

INTRODUCTION

In March 2018, Danone announced the successful launch of a €300 million bond to finance and refinance projects that include positive social impacts. This innovative Social Bond is the first to be issued by a multinational aligned with the new Social Bond Principles, as set out in June 2017 by the International Capital Market Association.

This pioneering bond issuance continues to support Danone's long-term ambition to lead the way in creating and sharing sustainable value. It attracted significant appetite from investors focused on Environment, Social and Governance (ESG) and was subscribed at attractive market conditions.

Proceeds are allocated to projects promoting positive social impact on Danone's stakeholders, including:

- Research and Innovation for Advanced Medical Nutrition,
- Social inclusiveness,
- Responsible farming and agriculture,
- Entrepreneurship financing,
- Quality healthcare and parental support.

The bond issue consists of a €300 million euro-denominated senior note with a 7-year maturity and offering a 1.00% coupon, due March 2025. The settlement took place on March 26, 2018 and the bond is listed on Euronext Paris.

Vigeo Eiris, an ESG rating agency, has delivered an independent second opinion on the sustainability credentials and management of this social bond ([available here](#)).

For more information on our social bond, refer to [Danone Social Bond Framework](#)

Issuer	Danone
Rating	Baa1/BBB+ (Moody's / S&P)
Size	€300,000,000
Currency	€
Maturity	26 th March 2025
Launch date	19 th March 2018 (T+5)
Settlement date	26 th March 2018 (T+5)

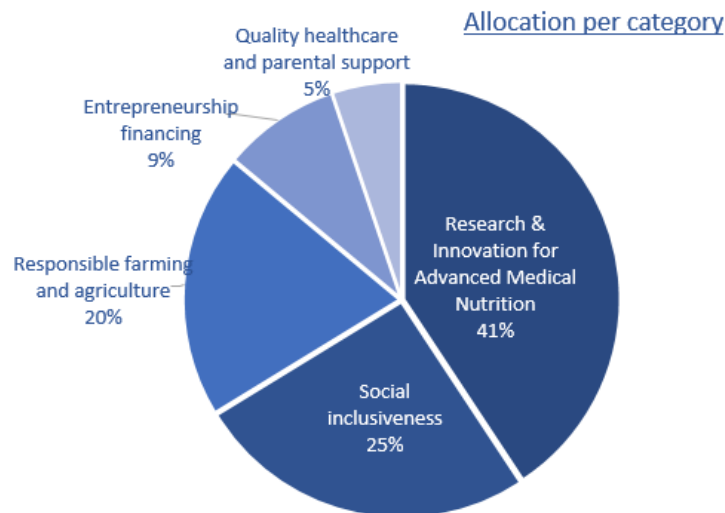
This 2019 report highlights the results of Danone's second social bond reporting and marks the achievement of the full allocation of the proceeds. To consult the 2018 report, please refer to this link ([available here](#)).

ALLOCATION REPORT

The selected projects and the allocation process are overseen by Danone’s One Planet. One Health Integration and Investment Board (OPOHIIB) which gathers environmental, social, health and nutrition experts and Business leaders (Chief Growth Officer of each Business). OPOHIIB has replaced the Sustainability Integration Committee. Allocation of the proceeds have been annually audited until completed.

The allocation of Social Bond proceeds to Eligible Projects before the bond issuance (2015-2018) and in 2019 was €237 million and €63m respectively. Net proceeds of €300m from the Social bond issuance in March 2018 were allocated at 100% as of 31/12/2019. The detailed allocation is set out in the table below.

Eligible Project Category	Danone Initiatives	Allocated Amount (in €m)		
		Before 2019	In 2019	Total
Research & Innovation for Advanced Medical Nutrition	Utrecht R&I Center for Advanced Medical Nutrition	107,7	14,4	122,2
Social inclusiveness	Danone Ecosysteme Fund	41,4	7,6	49,0
	Livelihoods Fund for Family Farming	4,0	0,9	4,9
	Livelihoods Carbon funds	3,5	0,7	4,3
	Danone Communities	18,5	-	18,5
Responsible farming and agriculture	CPM Milk Supply in Europe	14,0	-	14,0
	Danone US Pledge - non GMO Project	25,2	20,2	45,4
Entrepreneurship financing	Health for Life Capital	11,6	-	11,6
	Danone Manifesto Ventures	9,3	5,4	14,7
Quality healthcare and parental support	Dan’ Cares	0,4	12,0	12,4
	Danone Global Parental Policy	1,4	1,8	3,1
Total (in €m)		237	63	300



IMPACT REPORT

Eligible Project Category	Initiatives	Social Benefit		
		Indicator	Social impact (full project)	Social Bond contribution vs Danone contribution
Research & Innovation for Advanced Medical Nutrition	Utrecht R&I Center for Advanced Medical Nutrition	Number of beneficiaries in 2018 and 2019	4 046 500	45%
	Social inclusiveness	Danone Ecosysteme Fund	Number of people professionally empowered	62 331
Number of women professionally empowered			39 007	
Number of indirect beneficiaries			4 702 351	
Livelihoods Fund for Family Farming		Number of people reached	15 187	100%
	Number of farms with traced commercial transactions	1 180		
Responsible farming and agriculture	Danone US Pledge - non GMO Project	Number of households equipped with efficient cook stoves	185 000	34%
		Number of people positively impacted	1 600 000	
Entrepreneurship financing	Danone Manifesto Ventures	Number of Farms involved	12	100%
		Number of direct and indirect beneficiaries	429	
Quality healthcare and parental support	Dan'cares	Number of full time employees	185	75%
		Number of employees covered by Dan'cares	99 627	
	Danone Global Parental Policy (DGPP)	Number of countries covered by Dan'cares	53	14%
		Number of Countries which have implemented the DGPP	18	
		Percentage of employees covered	41%	96%

Please find [here](#) the methodological note where the definition, the consolidation scope and coverage and the data collection of the KPIs are highlighted as long as the social bond contribution calculation for each of them.

Research and Innovation for Specialized Nutrition

Danone's Research and Innovation (R&I) center in Utrecht (The Netherlands) spans the worlds of Specialized Nutrition, and is a global hub dedicated not only to the innovation of new products, but also the on-going improvement of our existing range. With over 600 employees, the Utrecht R&I center delivers evidence-based specialized nutrition to infants, pregnant women, patients and the elderly, enabling Danone to provide tailored nutritional solutions to patients around the world. Research focuses particularly on patients suffering from disease-related malnutrition, patients who cannot tolerate or metabolize an essential nutrient due to genetic metabolic disorders or allergies, and patients who cannot swallow or eat.

As part of the social bond, proceeds are allocated to Advanced Medical Nutrition activities dedicated to oncology and enteral nutrition and Specialized Nutrition activities dedicated to allergy.

Social inclusiveness

Danone has been pioneering social inclusiveness through funds supporting local projects dedicated to empowering communities and social entrepreneurs: Danone Ecosystem Fund, Livelihoods Fund for Family Farming, Livelihoods Carbon Funds and Danone Communities.

As part of the social bond, proceeds are allocated to projects supporting these funds and social benefits expected from these projects are the following:

- Promotion of small-scale farmers in developing countries,
- Development of sustainable agriculture practices,
- Women empowerment through training,
- Development of local and rural communities, and jobs creation within Danone's ecosystem projects,
- Improvement of low-income populations basic needs (such as malnutrition, drinking water...).

Responsible farming and agriculture

Danone is working to develop and promote regenerative models of agriculture that protect soils, water and biodiversity, empower farmers and respect animal welfare. To do so, Danone maintains close relationships with over 58,000 farmers worldwide and is strongly committed to supporting farmers and dairy producers at a local level with for instance:

- In the U.S. where Danone pledged to develop a non-GMO offer;
- In Europe where Danone deployed innovative long-term contracts with milk producers to reduce milk price volatility: Cost-Performance Model (CPM) contracts. Similar supports are also provided to farmers in the U.S. and Russia but have not been covered by this social bond.

As part of the social bond, proceeds are allocated to these two projects to support responsible farming and agriculture. Social benefits expected from these projects are the socio-economic development of milk producers and farmers along with the development of responsible farming practices.

Entrepreneurship financing

Danone is engaged in the food revolution that is underway and supporting it through entrepreneurship financing. To carry out these investments, Danone relies on two structures:

- Danone Manifesto Ventures: Since its launch in 2016, Danone Manifesto Ventures makes investments and provides financial and operational support to its portfolio companies and has invested in several companies bringing unique concepts and business models that help drive forward the Food Revolution;
- Health for Life Capital (HFLC) investment fund: Danone has taken part in this fund dedicated to microbiome research and which invests in innovative companies. The fund is managed by Seventure Partners, a subsidiary of Natixis Global AM.

As part of the social bond, proceeds are allocated to these two structures to invest in small and medium size enterprises in the health and nutrition sector. Social benefits expected are the socio-economic development of these enterprises.

Quality healthcare and parental support

As part of its dual economic and social project, Danone is committed to offering employees a safe working environment, health and well-being programs, and professional development opportunities. Since 2010, Danone is deploying the Dan'Cares program aiming to provide all Danone employees with quality healthcare coverage of major risks, while taking account of different market practices. In parallel, since 2017, Danone is deploying its Parental Policy, to be rolled out globally by 2020.

As part of the social bond, proceeds are allocated to these two programs focusing on enhanced employee healthcare coverage and extended maternity, parental leave and post-natal care. Social benefits expected from these investments are equal access to health coverage and progress towards gender equality for Danone's employees.

EXTERNAL REVIEW

External independent auditors appointed by Danone ensure that the Allocation Report is consistent with Danone's Social Bond Framework, on an annual basis until the full allocation. Auditors review in particular the compliance of the allocated proceeds with the Eligible Project Categories. Please find [here](#) the 2019 Assurance Report from our Auditors.