, nutrition and mental health. Some subsidiaries have implemented initiatives that call for:

- the right to disconnect;
- visits by psychologists and social workers and committees to detect situations of workplace isolation;
- training of management to detect and prevent employee stress.

The Group continued its work to prevent psychosocial risks and focused especially on:

- regularly training and updating Human Resources and foster healthy managerial practices and activities to protect the health and well-being of employees in a changing context;
- ensuring that all sites are covered by employee assistance programs.

Employee Learning and Development

Definition

The Learning & Development framework aims at enabling Danone employees to acquire critical skills for their own growth, development and relevance and for the sustainable growth of Danone by creating a continuous learning organization.

Governance

The topics surrounding talent management and employee training are managed by the Global Talent, Culture and Learning & Development team, which reports to Danone's Chief Human Resources Officer, a member of the Executive Committee.

Being a strategic topic, key strategic decisions in this area are made at the Human Resources Board level, with the support of the Human Resources Directors, while other issues are governed at the level of all departments through functional Learning & Development committees on which key senior leaders from global and local teams sit. In addition, learning and development operational teams at global and local level meet regularly to share updates and best practices on this topic.

Policies, action plans and outcomes

In 2022, Global Human Resources identified three priorities for a simpler, more relevant and more user-centric Learning & Development approach: re-ignite development, simplify and curate the learning offer and increase the impact of training by focusing on user-centricity. Those priorities remained the focus in 2023. While great progress was already made in 2022, some additional work to complete the priorities was requested in 2023.

In 2023, one key focus was the relaunch of the annual Development Conversation for all Danone employees. The Development Conversation is a key conversation between a Danone employee and their Line Manager. The aim is to step back from day to day activities and discuss the employee's development and learning goals as well as subsequent plans. These goals can be short-term actions for the year ahead, or connected to longer term career aspirations. The Development Plan (output of the Development Conversation) is structured, with a clear goal and specific development and learning activities decided upon by the Line Manager and the employee. The agreed development and learning activities are documented in Danone's employee portal (sHaRe) for regular review across the year and are based around three categories:

- 70% - learning on the job with line manager support: learning through delivering Danone employees' objectives, getting involved in challenging projects, taking on new tasks and taking on more responsibilities within the team;
- 20% - learning from others, such as peers, seniors and leaders, through feedback, networking, shadowing, mentoring and coaching;
- 10% - learning through training courses, conferences and e-learning courses.

With regard to the 10% training portion, Danone offers managerial, leadership and functional training to enable employees to upskill and reskill themselves according to their needs, notably using digital tools. This is aligned both with the strategic plan of each function and with each Danone employee's individual development plan.

Danone's digital learning platform CampusX is a powerful tool to provide impactful learning solutions for employees all over the globe, with an increasing number of e-learning modules and online courses. Danone also provides access to LinkedIn Learning, Coursera and Get Abstract as well as additional specific functional external platforms to ensure Danone employees have access to best-in-class training solutions for their development.

The CampusX ecosystem has been recognized externally as being at the leading edge of learning systems, providing a wide range of content to Danone's employees, with 50,000 different resources on both functional and leadership topics. It is accessed by approximately 25,000 employees every month.

To address the evolving job market and technological revolution challenges, Danone, in line with its work on people-centricity and social responsibility, focuses on creating a consistent employee experience and underscores the importance of digital skills in the workplace. To support the life-long employability of Danone's employees, especially those most at risk, Danone aims that 80% of its manufacturing employees to have completed at least one digital e-learning course by 2025, which serves as a marker of the Group's broader investment in digital capabilities for its workforce. To achieve this, in 2023, all Danone CBUs prioritized and started to facilitate access to e-learning opportunities for workers, as well as established baseline and reporting system to measure and boost *Société à Mission* KPI in order to contribute to the fulfillment of the Group's mission but also enhance the skills and competencies of its employees in line with the evolving demands of the digital era.

	2022	2023
Number of permanent employees who took at least one training course ^(a)	95,341	88,520
Total number of training hours ^(a)	2,451,042	2,090,720
Percentage of permanent employees trained ^(a)	100%	100%
Average number of hours per person trained ^(a)	26	24

(a) Social indicators scope, see section 5.8 Methodology note.

Compensation and benefits

Definition

Danone offers its employees competitive compensation and benefit packages, including social and personal protection measures and employee profit-sharing (where applicable).

Policies

Danone offers its employees comprehensive, competitive and fair compensation based on its own system of evaluating and classifying jobs, taking into account external market developments as well as regulations, requirements and the local context of the subsidiaries.

Action plans and outcomes

Compensation - Global Incentive Plan

Variable annual compensation rewards collective and individual performance based on two sets of targets:

- business targets, measuring how well Danone and its subsidiaries performed financially;
- specific individual targets, defined with each employee's immediate manager and allocated to the categories of People (such as succession plan, development, turnover and diversity), Renew (linked with the implementation of the "Renew Danone" Strategy) and Function (such as productivity and market share sustainability).

As part of an integrated vision of the Group's performance, the variable compensation of executives and directors as well as some other key employees has been based on social and environmental performance criteria such as improvement of the Group's environmental impact, employee health and safety and diversity. In 2023, approximately 2,000 employees received this variable compensation (see section 6.3 *Compensation and benefits of governance bodies*).

Employee profit-sharing and share ownership

Employees of Danone's French subsidiaries are eligible for a profit-sharing plan indexed primarily to Danone's results. Some French subsidiaries and certain foreign subsidiaries have established employee incentives and/or profit-sharing agreements indexed to their own results.

Danone also promotes share ownership for its employees:

- Employees of Danone's French companies can subscribe for an annual capital increase as part of a Company Savings Plan;
- At global level, in 2019, Danone launched its first global employee share ownership plan, enabling employees in eight countries to subscribe for new DANONE shares. Since then, the share ownership plan has been extended to additional countries. In 2023, the plan covered 49 countries, representing 85% of Danone employees worldwide (see section 7.3 *Authorization to issue securities that give access to the share capital*);

5 SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

5.4 People & Communities

■ Lastly, in 2019, for the first time, Danone granted each eligible employee One DANONE share, thus giving the employee the right to vote at the Shareholders' Meeting. This share grant also enables employees to participate in a global profit-sharing system indexed to the annual dividend (see section 7.8 *Share ownership structure of the Group as of December 31, 2023*). Each year, every single new Danone employee receives a DANONE share.

Retirement commitments, retirement indemnities and personal protection

Danone contributes to state-sponsored and/or private retirement funds for its employees in accordance with the laws and customs of the countries where its entities do business. The Group also has contractual commitments covering severance pay, retirement indemnities and personal protection, most of which are managed by independent fund management entities.

Commitments related to existing defined-benefit plans generate an actuarial liability, recognized as a provision in the consolidated financial statements. There is no actuarial liability for defined-contribution plans. The provision posted for these commitments as of December 31, 2023, and the expenses for the year are presented in Note 9.3 to the consolidated financial statements.

Health benefits - for employees

Definition

Access to health and risk coverage as well as education regarding health challenges for all employees is a key priority for Danone. The Group continues to support its employees with the Dan'Cares program in all countries in which it operates. This priority has been reinforced for all employees worldwide since Covid-19, has been extended to employees' close family members and in 2023, a Well-Being initiative was introduced.

Policies

In 2009, Danone launched the Dan'Cares program, with the commitment of protecting all employees and ultimately guaranteeing quality health coverage for all employees. It is designed to cover major risks while taking into account relevant practices in the respective markets. The three major risks considered are: 1) hospitalization and surgery, 2) ambulatory care and 3) maternity care. Dan'Cares is intended to be rolled out to all Danone subsidiaries, including in countries where such coverage is not fully offered by government regulated healthcare systems.

In 2023, in order to further support Danone employees to be at their healthiest, Dan'Cares has been expanded with a fourth pillar: Be Well by Dan'Cares. The objective is to foster a positive environment in our workplaces that supports and nurtures Danone employees' well-being, underpinned by a strong culture of well-being. The program is focused on Nutrition and Mental and Physical well-being.

Danone conducts regular market studies to benchmark its policies in the market and enhance them if necessary. Danone also facilitates access to supplementary insurance plans for its employees in markets where supplementary insurance plans are available.

Action plans

The Employee Assistance Program (EAP) is one of the most important benefits under the new Mental Health pillar of Be Well by Dan'Cares. EAP is a professional service handled by an external company that

helps Danone's employees with any emotional, practical or physical queries. Access to the EAP is also extended to employees' direct family members. In 2023, the initiative had been implemented in 38 countries (35 in 2022).

Outcomes

As of December 31, 2023, 86,928 employees (94,761 in 2022 - Russia and Belarus are excluded from 2023's figures) in 58 countries (56 in 2022) received health coverage fully or partially meeting the criteria defined by Dan'Cares. 🌍

Most of the beneficiaries under the Dan'Cares program were able to include family members.

Social dialogue

Definition

Danone aims to build successful relationships with its employees through continuous engagement and dialogue, the establishment of systems for reporting problems and filing complaints and the use of responsible practices, especially during the Group's reorganization. Listening to union representatives regarding employee expectations and maintaining an open dialogue with them helps to limit the risk of strikes and business interruptions.

Governance

Social relations issues are managed by the Human Resources Department, which reports to the Chief Human Resources Officer, a member of the Executive Committee.

Social relations at Danone are based on:

■ Social dialogue meetings:

- the Information and Consultation Committee, supported by its own Steering Committee, whose members include representatives from Danone management and union representatives;
- bi-annual meetings between the International Union of Food Workers (IUF) and the Human Resources Department, its executives and the managers of the main regions to build a common ambition and monitor compliance with and implementation of the agreements.

■ Board and Committees involved in Social Dialogue:

- the Board of Directors' CSR Committee, which monitors the implementation of action plans and initiatives, is regularly updated on any Social Dialogue topics (see section 5.1 *Introduction*);
- France's Work Council and the Information and Consultation Committee (acting as Danone's European Work Council) appoint two Directors representing employees to sit on the Board of Directors. A member of the Danone SA's Work Council also participates in Board of Directors' meetings in an advisory capacity (see section 6.1 *Governance bodies*).

In addition, ongoing dialogue between Danone's Head of Social Relations and the Human Resources department heads in Danone's entities make it possible to escalate employee expectations, especially with union representatives and employee representatives, and, if necessary, establish global or local action plans.

Policies

Social dialogue is a key driver for Danone at the management, trade union and employee representatives' levels. It enables collective efforts to be aligned in order to improve the Group's performance while ensuring that working conditions are continuously progressing. Ten agreements have been signed between Danone and the IUF since their joint vision was developed in 1988.

Integration, implementation and communication of the fundamental conventions of the ILO

- Since 2003, Danone has been a member of the UN Global Compact, which incorporates the International Labour Organization's (ILO) fundamental conventions. These conventions are formalized, implemented and brought to the attention of Danone employees and suppliers.
- The ILO conventions formulate seven fundamental labor principles that are covered in an agreement signed by Danone and the IUF. These principles are the basis of Danone's responsible sourcing programs (see section 5.4 *People & Communities*, section *Sustainable sourcing and human rights for workers in the value chain*).
- Danone communicates its commitments to all employees through its Code of Business Conduct (see section 5.5 *Responsible business conduct*).

FutureSkills Initiative

Danone is committed to supporting employees who need to acquire new skills. The Group worked with the IUF to develop an innovative approach called FutureSkills, which aims to better prepare employees who need new skills for the jobs of tomorrow. In 2020, Danone and the IUF signed a common statement (available on Danone's corporate website) aiming to give Danone's employees the opportunity and the time to develop new skills that can facilitate internal repositioning within Danone but can also be of value and practical assistance in the broader job market.

Action plans

The FutureSkills approach was rolled out locally according to the following steps: (i) defining employee eligibility, (ii) engaging in dialogue with local unions or employee representatives, (iii) identifying the jobs of the future, and (iv) designing the individual training journey. A digital toolkit was designed for local teams to support them in the project's implementation. For example, in Fulda (Germany) in 2022, the FutureSkills program was deployed in the form of in-depth professional training programs that prepare each team member for the jobs of the future to support the plant's transition to new packaging technology.

As Danone became a *Société à Mission* in 2020, the topic of social dialogue, and more precisely the FutureSkills project, was reviewed in 2022 by the Mission Committee. The FutureSkills program deployment is one of the performance indicators identified to track Danone's progress towards its mission (see Outcomes below).

In addition, Danone and the IUF are continuing their efforts to reduce precarious employment by applying specific definitions, methodology and processes, as defined in the global agreement on sustainable employment and access to rights signed in 2016.

In the United States, Danone has held an annual meeting between union leadership and Danone management since 2019 and is working to define its local social dialogue roadmap. In 2022, more sites have become organized, resulting in union recognition and the negotiation of collective bargaining agreements in DuBois (Pennsylvania) and Salt Lake City (Utah).

Outcomes

In 2023, 72% of employees were covered by collective bargaining agreements (compared to 74% in 2022) (see section 5.8 Methodology note).

The framework agreements between Danone and the IUF are deployed in each subsidiary, and each year a joint assessment is carried out in selected sites with a Danone representative and an IUF representative. Between 2009 and 2023, a total of 78 site visits were made (5 in 2023).

In 2023, 100% of Danone entities with eligible people have proposed FutureSkills to employees and/or their representatives and 93% of beneficiaries of FutureSkills have secured their transition to a job of the future, internally or externally (see Danone Way scope, in 5.8 Methodology note).

Employee security

Definition

With a presence in more than 120 countries, Danone faces security challenges and has the responsibility to protect all employees and assets from malicious acts. To this end, Danone proactively analyses security risks by country and develops preventive measures adapted to each situation to secure the workplace and respond effectively when necessary.

Governance

The Chief Security & Competitive Intelligence Officer (CSO) reports to Danone's General Secretary, a member of the Executive Committee. The Security Department consists of four specialized units:

- **International Security:** responsible for (i) designing and deploying global security guidelines (the responsibility of implementation sits with the local entity), (ii) mitigating security risks linked to international mobility in coordination with the local entity, and (iii) supporting all teams in protecting the Group's property, plant and equipment and intangible assets against malicious acts;
- **Operations Security:** responsible for protecting the supply chains and investigating suspected food fraud and food defense cases;
- **Risk Analysis/Protective Intelligence:** responsible for drafting guidelines and forward-looking reports, country risk analyses, and security and business monitoring;
- **Cybersecurity:** responsible for mitigating Danone's cyber exposure to ensure Danone complies with the latest international cyber standards and actively repels any cyber threats. The CSO advises the Group Deputy Chief Executive Officer in charge of Finance, Technology & Data and is a member of Danone's Cyber Board that defines Danone's cyber strategy.

Policies

The Travel Security Policy was updated in 2023 in compliance with the latest international standards and equips Danone employees with the information they need to travel as safely as possible.

Action plans and outcomes

Several projects were conducted in 2023 across the three pillars of Danone's Security Risk Management Program - Anticipation and Information; Prevention and Protection; Response and Incident Management - with the overarching objective of strengthening the security function further by maximizing the protection of its people, assets, and activities:

Anticipation and Information

- Recruitment of a Security and Intelligence Analyst to enhance Danone's competitive intelligence capabilities.

Prevention and Protection

- ISO 31030 audit: to fully assess Danone's Travel Risk Management (TRM) program in respect of this international voluntary norm setting the best practices in terms of TRM;
- Digital pre-validation procedure for trips to challenging environments: a unique and easy procedure to assist Danone employees preparing a trip to high-risk environments by providing them with crucial security information and practicalities to minimize their risk exposure during travel. This digital tool is linked to a two-step HR and Security decision workflow to ensure accountability and traceability.

Response and Incident Management

- Tender on assistance services: two new providers - one medical and one security - have been appointed to work seamlessly to replace Danone's current single provider to deliver the best human and technology-driven response to further protect our mobile workforce.

In 2023, Danone's Security Operational Center (SOC) reported 63 important or urgent events to the Danone Security Team. After assessments and based on incident type, potentially impacted employees were contacted if they were within the impact radius of the incident.

Meanwhile, the security function has further expanded its links with other departments such as Communication, Human Resources, and Cycle & Procurement and secured sponsorship from the Executive Committee to ensure the implementation of long-lasting, cross-functional, and inclusive solutions.

Respecting and promoting human rights in Danone's operations

Definition

In 2022, Danone completed its salient human rights impact assessment initiated in 2021 with the support of Shift, the leading center of expertise on the UN Guiding Principles on Business and Human Rights. Regarding Danone's own operations, the assessment confirmed the gap between Danone's employees and external workers (temporary workers employed through labor agencies or contract workers on Danone's sites) in relation to identifying potential human rights violations and implementing due diligence to prevent, mitigate and remedy them. As a result, Danone will continue to prioritize external workers when conducting due diligence in its own operations.

Policies

In 2022, Danone strengthened its human rights approach by publishing its Human Rights Policy and updating the Danone Sustainability Principles (DSPs) applicable to its value chain, including in its own operations (see section 5.4 *People & Communities*, section *Sustainable sourcing and human rights for workers in the value chain*).

Danone's Human Rights Policy reaffirms Danone's commitment to respecting and strengthening human rights in its value chain and refers to the DSPs to detail the human rights on which the Group is focusing. It provides further information on Danone's responsibilities and its expectations towards business partners (see section 5.4 *People & Communities*, section *Sustainable sourcing and human rights for workers in the value chain*) and describes Danone's approach for implementing human rights due diligence, with external workforce identified as the next priority.

The DSPs outline Danone's fundamental values and principles in terms of social and human rights principles, environmental protection and business ethics. The 2022 update took into account Danone's salient human rights impact assessment and the Group's latest policies and voluntary commitments, in line with reinforced international sustainability standards and requirements.

The Social DSP were strengthened in several ways: in addition to clarifying the international standards used as a reference, some principles were reinforced (e.g. the rights of communities and indigenous people) and others were added (e.g. diversity and inclusion). To guide Danone's operations and employees, the Danone Sustainability Principles & Implementation Note for Danone and Employees sets out the principles for how Danone relates to its employees as well as requirements and expectations for all Danone's entities worldwide. It commits all employees to implement the DSPs in their work and interactions with business partners on a daily basis, including by raising concerns when appropriate.

Action Plan - Implementation

Danone has identified on-site external workers as a main priority for conducting human rights due diligence in its own operations. Given the systemic scale of human rights violations on these vulnerable populations worldwide, Danone actively contributes to and leverages collective approaches with peers and civil society to enable learning, best practice sharing and increased impact.

In 2018, the Group issued an internal Global External Workforce Policy focusing specifically on labor agency workers and prohibiting the payment of recruitment fees by workers. In Mexico, in 2020, as part of its implementation, Danone piloted a dedicated methodology for social audits of labor agencies, which was co-developed and implemented by a specialized firm. This methodology includes surveys conducted among temporary workers and their Danone colleagues and supervisors to better assess the situation of temporary workers. In 2021, Danone developed a dedicated Internal Control/Internal Audit body to monitor its subsidiaries' compliance with the policy and identify areas for improvement.

More broadly, as a member of the Consumer Goods Forum's (CGF) Human Rights Coalition, which is working to eradicate forced labor, Danone pledged to develop and deploy Human Rights Due Diligence (HRDD) systems focusing on forced labor in its own operations, with the aim of reaching 100% coverage by 2025, including external workers hired by temporary work agencies or by its subcontractors to carry out regular and continuous work at its entities. In 2021, Danone contributed to the Coalition's collective work supported by the Fair Labor Association (FLA) to develop the due diligence framework tools and processes. In 2022, Danone developed its HRDD roadmap classing the Business Units in order of priority based on the number of external workers and the inherent country risks. Danone piloted the first steps of the Coalition's due diligence framework in its Polish and Brazilian Business Units, which were selected mainly on the basis of the number of external workers and awareness and engagement of the local teams. Local cross-functional task forces were identified (Human Resources, Procurement, and Legal/Compliance) and trained by the FLA to increase their capabilities. They mapped the workforce of the Business Units and ran the human rights self-assessment questionnaire on the highest risk categories, i.e. external workers. The findings did not identify significant violations but evidenced the need to reinforce policies and processes. In 2023, Danone created a central governance system, sponsored by the Chief Human Resources Officer with a task force dedicated to building internal human rights expertise, strengthening processes and deploying the HRDD roadmap.

In parallel, the Group continues to monitor its subsidiaries' sustainability performance through the Danone Way program. The human rights practice specifically addresses temporary workers identified as being at a higher risk than employees due to their increased vulnerability. Each Business Unit is required to nominate a Business and Human Rights Champion specifically trained on human rights and forced labor, who is responsible for ensuring that local HR and operational managers in contact with temporary workers are trained on unethical recruitment risks and forced labor drivers.

Danone's dedicated e-learning training program on human rights and the fight against forced labor is available to the Procurement, Human Resources and General Secretary functions on the Group's training platform. More than 5,750 Danone employees had completed this training at the end of 2023 (change of methodology versus previous years to ensure we take into account that a same person may have taken the training several times). In 2023, Danone developed a new training course targeting all employees worldwide and addressing "Sustainability & Human Rights Fundamentals". It will be translated into 24 languages and will be mandatory for all employees worldwide, with a target of reaching 100% of connected Danone employees by 2024 and 100% of non-connected employees by 2025. 🌍

Finally, in 2023, Danone continued to support its employees' engagement on human rights through Human Rights Community Networking Calls. Gathering the local Business and Human Rights Champions (Human Resources), RESPECT Champions (see section 5.4 *People & Communities*, section *Focus on Tier 1 suppliers other than dairy farmers: RESPECT program*), and local Sustainability Managers (General Secretary), these regular calls enable information and best practice sharing and aim to progressively build local awareness and capabilities.

In 2023, to address fundamental human rights in a global context of rising inequality, Danone shared the Equal Pay International Coalition (EPIC) pledge affirming Danone's commitment to: supporting the living standards of employees and their families, promoting a more equitable and fair society as well as advocating for the implementation of fair compensation practices outside of the organization, while engaging industry associations and policymakers to promote fair compensation practices in Danone's industry.

SUSTAINABLE SOURCING AND HUMAN RIGHTS FOR WORKERS IN THE VALUE CHAIN

Danone has identified three main risks linked to sourcing, namely: (i) business practices and price setting, (ii) sustainable sourcing, and (iii) human rights. These risks are detailed below, first through a global section covering the whole supply chain, and then through dedicated due diligence programs tailored to supplier types (see Sustainability cross-reference table in section 5.1 *Introduction*).

Danone's sustainable sourcing and human rights due diligence are based on the UN Guiding Principles on Business and Human Rights (UNGPs).

Definition

The global supply chains that power the food and beverage sector carry the risk of human rights and environmental violations, particularly upstream at farm level, but also at the Group's Tier 1 suppliers. In addition, responsible business conduct along agricultural supply chains is essential to ensure that the benefits are widespread, and that agriculture continues to fulfil its multiple functions, including food security, poverty reduction, and economic growth in the countries of origin of the ingredients. Both consumers and civil society are increasingly sensitive to fairness toward suppliers and producers, in areas ranging from business practices to value-sharing and pricing. This is especially true for the sourcing of milk, which is the main raw material that Danone purchases.

To address these risks, Danone has established a set of fundamental sustainability principles and has made specific public commitments. It fulfills these commitments by working with suppliers towards more sustainable business practices.

Governance

Danone's sustainable sourcing approach is sponsored by the Chief Cycles & Procurement Officer with specific teams in charge of monitoring and implementing the Group's related agenda.

The Agriculture Cycle team is specifically responsible for developing Danone's global agriculture strategy and ensuring that it is implemented into regional and local strategies and roadmaps (see section 5.3 *Nature*, section *Regenerative Agriculture*). In addition, the Sustainable Sourcing team has dedicated resources to lead on human rights and deforestation and oversee supplier sustainability engagement and sustainability performance management, including the Tier 1 (excluding milk) supply chain due diligence program (RESPECT+).

An update on the progress of the "human rights" pillar of the duty of care plan was presented to the Board of Directors' CSR Committee in November 2023, including the upcoming Sustainable Sourcing Policy. This policy was approved by the Global Engagement Committee in October 2023, and will be piloted before publication and launch in 2024.

Policies

Sustainability Principles

Danone's sustainable sourcing approach is based on Danone's Sustainability Principles (DSPs). Applicable to the Group's value chain including its own operations, the DSPs were updated in 2022, taking into account Danone's salient human rights risk assessment and the Group's latest environmental policies and voluntary commitments in line with reinforced international sustainability standards and requirements.

The DSPs include:

- ten social principles including the criteria set by the International Labour Organization (ILO): no child labor, no forced labor, no harassment or abuse, reasonable working hours, decent wage, no discrimination, freedom of association and the right to collective bargaining, safe and healthy working conditions, diversity and inclusion, rights of communities and indigenous people;
- seven environmental principles: biodiversity, deforestation, circularity (waste and plastics), water (including not negatively impacting communities' access to water), climate change and greenhouse gas emissions, environmental management and animal welfare;
- principles of business ethics for fair, lawful transactions that reflect the provisions of Danone's Code of Conduct for Business Partners.

The public document Danone Sustainability Principles & Implementation Note for Business Partners sets out the Group's expectations for business partners. Since 2009, the different versions of the DSPs are incorporated into a clause in Danone's contracts with direct suppliers meaning that acceptance and adherence to the DSPs (or provision of equivalent principles) is required in order to do business with Danone.

Furthermore, Danone recognizes the critical role its business partners play in upholding human rights and environmental commitments in its extended supply chain and asks them to exercise due diligence in implementing requirements consistent with the DSPs within their own operations and their supply chain up to origin suppliers of raw materials, including by providing a grievance mechanism.

Environmental commitments

As mentioned above, Danone's sustainable sourcing requires engaging and involving its value chain partners and suppliers in its environmental commitments.

Summarized in the 2022 version of the DSPs, these commitments and their related strategies address biodiversity, eliminating deforestation, regenerative agriculture, preserving water resources, circular economy and reducing GHG emissions, as described in section 5.3 *Nature*.

Human rights commitments

Similarly, Danone's sustainable sourcing requires engaging and involving its value chain partners and suppliers in its social standards and human rights commitments.

Danone's 2022 Human Rights Policy reaffirms Danone's commitment to respecting and strengthening human rights in its value chain and refers to the DSPs to detail the human rights the Group is focusing on. It provides further information on Danone's responsibilities and the expectations it has of its business partners and describes Danone's approach for implementing human rights due diligence in the different scopes of the value chain (see section 5.4 *People & Communities* section *Respecting and promoting human rights in Danone's operation*); finally, it focuses on the grievance mechanism and remedial measures and on the governance of the topic.

In addition to this overarching policy, Danone has a longstanding commitment against forced labor, which is recognized as one of the most pressing social issues of our time in agricultural supply chains. In 2016, Danone joined the CGF collective effort to eradicate forced labor from its global supply chain. To this end, in 2017, Danone incorporated the three priorities set by the CGF into its Social Principles: (i) every worker should have freedom of movement, (ii) no worker should pay for a job, and (iii) no worker should be indebted or coerced to work. In 2018, Danone formalized this commitment in the Danone statement on forced labor (see Danone's website). As a member of the CGF's Human Rights Coalition working to end forced labor, Danone pledged to develop and implement HRDD systems that focus on forced labor in its operations, with the goal of achieving 100% coverage by 2025, including external workers hired by temporary work agencies or by its subcontractors to carry out regular and continuous work at its entities. In 2022, Danone piloted the first steps of the Coalition due diligence framework in its Polish and Brazilian Business Units (see section 5.4 *People & Communities*, section *Respecting and promoting human rights in Danone's operations*).

In 2023, Danone continued its contribution to the World Business Council for Sustainable Development (WBCSD) Business for Inclusive Growth WBCSD-B4IG coalition, which aims to scale up actions on economic inclusion, particularly with regards to human rights across the value chains.

In 2023, Danone committed to have its Responsible Sourcing Policy deployed to all suppliers by 2030. The policy was approved in October 2023 and will be launched in 2024 following a pilot.

Risk Assessment

Human rights and environmental risk mapping

In 2017, Danone performed a global social and environmental impact assessment for its 20 main purchasing categories. The Group analyzed these risks using a checklist derived from the ISO 26000, GRI G4 and SA 8000 standards, taking into account the potential impacts of purchased products mainly from a labor rights and human rights perspective, but also considering the impacts on local communities and consumers, as well as fair trade practices and the environment.

The assessment identified priority categories in relation to human rights, namely (i) workers employed through outside labor providers and (ii) four agricultural raw materials (palm oil, cocoa, sugar cane and fruit), for which the potential risks primarily exist at farms and plantations at the upstream end of Danone's supply chain and include, in particular, the potential risks typical of agricultural chains, such as working conditions, health and safety, forced labor and child labor.

In 2021, Danone conducted a salient human rights impact assessment in its value chain with the support of Shift, the leading center of expertise on the UN Guiding Principles on Business and Human Rights. The previously identified priority categories were confirmed.

In 2022, Danone completed its salient human rights impact assessment and used its findings to update and upgrade the Danone Sustainability Principles as well as their implementation guidance and to develop its Human Rights Policy. The salient impacts will further inform Danone's human rights strategy. In 2023, the assessment was used to develop the Responsible Sourcing Policy approved by the Global Engagement Committee in October. It will be launched in 2024 after a pilot, replacing the Danone Sustainability Principles for direct suppliers who have a contractual relationship with Danone (except for raw material producers and farmers).

In addition, in 2021, the Group had already updated its global materiality analysis, which highlights the importance of responsible purchasing and respect for human rights (see Danone's website for more information).

For environmental issue risk mapping, refer to section 5.3 *Nature*.

Based on its risk assessments, Danone is tailoring its responsible sourcing and human rights due diligence to its various specific supply chains.

Focus on the agricultural supply chain

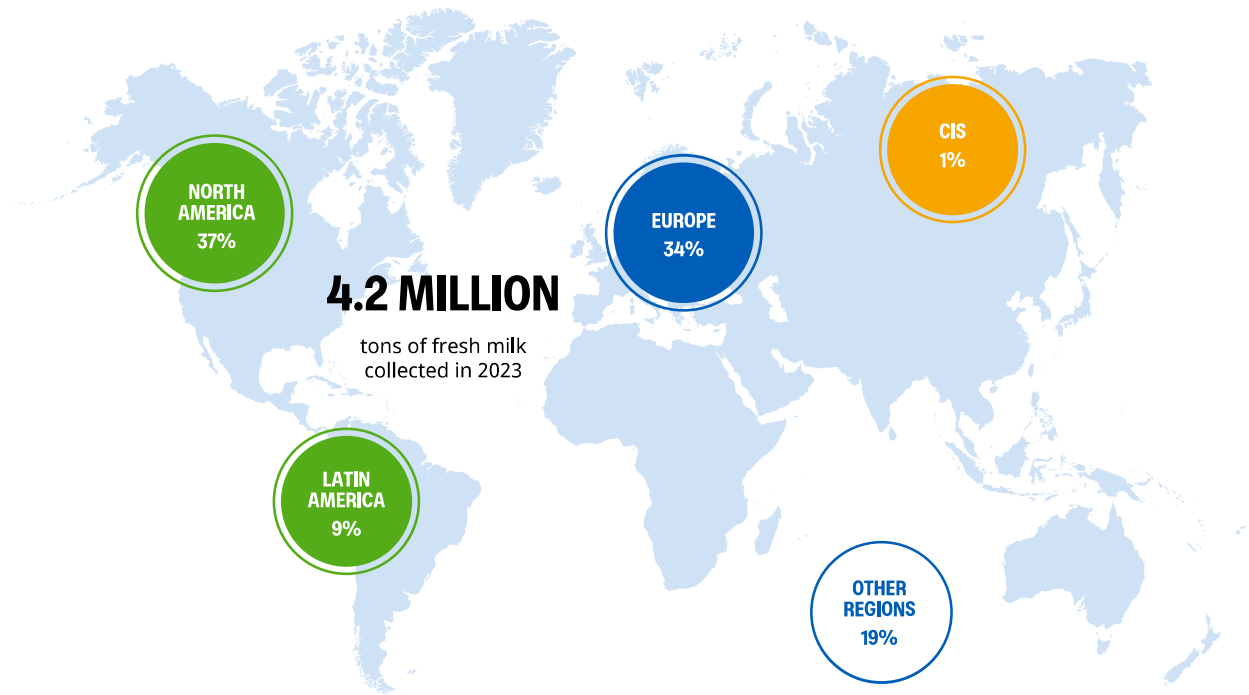
Raw ingredient supply chains may have different structures, from the simplest ones with only one intermediary (as in milk sourcing), to complex supply chains involving several intermediaries including traders.

The responsible sourcing due diligence developed on agricultural supply chains with regards to social topics can also be found in:

- section 5.3 *Nature*, for elements related to the Regenerative Agriculture framework;
- section 5.3 *Nature*, for elements related to forest commodities such as palm oil and cocoa through traceability processes and certifications;
- section 5.4 *People & Communities* for Danone's sourcing of fresh milk as well as other Tier 1 suppliers.

Direct sourcing of fresh milk

BY GEOGRAPHIC AREA



● % of fresh milk sourcing per geographic area, for essential dairy and specialized nutrition products

Sourcing strategy

Danone favors local sourcing of raw milk from more than 58,000 farms in around 16 countries, both directly and indirectly. Most of the milk sourced by the Group comes from family farms.

About 90% of the partner producers own small family farms with fewer than 25 cows and are located primarily in emerging countries in Africa and Latin America. These small farms supply about 14% of Danone's total milk volume.

Danone also works with larger family farms (with herds ranging from a 100 to thousands of cows), which represent about 1% of the Group's fresh milk suppliers and nearly 74% of milk volumes, the latter being generally collected directly by the Group.

In North America and some Middle Eastern countries, Danone occasionally works with larger farms to ensure reliable access to sufficient volumes of quality milk.

Action plans and outcomes

Danone supports dairy farmers by providing them with training and technical support to transform their practices while ensuring the viability of their business models. For example, the Farming for Generations (F4G) alliance, which was created in 2019 and in which Danone participates, identified 75 best practices and innovations across various dairy farming models, farm sizes and geographic areas. In total 2,600 farms have already taken notice of the practices and taken action. Danone will continue to scale up regenerative agriculture

practices using findings from the F4G program. Through the Sustainable Dairy Partnership, the Group has continued to work for a more sustainable dairy industry by supporting the prevention of deforestation, the protection of human rights and animal welfare and compliance with local legislation. In addition to these collaborative actions, specific tools and methodologies have been deployed and monitored by Danone's Agriculture cycle:

- **MilQSat:** an initiative co-developed by the Essential Dairy and Plant-Based Category and its partner farmers to assess the performance of farmers from whom Danone purchases milk directly in terms of quality, food safety and traceability;
- **Cool Farm Tool and CAP'2ER:** Since 2017, Danone has been conducting country-by-country assessments on its milk volumes using the Cool Farm Tool (CFT) worldwide and the CAP'2ER tool in France. The CFT was developed and is overseen by a multi-stakeholder coalition that includes food manufacturers, retailers, input suppliers, NGOs and universities. The tool's strength lies in its global application, it is designed for continuous improvement. In 2023, Danone used CFT (in 15 countries) and CAP'2ER (in France) to monitor the greenhouse gas footprint of the purchased milk, now covering in total 91% of direct milk collection volumes from farms. The rollout is planned for next years to include new geographies in South East Asia and India;
- **animal welfare assessment tool:** launched in 2016 and now implemented in 13 countries (see section 5.3 *Nature*, section *Regenerative Agriculture*);

- **water risk assessment in relation to milk sourcing:** updated in 2020, methodology used to identify farms or collection centers located in water-stressed areas and to determine an appropriate approach (mitigation, adaptation or relocation of the supply source);
- **regenerative agriculture scorecards** (see section 5.3 *Nature*, section *Regenerative Agriculture*).

Danone also supports the next generation of farmers, who play a leading role not only in producing the food we eat but also in implementing responsible practices such as carbon sequestration, protection of water resources and biodiversity (see section 5.3 *Nature*, section *Regenerative Agriculture*).

Cost Performance Model (CPM)

Danone works with producers in the United States and Europe to develop innovative contracts, with an average term of three to five years, to reduce milk price volatility and thereby offer farmers greater visibility and financial stability.

These long-term Cost Performance Model (CPM) contracts factor production costs into milk pricing and are developed in partnership with milk producers or their organizations.

In 2023, 37% of milk collected in Europe (44% in 2022) and 26% of milk collected in the United States (29% in 2022) came from producers with CPM contracts. Altogether, 23% of the milk Danone collects is covered by CPM contracts (23% in 2022).

Focus on Tier 1 suppliers other than dairy farmers: RESPECT Program

Danone implements responsible sourcing due diligence towards its Tier 1 suppliers other than for raw milk (i.e., processed raw materials such as prepared fruit products and powdered milk, packaging, production machinery and transportation and other services) through its RESPECT program. Since 2017, Danone has moved this program towards a comprehensive due diligence approach and stepped up its human rights requirements. This approach endorses the principles enshrined in the United Nations Guiding Principles on Business and Human Rights (UNGP).

Regular evaluation procedures for Tier 1 in-scope suppliers

The RESPECT program streamlines evaluation procedures for Tier 1 suppliers. It is structured on three main pillars:

- Danone requires Tier 1 suppliers in scope to complete a self-assessment questionnaire evaluating their sustainability performance by registering on the Sedex (Supplier Ethical Data Exchange) platform (direct procurement categories, as well as third party manufacturers, and producers of promotional items) or the Ecovadis platform (indirect procurement categories), which automatically generate scorecards. Both scorecards evaluate labor standards, health and safety, environment and business ethics. At the end of 2023, 3,511 supplier entities were registered on the Sedex or Ecovadis platform compared to 3,189 in 2022, and 90% had completed the Sedex self-assessment or obtained an Ecovadis scorecard. These 3,511 entities represent 2,759 suppliers.
- Danone identifies high risk or high priority suppliers to undergo on-site assessments (audits). Since 2020, Danone has used a risk analysis approach that combines risks and spend level for suppliers of its operating units and global categories. The Group developed

an in-house human rights impact evaluation for suppliers based on (i) the inherent country social risk index as identified by the Sedex risk tool, (ii) the purchase category risk, and (iii) the spend level. Based on its analysis, the RESPECT team worked with purchasing departments around the world to co-develop the 2023 audit plan, selecting 84 high risk or high priority sites. Among them, 65 sites have completed an on-site or virtual assessment, in accordance with the Sedex Members Ethical Trade Audit (SMETA) protocol or the Sedex Virtual Audit (SVA) protocol. Both protocols include labor standards, health and safety, environment and business ethics. The audits are performed by expert third parties. Through the Sedex platform, Danone can also access audits of shared suppliers by peer companies and of participants in mutual recognition of audits through the AIM-Progress initiative. As a result, in 2023, Danone had access to 541 SMETA audits carried out on its suppliers, either by the Group itself or by its peers.

- Once an audit is conducted, Danone's goal is to establish regular dialogue with its Tier 1 suppliers on their responsible business practices and monitor corrective actions identified by audits, including when audits of shared suppliers are conducted by peer companies. In order to increase the robustness of the supplier remediation plans, the RESPECT team has dedicated resources located in Asia and Latin America. The objective is to support suppliers to develop their corrective action plans by providing expert support, resources and regular engagements, and ultimately close audits according to the SMETA methodology.

Mitigating risk and preventing serious violations

Training and engagement

Danone trains its RESPECT champions (local representatives who ensure that the program is embedded and rolled out at a local level) and buyers on the RESPECT program and ensures that they are aware of risks related to forced labor and the CGF's three priorities. The RESPECT team developed a four-module e-learning course covering the fundamentals of the program, which was included in the learning journey for the procurement organization. In 2023, 98 buyers, champions or purchasing managers completed at least one module and close to 2/3rd of them the whole course. The RESPECT e-learning course complements the training module on human rights and forced labor already offered online. At the end of 2023, more than 5,750 Danone employees had completed the human rights and forced labor training.

In addition, Danone developed a new training course in 2023 targeting all employees worldwide and addressing "Sustainability & Human Rights Fundamentals". It will be deployed from 2024 onwards (see section 5.4 *People & Communities*, section *Respecting and promoting human rights in Danone operations*).

Collaborative initiatives

Danone also aims to leverage its impact by collaborating in food and beverage sector initiatives such as AIM-Progress, the Consumer Goods Forum (CGF), Business for Inclusive Growth (B4IG). Danone participates in various coalitions and work streams on a wide range of sustainable sourcing topics, both globally and regionally (for example, the grievance mechanism workstream within AIM-Progress, the Human Rights Coalition and the Forest Positive Coalition both within the CGF, and human rights, living wage and inclusive sourcing work streams within the B4IG).

5 SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

5.4 People & Communities

In 2023, Danone participated in a pilot project to support a group of European logistics suppliers to improve their grievance mechanisms. The pilot was developed and coordinated by AIM-Progress and supported by the Oxfam Business Advisory Service. The purpose was for the suppliers' workers (the main target group in this case being truck drivers) to raise issues and concerns with their employer in a safe, trusted, and transparent manner. The Oxfam Business Advisory Service worked with the carriers to navigate and utilize a grievance mechanism toolkit developed by Oxfam and one of the members of the AIM-Progress grievance mechanism working group. The pilot was positively received by the suppliers, who successfully implemented the toolkit, resulting in a direct positive impact on Danone's supply chain.

In addition, Danone joined peer companies in taking part in the AIM-Progress 2023 India Initiative to raise awareness for human rights and sustainable sourcing practices with suppliers from India. Danone sponsored and coordinated the event that took place in New Delhi and hosted more than 150 suppliers.

Whistleblowing system

Since 2017, the Danone Ethics Line has enabled whistleblowers to report suspected human rights and environmental violations (see section 5.5 *Responsible business conduct*). The reporting process was developed in consultation with employee representatives and ensures that whistleblowers are protected.

In 2023, a total of 388 alerts were raised in 31 countries versus 273 alerts from 25 countries in 2022. As a reminder, the human rights category was broadly redefined in 2021, adding issues related to discrimination, harassment, and employee health, safety and security to the initial scope of violations in the areas of child labor, forced labor, right to collective bargaining, working time and wages. This increase in the number of alerts is mainly due to the global awareness campaign led in 2023 regarding the Danone Ethics Line & How to raise a concern.

Since 2022, all of the above topics have been grouped under the "human rights" umbrella and deal with:

- ending exploitation (prohibiting child and forced labor, prohibiting harassment and abuse, and ensuring reasonable working hours): 210 alerts (mostly harassment related issues);
- decent work (paying a decent wage and at least the applicable legal minimum or standard pay, committing to safe and healthy working conditions, granting freedom of association and right to collective bargaining, and ensuring all workers are treated equally with respect and dignity, with a positive culture towards diversity and inclusion): 178 alerts (mostly misconduct and discrimination issues).

In summary, over 86% of alerts received were related to harassment, misconduct and discrimination.

All alerts are initially reviewed by the Global Human Resources Compliance and Labor Law Director, who appoints an independent internal or external investigator. All alerts are investigated if needed. At the end of the year, of the 388 alerts created in 2023, 309 alerts have been closed while 79 remain under investigation. Among the 309 alerts closed in 2023, 38% turned out to be substantiated or partially substantiated.

If serious violations are identified, they are handled in collaboration with the Human Rights team to determine the appropriate approach and action plans. Further collaboration is planned to improve remediation and strengthen the grievance mechanism approach for the circle of stakeholders beyond employees.

In 2023, ten alerts were raised in the "environmental violations" category, one of which was partially substantiated after investigation and one of which is still open. All alerts received in the "environmental violations" category are initially reviewed by Danone's Compliance Department and, when necessary, sent to the relevant function or department in order to investigate and, where applicable, mitigate the potential problem.

Danone also has investigation and remediation processes in place to manage grievances that come through other channels than the Danone Ethics Line, in particular those related to suppliers.

Tracking and assessing the effectiveness of supplier programs

Danone tracks its RESPECT program using the following three indicators:

- RESPECT KPI1 was modified in 2023. The former RESPECT KPI1 measured the supplier registration rate on the Sedex or Ecovadis platform. Since 2023, to strengthen Danone's approach and align with stakeholders' expectations, KPI1 now measures the percentage of Danone's expenditure covered by the RESPECT program. In 2023, KPI1 stood at 69%, meaning that 69% of the Group's expenditure was covered by the sustainable sourcing program, excluding raw milk, real estate, and tax services⁽²⁾.
- RESPECT KPI2 measures the annual audit plan completion: 77% of planned SMETA audits were completed in 2023 (compared to 83% in 2022).
- RESPECT KPI3 measures the audit closure rate: 84% of audits that identified critical non-conformities (being commissioned by Danone or by peers on common suppliers) were closed in the expected timeline defined by the auditor (compared to 91% in 2022). The measurement methodology was modified in 2023 to better reflect actual impact, explaining the difference compared to the 2022 figure. The audit scope was changed to include only suppliers whose timeline for audit closure expired during 2023. Suppliers previously considered compliant whose allocated timeframe to resolve non-conformities expires in 2024 have been removed from the scope and carried over to 2024. Audits that have not been closed continue to be monitored. In most cases, critical non-conformities were related to health and safety, working hours and compensation.

In 2023, there was a surge in demand for social (SMETA) audits worldwide, complemented with a strict requirement set by the Association of Professional Social Compliance Auditors (APSCA) to (re-)certify auditors. This resulted in a shortage of qualified auditors worldwide, causing congestion in the market. Consequently, scheduling and closing audits became extremely challenging for suppliers. This situation resulted in a decline in the coverage of KPI2 and KPI3. In order to tackle this issue, Danone joined forces with other peer companies in the AIM-Progress organization to identify root causes and potential solutions.

⁽²⁾ 90% of Danone's expenditure is covered in our global systems.

Audits that could not be scheduled in 2023 due to auditor scarcity will be scheduled during the first quarter of 2024.

The RESPECT indicators are included in the calculation of the variable compensation of targeted purchasing teams as well as the RESPECT team, including for managers.

Breakdown of critical non-conformities identified

Analysis focused solely on critical non-conformities from SMETA audits (or those conducted using a similar methodology) of Danone suppliers in 2022 and 2023.

	2022	2023
Total number of critical non-conformities identified	267	452
Percentage of critical non-conformities related to:		
■ forced labor	2.6%	1.3%
■ child labor	0.4%	0.7%
■ health and safety	53.6%	65.9%
■ discrimination	2.6%	1.1%
■ freedom of association and the right to collective bargaining	0.8%	-
■ working hours and compensation	25.5%	21.5%
■ the environment	6.0%	6.6%
■ business ethics	4.1%	-
■ other	4.5%	2.9%

The significantly higher number of critical non-conformities identified compared to 2022 results from a combination of factors: a higher number of audits shared with Danone, some non-conformities having been carried forward from 2022, and finally the Sedex Audit Quality Program was updated in 2023 which included changes on the issue findings and criticality.

All the critical non conformities reported above are followed up: they have either been resolved or are being remedied with the suppliers.

SOCIAL INNOVATION FUNDS

Danone Communities

Created in 2007, Danone Communities is a venture capital fund that empowers pioneering social entrepreneurs. It invests in businesses that have a significant social impact in line with Danone’s purpose of “bringing health through food to as many people as possible”. Danone Communities invests equity and quasi-equity in social businesses in two main fields: (i) access to safe drinking water, and (ii) access to healthy local nutrition. In addition to its long-term financial support, Danone Communities provides expertise, networks and business support relevant to their local needs towards their journey to success.

In 2007, Danone created the Danone Communities SICAV (*Société d’Investissement à Capital Variable*) and the Danone Communities FPS (*Fonds Professionnel Spécialisé*) funds. The SICAV invests (i) at least 90% of its assets in money market instruments, bonds and other vehicles, and (ii) up to 10% in the FPS.

As of December 31, 2023, the Danone Communities SICAV fund had a total of €75.3 million in assets under management. Of this total, 20% was held by Danone and 47% was held by its employees through the FCPE Danone Communities Solidaire, an employee investment fund (Fonds Commun de Placement d’Entreprise). As of December 31, 2023, Danone also held 72% of the FPS directly.

FPS Danone Communities backs 20 social companies in 25 different countries. Danone is also currently a shareholder in two of these social businesses: Grameen Danone Foods Limited in Bangladesh and Nutrigo in China.

As of December 31, 2023, the total investments in these businesses came to €17.4 million for the Danone Communities FPS fund (compared to €16.2 million as of December 31, 2022).

Providing access to safe drinking water for vulnerable people and communities

Through the Danone Impact Journey, the Group is committed to having a positive impact on the health of vulnerable populations and communities, supporting social businesses that provide safe drinking water at an affordable price.

Overall, the social businesses that Danone Communities and the W2AF are supporting or have supported in their early stages provided access to safe drinking water to 12.7 million people around the world in 2023, representing 4.6 billion liters of water. 🌍

Danone Ecosystem

Danone created the Danone Ecosystem Fund in 2009, with initial funding of €100 million. It is a French endowment fund headed by a board of directors and tasked with strengthening and expanding general interest activities within the Danone ecosystem.