

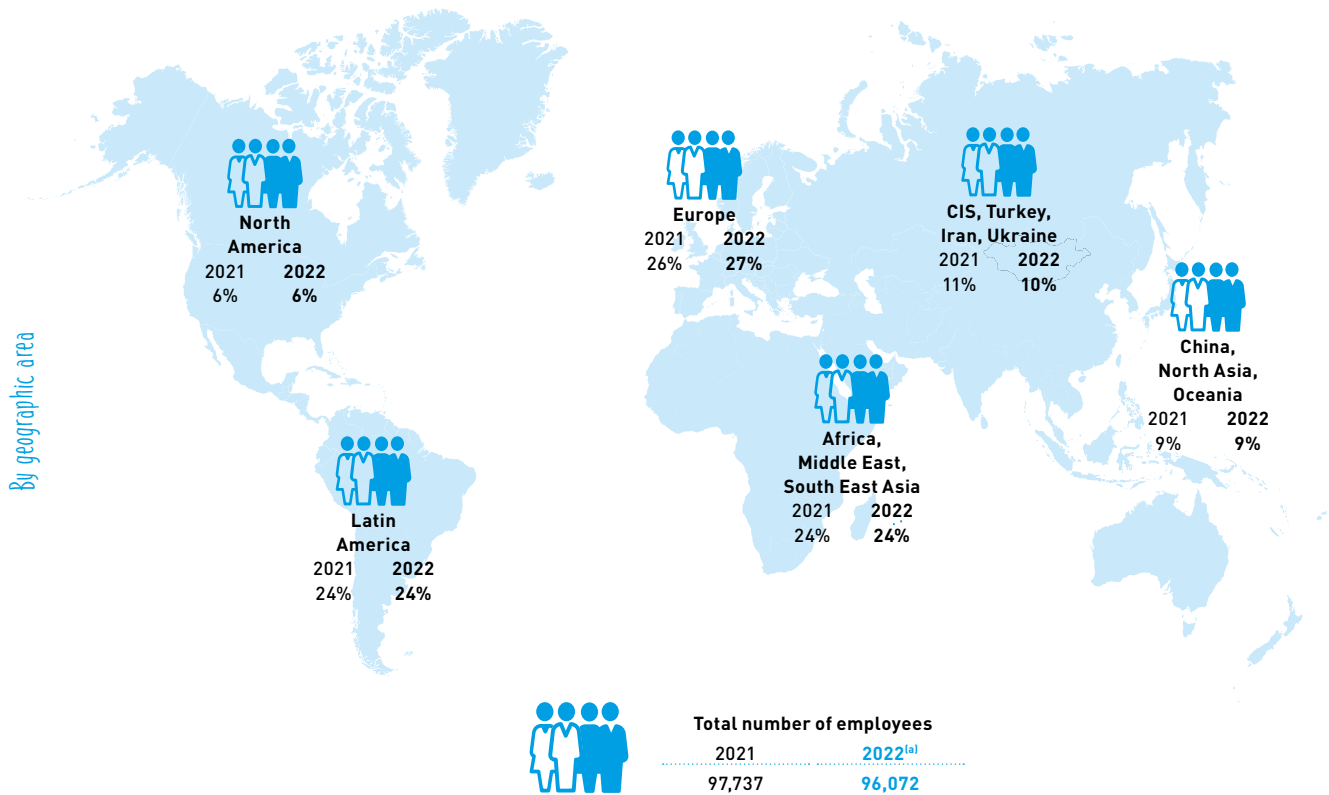
5.4 PEOPLE AND COMMUNITIES

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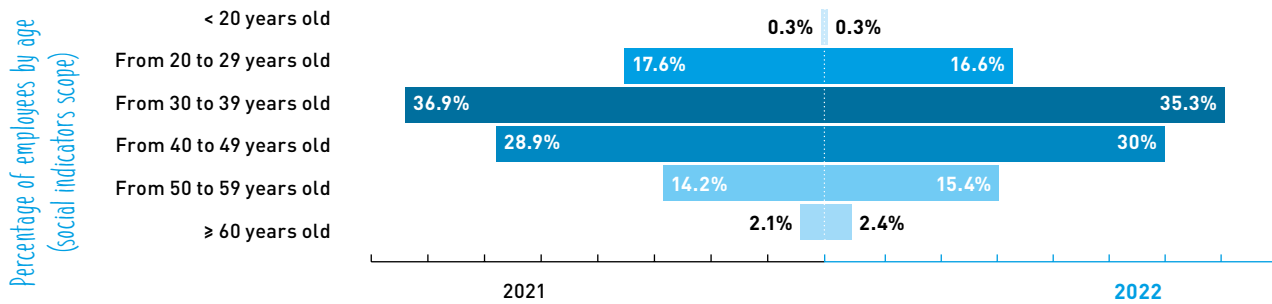
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DANONE'S EMPLOYMENT APPROACH

Employees



[a] This number does not include 0.1% of Danone's total workforce (i.e. 94 employees), which corresponds to the entities that were included in the scope of the social indicators in 2022 (Scope of social indicators, Methodology Note). The total number of employees including these 94 employees is 96,166.



Percentage of women in the organization

	2021		2022	
	Total	% women	Total	% women
Board of Directors ^(a)	13	45%	12	50%
Executive Committee ^(a)	7	29%	16	25%
Managers, directors and executives	22,469	52%	22,488	52%
<i>Senior managers: executives (excluding Executive Committee) and directors</i>	1,700	41%	1,637	42%
<i>Other managers</i>	20,762	53%	20,851	53%
Non-management employees	75,268	27%	73,584	26%
Total employees	100%	32%	100%	32%

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

Conditions and organization of Danone's working time

	2021	2022
Hires ^(a)	13,808	14,835
Dismissals ^(a)	6,553	6,405
Absenteeism rate ^(a)	2.9%	3.1%
Employee turnover rate ^(a)	19%	20%
Part-time employees ^(a)	3%	3%

(a) Social Indicators scope, see Methodology Note.

Danone enables employees to arrange their work schedules in accordance with their local environment, for example by allowing part-time work or remote work, thus contributing to their well-being at work. In 2021, the Group launched the "Future of Work" study among its employees to reflect on how to transform the ways of

working. Following this consultation, new solutions were co-built with employees to offer them the possibility to work from third parties' places, adapt their physical and digital work environment and adapt ways of working to a hybrid context.

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 talents, and creating the conditions so 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 from 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 the opinions of Danone employees on the Group's values and behaviors as well as on the Renew Danone strategy.

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

- increase awareness on the Danone HOPE Values (Humanism, Openness, Proximity & Enthusiasm). 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 in the future of the Group;
- launch a new set of Danone Behaviors, critical to achieve 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.

Inclusive Diversity

Definition

Inclusive Diversity is 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

Inclusive Diversity thrives at all levels of the organization, thanks to the role modelling of leaders and the proactivity of all employees. Since 2021, Inclusive Diversity has been sponsored by two Executive Committee members. In addition, Danone encourages employees to act within their sphere of influence to help achieve inclusive diversity targets. More than 400 Inclusive Diversity Champions around the world are driving change at the local and functional level, working with the Human Resources department and management teams. Moreover, employee networks focus on specific aspects of Inclusive Diversity, such as the local networks Women in Tech, Women of Operations, Pride groups in Benelux, North America, United Kingdom and Ireland or the new This-ability Taskforce.

In order to support the Inclusive Diversity strategy globally, an Inclusive Diversity Steering Committee is working on a transformational approach based on three pillars: People, Brands and Partners.

Policy

Inclusive Diversity Policy

Creating an inclusive and diverse environment is ensured by the deployment of three fundamental policies:

- Global Inclusive Diversity Policy, which sets standards of equality and fairness;
- Global Parental Policy, deployed in 55 countries, it sets common foundations for both primary and secondary parents;
- Anti-harassment and Discrimination Policy, an extension of the Global Inclusive Diversity Policy, reinforcing Danone's commitment to ensure a workplace free of harassment and discrimination.

In 2022, Danone continued promoting inclusive behaviors and gender equality. The main targets, and the main progress in 2022 are as follows.

Priority	Target	Situation in 2022
Promotion of inclusive behaviors	Maintain inclusion index above peers ^(a)	Score of 86% of the Inclusion index ^(a)
Gender Balance	Achieve gender balance in management globally by 2030	42% of women in senior managers positions (executives and directors)
	40% to 60% of gender balance in Executive Committee by 2029	25% of women in Executive Committee as of 31 December 2022
Gender Pay Gap	Drive equity and close gender pay gap by 2025	3.2 pts in 2022 in manager, directors & executives positions

(a) measured through Danone People Survey.

Gender diversity target has been redefined in 2022. The target focuses on achieving gender balance in management globally by 2030.

In addition to the global KPIs, each country and function is also working on their local and functional Inclusive Diversity Roadmap and KPIs as part of its growth and people agenda.

Disability

Danone encourages its subsidiaries to promote practices to support people with disabilities.

In France, the Group signed specific agreements on disability and the fight against discrimination that include measures to support people with disabilities. Furthermore, Danone promotes the recruitment of people with disabilities by supporting events such as Tous HanScène.

Moreover, in 2022, Danone Brazil successfully launched ^(a) a project by partnering with a local NGO to design recruiting processes and improve the conditions for people with disabilities. The percentage of employees that declare to have some type of disabilities reached 6,7% of the workforce in Danone Brazil.

Danone also focuses on retaining people with disabilities by ensuring that they have the most suitable work environment. The Group therefore extended its global membership with Business Disability Forum, a non-profit organization aimed at creating a disability-smart world by linking businesses, people with disabilities, and governments. Danone also created a global This-Ability Taskforce which follows up on global actions and shares best practices across the different countries.

Parental Policy

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

Danone's Global Parental Policy is based on three key elements:

- 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 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 all countries in which Danone operates.

Action plans

In 2022, Danone held several internal Inclusive Diversity events, broadcasted with simultaneous live translations in 6 main languages:

- International Women Day: The Group organized events and activities under the theme "Break the Bias";
- International Pride month: several local Employee Resource Groups organized conferences to foster diversity and promote a culture of respect and equality. In addition, a global event took place to celebrate the signature of the United Nations Standards of Conduct for Business to tackle discrimination against lesbian, gay, bisexual, transgender, and intersex people;

Focus – Engagement

Danone's employees help co-build the strategy of the Group. Through the "Danone People Survey" and Pulse programs started more than 2 decades ago, all Danone employees worldwide—regardless of seniority, position or location—have the opportunity to express themselves, share their convictions and put into action their opinions to build the Danone of tomorrow.

In particular, the Danone People Survey means the sustainable engagement of employees, through an evaluation of the strength of the employer-employee relationship of whether employees are enabled to be successful and whether the culture and the environment support employee well-being.

- Inclusive Diversity Week: a full week with local and global events to celebrate diversity and increase the level of awareness on this topic;
- International Day of People with Disabilities: Global live-streamed event focused on learning more about the meaning of disability in the workplace, showcasing some local projects and the This-Ability taskforce.

Moreover, since 2022, each month a Country General Manager is presenting the status of Inclusive Diversity and the main KPIs and local initiatives related to the topic to the Executive Committee.

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 by annual conferences and mentoring support.

Outcomes

External recognition

Danone's work to foster an inclusive environment translated into improving the position of the Group in major external indexes. In 2022, Danone has progressed from 26th to 13th place in the Top 100 World in the Equileap's Gender Equality Global Report and was ranked #1 in France. In addition, for the 5th time, Danone is included in the Bloomberg Gender-Equality 2023 Index. Moreover, Danone North America was scored 100 on The Human Rights Campaign Foundation's 2022 Corporate Equality Index and was designated as a Best Place to Work for LGBTQ Equality.

Also in 2022, Danone received the Gender Equality Diversity and Internal Standard – Sustainable Development Goal Award of the Arborus Foundation for the "Alban Baladine" Milk Collection Centers project in Egypt. This project helps to empower small milk producers with a focus on the key role of women in dairy production. The target is to have social impact by opening milk collection centers and providing small milk producers with access to a wide range of services including milk analysis and storage to increase and maintain their cows' productivity. Over 8,500 small farmers, 94% of them being women, have been empowered through sustainable revenue streams.

In 2022, 90% of all Danone employees worldwide participated in the Danone People Survey, more than in the last edition in 2019 (89%). This survey was conducted by an external consultancy firm.

Overall in 2022, the current Engagement Score is 86 points, which has remained stable for the past 5 years. When compared externally, Danone employees have higher levels of engagement than the peers in the consumer goods industry (+3 points).

As part of the Group's collaborative strategy, Danone employees have the opportunity to participate in the building of their local action plans. In 2022, more than 31,000 Danone employees volunteered to be part of this initiative that will help address areas of focus for 2023 and beyond.



Workplace safety: the WISE² program

Definition

Danone is responsible for ensuring the health and safety of its employees at all its sites, providing a healthy, safe and calm working environment that reflects a long-term and respectful commitment to the life balance of its employees. In light of the risks inherent in the Covid-19 crisis, the Group's priority is to ensure the safety of all employees at its production sites and tertiary headquarters.

Governance

Managed by the Human Resources Department, the WISE² program is deployed at each entity, at the production sites and at the logistics warehouses for sales and distribution. Health and Safety managers at the subsidiaries and sites support the program's smooth operation.

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

Objectives by 2022	<p>In 2020, Danone achieved its 5-year ambition to reduce by 50% its lost time accidents between 2015-2020. It continued its trend of positive results during Covid-19 period despite a difficulty to apply Danone's standards in term of safety audits and safety rituals in particular. The target to achieve zero fatality remains the Group's long term objective^(a).</p> <p>In 2022, Danone set incremental safety improvements. Its objective is to reduce by 4% its FR1+2 which includes lost-time accidents and non-lost-time accidents (see Results section hereinafter).</p>
Application scope	<p>Monitoring of types of accidents (fatal accidents, accidents with and without lost time): all people working at Danone sites (employees, workers from staffing agencies or other outside labor providers and subcontractors).</p>
WISE² program operation	<p>WISE² is a worldwide program that seeks to continuously reduce the number of workplace accidents through two approaches:</p> <ul style="list-style-type: none"> • promoting the culture of workplace health and safety at all Group sites; • ensuring compliance with standards for the most critical risk situations. <p>To address these risk situations, the Group continuously defines and updates new standards, including those related to WISE 12 basics in plants (work at height, chemicals, confined spaces, explosive environments, hazardous gases, fire & evacuation, equipment safety, forklifts, racks & pallets, truck loading/unloading, trucks fleet, work permits and hazardous energy). Specific risks related to the sales and the head offices activities are being tackled thanks to 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 WISE 12 basics in proximity distribution (driving for driver, driving for vehicle, vehicle maintenance, pedestrians, loading & unloading (lifting), warehouse/racks & pallets, forklifts, chemicals, work at height, general installations, contractors and fire & evacuation).</p>

(a) Following one fatal traffic accident in 2021, Danone has reinforced the preventive measures included in its standards to mitigate the risks of road accidents and 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 supposed to be revised once a year to take into account new risks and eliminate some according to action plan executed of some equipment changes. Mitigation plans to be implemented are part of this document and remaining risk assessment after action is also included. Health and Safety managers on site are in charge of updating Single Assessment Documents and Site directors are legally accountable for this update. In the production sites, each area manager is implementing the assessment in coordination with safety teams.

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

Meanwhile, each year, approximately 50% of Danone sites, production sites and sales force are subjected to WISE² audits 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 sanitary situation, Danone was able to progressively resume WISE² on-site audits.

WISE² audits are also performed for 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 and posture and workstation configurations. Danone also takes measures to reduce working

hours and employee turnover in convenience store distribution. The rate of workplace illness and related absenteeism are monitored at the local level.

Outcomes

Year ended December 31						
	2021			2022		
<i>(number of accidents, except frequency rate in percentages)</i>	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	245	1.0	1	269	1.1

(a) Safety Scope, see Methodology Note.

Year ended December 31		
	2021	2022
Frequency rate 2 (FR2) ^(a)	0.79	0.68
Severity rate ^(a)	0.07	0.06

(a) Safety Scope, see Methodology Note.

In 2022 Danone did not achieve its target of reducing FR1+2 by 4%. The Group has increased its FR1+2 by 2% landing at 1.82. Despite the improvement of its results during Covid-19 period, its auditing and training programs have been reduced therefore resulting in a slowdown in the overall performance.

In 2022 Danone achieved a stable performance in Safety. Despite significant improvements in most of its zones, the Group faced specific increasing trend of accidents in North America. Reinforcing its safety basics and audits, Danone aims to be back on its historical trend in 2023.

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

Since 2014, Danone has included the promotion of health and well-being in the workplace in its WISE² program. Danone defined a systematic approach built around five pillars: (i) ensure a good work rhythm, (ii) make daily work meaningful, (iii) promote healthy ways of working (iv) manage employees with kindness and authenticity, and (v) promote a healthy lifestyle and environment. Practical guides encourage the subsidiaries and sites to implement them. 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 psychosocial risks prevention and focused especially on:

- regular training and updating of Human Resources and change management teams on practices and activities to implement in order to protect the health and well-being of employees in a changing context;
- making sure employee assistance program exist everywhere to support employees;
- conducting Human Feasibility Studies to minimize the impact of Local First changes on individuals' well-being and mental health in all countries.

Employee Learning and Development

Definition

The Learning and Development framework aims at enabling Danone employees to acquire critical skills 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, who reports to Danone's Chief Human Resources Officer, member of the Executive Committee.

Being a strategic topic, in particular for the Human Resources function, the governance is both at Human Resources Board level for main strategic decisions, with the support of Human Resources Directors as well, as with all functions through functional Learning & Development committees for each function. In addition, operational teams at global and local level have regular meetings 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 and more relevant and user centric Learning & Development approach: re-ignite development, simplify and curate the learning offer and increase the impact of training by focusing on user centrality. Overall, Danone offers managerial 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 individual development plan.

Danone's digital learning platform Campus X is a powerful tool to provide impactful learning solutions for employees all over the globe, with an increasing number of e-learning modules and on-line courses and online facilitator-led training. Moreover, Danone provides access to LinkedIn Learning, Coursera and Get Abstract.



The Campus X ecosystem has been recognized externally to be at the front edge of learning systems, providing a wide range of content to Danone's employees, both from a functional and leadership

standpoint (with 50,000 different resources). It is accessed by approximately 20,000 employees every month.

	2021	2022
Number of permanent employees who took at least one training course ^(a)	95,542	95,341
Total number of training hours ^(a)	2,322,335	2,451,042
Percentage of employees trained ^(a)	100%	100%
Average number of hours per person trained ^(a)	25	26

(a) Social indicators scope, see Methodology Note.

Compensation and benefits

Definition

Danone offers its employees competitive compensation and benefits 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 human resources development as well as regulations, requirements and the local situation 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 qualitative targets, defined with each employee's immediate manager and allocated to the categories of People (such as succession plan, development, turnover, diversity), Renew (linked with the implementation of the Renew Danone Strategy) and Function (such as productivity, market share sustainability).

As part of an integrated vision of the Group's performance, the variable compensation of approximately 1,500 executives and directors has gradually been based on social and environmental performance criteria such as improvement of the Group's environmental impact, employee health and safety and diversity. In 2022, the number of beneficiaries was extended and grants were made to 1,750 employees (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 on Danone's results. Some French subsidiaries and certain foreign subsidiaries have established employee incentives and/or profit-sharing agreements indexed on 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, Danone launched in 2019 its first global employee share ownership plan, enabling its employees in 8 countries to subscribe for new Danone shares. Since then, the share ownership plan was extended to additional countries. In 2022, the plan covered 46 countries, representing 83% of Danone employees worldwide. (see section 7.3 *Authorization to issue securities that give access to the share capital*).
- 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 on the amount of the annual dividend (see section 7.8 *Share ownership structure of the Group as of December 31, 2022*). Each year, every single new Danone employee receives a Group 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, 2022, and the expenses for the year are presented in Note 8.3 of the Notes to the consolidated financial statements.

Health benefits - for employees

Definition

Access to the health and risk coverage and also education regarding health challenges for all employees is a key priority for Danone. The Group continues to support its employees with Dan'Cares program in all countries where it operates. This priority has been reinforced for all employees worldwide since Covid-19 in the past 2 years and has been extended to the close family of the employees.

Policies

In 2009 Danone launched the Dan'Cares program, with the commitment of protecting all employees and ultimately guaranteeing a quality health coverage for all employees. It is to cover major risks and also to take 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 deployed in all Danone subsidiaries, including in countries where such coverages are not fully offered by the government regulated healthcare systems.

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

Social dialogue

Definition

Danone pursues building 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 Group's reorganization. Listening to union representatives regarding employee expectations and maintaining an open dialogue with them helps to limit the threat 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 the respect and deployment 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*);
 - the France's Work Council and the Information and Consultation Committee (acting as the European Work Council of Danone) appoint two Directors representing employees sitting at the Board of Directors. A member of the Company's Work Council also participates in Board of Directors' meetings in an advisory capacity (see section 6.1 *Governance bodies*).

Action plans

Danone has introduced Employees Assistance Program (EAP) as one of the key pillars of the extended Dan'Cares program. EAP is a professional service handled by an external company that helps Danone's employees with any emotional, practical or physical queries. The access to EAP is also extended to the direct family members of the employees. In 2022, 35 countries (28 in 2021) had already implemented this initiative.

Moreover, in 2020, all Danone entities included employee health as a condition of business continuity. They implemented and monitored preventive measures such as checking for fevers, access to protective equipment and/or Covid-19 testing (Danone Way scope, see Methodology Note).

Outcomes

As of 31 December 2022, 94,761 employees (91,672 in 2021) in 56 countries (55 in 2021) received health coverage fully meeting or partially meeting the criteria defined by Dan'Cares.

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

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 report employee expectations up the line, 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. Since 1989, 10 agreements have been signed between Danone and the IUF, and a joint vision was established.

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 (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 between Danone and the IUF. These principles are the basis of Danone's responsible sourcing programs (see Responsible Sourcing and Human Rights from workers in the value chain in section 5.4 *People & Communities*).
- Danone communicates its commitments to all employees through its Code of Business Conduct (see section 5.6 *Responsible business conduct*).

Local First Project and FutureSkills Initiative

In 2020, Danone announced a transformation project called Local First, aiming to change the operating model to shift to a globally and locally grounded organization. In 2021, the Group signed a method agreement with the IUF to frame the social approach of the Local First transformation.

In parallel, 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 (see the common statement available on Danone's corporate website). In 2020, Danone and the IUF signed a common statement aiming to allow Danone's employees to have 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 Local First project has been deployed worldwide following three phases:

- study phase: managed by study teams in each of Danone's entities including the sharing of early information to unions or employee representatives;
- global and local social consultations: a comprehensive process with unions or employee representatives following the global IUF agreement on changes affecting employment (1997);
- implementation phase: includes regular follow-up committees with unions or employee representatives according to the IUF method agreement of January 2021.

The FutureSkills approach was locally deployed according to the following steps: (i) define the eligibility of employees, (ii) dialogue with local unions or employee representatives, (iii) identification of the jobs of the future, and (iv) design of the individual training

Employee security

Definition

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

Governance

In 2022, the Chief Security & Competitive Intelligence Officer, who reports to Danone's General Secretary, is responsible for managing security risks.

The Security Department consists of four specialized units:

- international security, responsible for (i) designing and deploying the global guidelines [but the responsibility of implementation is for the local entity], (ii), mitigating security risks linked to international mobility in coordination with the local entity, and (iii) supporting all the teams in protecting the Group's tangible and intangible assets against malicious actions;
- operations security, responsible for protecting the supply chains and investigating suspected food fraud;
- risk analysis, responsible for drafting guidelines and forward-looking reports, country risk analysis and security watch;
- cybersecurity, responsible for centralizing Danone's policy in this area; its role was enhanced with the creation of a Cyber-Board,

journey. A digital toolkit was designed for local teams to support them in the implementation of the project. For example, in Fulda (Germany) in 2022, to support the transition of the plant to a new packaging technology, the FutureSkills program has been deployed in the form of in-depth professional training programs that prepare each team member to the jobs of the future.

As Danone became an *Entreprise 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 part of the set of performance indicators identified to track Danone's progress towards its Mission (see *Outcomes* below).

In addition, Danone and the IUF pursue 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 labor and management since 2019 and is working to define its local social dialogue roadmap. In 2022, more sites have organized themselves, resulting into union recognition and negotiation of collective bargaining agreements in DuBois (Pennsylvania) and Salt Lake City (Utah).

Outcomes

In 2022, 74% of employees were covered by collective bargaining agreements (same as 2021) (see Methodology Note).

The framework agreements between Danone and the IUF are deployed in each subsidiary, and each year a joint assessment is carried out with a Danone representative and IUF representative. Between 2009 and 2022, a total of 68 sites visits were made.

In 2022, 100% of Danone's entities discussed with unions or employee representatives and proposed to eligible employees the FutureSkills program if a validated project affects employees or their working conditions (see Danone Way scope, Methodology Note).

which reports to the Chief Security & Competitive Intelligence Officer.

Policies

Danone developed a formal Security Policy that defines the Group's vision, mission and objectives for this area. The global security management guidelines articulate the principles of the Policy, particularly in terms of protecting employees. The Security and Health Policy for travelers complements the Group's corporate Travel Policy with a set of security guidelines.

The Security Department also published specific guidelines on international business travel in the context of the Covid-19 crisis.

Action plans and outcomes

Security risk management is based on the following three pillars:

- **Anticipation and information:** risk monitoring and analysis to understand the security threats facing Danone and its employees and define action plans. Protecting employees means mapping risks on a country-by-country basis and working with local teams to refine the Group's analysis of the environment. Danone ensures that information relating to security risks is properly communicated to the employees and that security rules related to business travel are shared through regular communication and awareness actions. To this end, the security team has developed an online training module that is available on Danone's digital learning platform, Campus X. The Security team frequently publishes on the Group's internal social network with information related to travel security. It includes a weekly prospective security risks overview, reminders about the travel policies and procedures and tips to mitigate one's exposure during international trips.
- **Prevention and protection:** working with internal and external experts to implement preventive measures that reduce the likelihood of incidents. This includes monitoring business travel and expatriate assignments in high-risk countries and setting up

security protocols. Each Danone site conducts a self-assessment using an audit checklist, then works with security experts to continue improving security based on the results. Since 2017, 95% of the production sites have conducted security self-assessments. In 2022, 47% of the sites conducted their self-assessment (scope: 174 production sites).

- **Response and incident management capabilities:** positioning resources that enable the Group to respond in the event of an incident. Working with the Human Resources department, the Security Department continuously applies an outsourced monitoring system as well as a security assistance program.

In 2022, Danone's Security Operational Center (SOC) noted 61 important or urgent events, all of which were reported to the Security team. For these events, the SOC contacted the Security team 10 times (vs. 4 in 2021) given that Danone employees were close to the impacted area. On 8 occasions, the Security team decided to contact all employees potentially affected by the event. The increase in the number of events handled by the SOC is tied to the resumption of most international travel in 2022 after two years of restrictions due to the Covid-19 health crisis.

Respecting and promoting human rights in Danone's operations

Definition

In 2022 Danone concluded the salient human right 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 contractor 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, the strategy to prioritize Danone's external workforce will be pursued.

Policies

In 2022 Danone strengthened its human rights approach by publishing its Human Rights Policy and updating the Danone Sustainability Principles (DSP) applicable to its value chain, including own operations (see section *Responsible Sourcing and Human Rights from workers in the value chain*).

Danone Human rights Policy reaffirms Danone's commitment to respect and strengthen human rights in its value chain and refers to the DSP for spelling out the human rights the Group is focusing on; it elaborates on Danone's responsibilities and on its expectations towards business partners (section *Responsible Sourcing and Human Rights from workers in the value chain*) and, it describes Danone's approach for implementing human rights due diligence, with external workforce identified as the next step.

The DSP consist of Danone's fundamental values and principles related to social and human right 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 Principles of the DSP were strengthened on several accounts: beside clarifying the international standards used as reference, some principles were reinforced (e.g. no child labor), some were added such as diversity and inclusion or rights of communities and indigenous people. 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 and what is required and expected

from all Danone's entities worldwide. It commits all employees to implement the DSP in their daily work and interactions with business partners, including raising concerns when they deem it appropriate.

Action Plan – Implementation

Danone has identified on-site external workers as a main priority for internal human rights due diligence. Beside, considering the systemic scale of human rights violations worldwide on these vulnerable populations, Danone favors collective approach 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 2020, as part of its implementation, Danone piloted in Mexico 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. Danone developed in 2021 a dedicated Internal Control/Internal Audit point to monitor its subsidiaries' compliance with the policy and identify improvement areas.

More broadly, as a member of the Consumer Good Forum (CGF)'s Human Rights Coalition – Working to end forced labour, 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 collective work supported by the Fair Labor Association (FLA) to develop the due diligence framework tools and processes. In 2022, Danone piloted the first steps of the Coalition due diligence framework in its Polish and Brazil 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 FLA to increase their capabilities. They mapped the Business Units workforce 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. This will be addressed through local follow up Action Plans. Danone developed in 2022 its HRDD roadmap, sequencing the Business Units based on the number of external workers and the inherent country risks.

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 at higher risk than employees due to their increased vulnerability. Each Business Units is required to nominate a Human Rights Champion specifically trained on human rights and forced labor and responsible for ensuring that local HR and operational managers in relation with temporary workers are trained on unethical recruitment risks and forced labor drivers.

RESPONSIBLE SOURCING AND HUMAN RIGHTS FOR WORKERS IN THE VALUE CHAIN

Danone has identified three risks linked to sourcing, namely: (i) business practices and price setting, (ii) responsible 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 5.1 *Introduction*)

Danone's responsible 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 milk sourcing, 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 responsible business practices.

The Danone dedicated e-learning training program on human rights and fight against forced labor is available on the Group training platform to the Procurement, Human Resources and General Secretary functions. 6,658 Danone employees had completed this training at the end of 2022.

Finally in 2022 Danone strengthened its employees' engagement on human rights through the launch of Human Rights Community Networking Calls. Gathering the local Human rights Champions (Human Resources), RESPECT Champions (see section 5.6 *Responsible Business Conduct*), and local Sustainability Managers (General Secretary), these quarterly calls enable information and best practice sharing and aim at progressively building local awareness and capabilities. The last call in December 2022 was mainly dedicated to the newly published Human Rights Policy.

Governance

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

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

An update on the progress of the "human rights" pillar of the vigilance plan was presented to the CSR Committee of the Board and to the Board of Directors in December 2022, focusing on the new Human Rights Policy. This policy has been approved by the Executive Committee and published in December 2022. The governance of the environmental pillar is described in section 5.2 *Nature*.

Policies

Sustainability Principles

Danone's responsible sourcing approach is based on Danone's Sustainability Principles (DSP) (see section 5.1 Introduction). Applicable to the Group's value chain including its own operations, the DSP were updated in 2022, taking into account the 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 DSP 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 impacting negatively 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. The DSP are incorporated into a clause in Danone's contracts with direct suppliers meaning that acceptance and adherence to the DSP (or provision of equivalent principles) is mandatory to do business with Danone. The Business Partners must agree to ensure transparency, to remedy any shortcomings, to put grievance mechanisms in place and to drive continuous improvement.

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

Environmental commitments

As mentioned above, Danone's responsible sourcing requires engaging and involving its value chain partners and suppliers with respect to its environmental commitments.

Summarized in the 2022 version of the DSP, these commitments and their related strategies address biodiversity, elimination of deforestation, regenerative agriculture, preservation of water resources, circular economy and reduction of GHG emissions are described in section 5.2 *Nature*.

Human rights commitments

Similarly, Danone's responsible sourcing requires engaging and involving its value chain partners and suppliers with respect to social standards and human rights commitments.

The 2022 Danone Human Rights Policy reaffirms Danone's commitment to respect and strengthen human rights in its value chain and refers to the DSP for spelling out the human rights the Group is focusing on; it elaborates on Danone's responsibilities and expectations versus business partners; it describes Danone's approach for implementing human rights due diligence in the different scopes of the value chain. [see section *Danone's employees – Respecting and promoting human rights in Danone operations*]; finally it focuses on grievance mechanism and remedy and on the governance of the topic.

Beside this overarching policy, Danone has a long standing commitment against forced labor recognized as one of the most pressing social issues of our time in agricultural supply chains. In 2016, Danone joined the Consumer Goods Forum's (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 Fundamental 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 Human Rights Due Diligence (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 Brazil Business Units, [see section *Respecting and promoting human rights in Danone operations*].

In 2022, Danone continued its contribution to the Business for Inclusive Growth coalition, which aims to scale up actions on economic inclusion, particularly with regards to human rights across the value chains.

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 the standpoint of labor rights and human rights, but also the impacts on local communities and consumers, as well as fair trade practices and 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 fruits), for which the potential risks primarily exist at farms and plantations in 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 undertook a salient human right 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 priority categories already identified were confirmed.

In 2022, Danone concluded the salient human right impact assessment and used the learnings to update and upgrade the Danone Sustainability Principles together with their implementation guidance and to develop its Human Rights Policy. The salient impacts will further inform Danone's human rights strategy.

In parallel, the Group updated in 2021 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 issues risk-mapping, refer to section 5.2 *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 Agricultural supply chain

Raw ingredients 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 can be found:

- in section 5.2 *Nature* for Danone's upstream supply chain for other ingredients than fresh milk;
- in section 5.3 *Regenerative Agriculture* for the social pillar of the Regenerative Agriculture framework;
- in section 5.4 *People & Communities* for the sourcing of fresh milk.

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

Danone implements responsible sourcing due diligence towards its Tier 1 suppliers other than raw milk (i.e., processed raw materials such as fruit preparations and powdered milk, packaging, production machinery and transport 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 through 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 as a result generates a scorecard. Both scorecards evaluate labour standards, health and safety, environment and business ethics dimensions. At the end of 2022, 3,189 supplier entities were registered on the Sedex or Ecovadis platform vs. 3,489 in 2021, and 91% had completed Sedex self-assessment or obtained an Ecovadis scorecard. These 3,189 entities represent 2,160 suppliers.
- Danone identifies high risk or high priority suppliers that should undergo an on-site assessment (audit). Since 2020, Danone is using 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 Sedex risk tool, (ii) the spend level, and (iii) the purchase category risk. Based on its analysis, the RESPECT team worked with purchasing departments around the world to co-develop the 2022 audit plan, selecting 103 high risk or high priority sites. Among them, 85 sites have completed an on-site

or virtual assessment, in accordance with the SMETA (Sedex Members Ethical Trade Audit) 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 of the mutual audit recognition through the AIM-Progress initiative. As a result, in 2022, Danone had access to 482 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 audit corrective actions, 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 China and Peru. The objective is to support suppliers 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 that 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 4-module e-learning course covering the fundamentals of the program, which was included in the learning journey for the procurement organization. More than 571 buyers, champions or purchasing managers have completed the course in 2022. This initiative significantly strengthened buyers' awareness and engagement with the RESPECT program. The RESPECT e-learning course complements the training module on human rights and forced labor already offered online (see section *Respecting and promoting human rights in Danone operations*). At the end of 2022, more than 6,658 Danone employees had completed this training.

Collaborative initiatives

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

Whistleblowing system

Since 2017, the Danone Ethics Line has also enabled whistleblowers to report suspected human rights and environmental violations (see section 5.6 *Responsible business conduct*). The reporting process was developed in consultation with employee representatives and ensures that whistleblowers are protected.

In 2022, a total of 273 alerts have been accounted for in the human rights category, originating from 25 countries versus 395 alerts from 32 countries in 2021. As a reminder, the human rights category had been broadly redefined in 2021, adding to the initial scope of violations in the areas of child labor, forced labor, right to collective bargaining, working time and wages, the set of issues related to discrimination, harassment, and employee health, safety and security. They all have been brought under the umbrella of human rights reporting. In 2022, the Group continued refining its approach and reported "human rights" alerts more precisely dealing with:

- ending exploitation (prohibiting child and forced labor, prohibiting harassment and abuse, and ensuring reasonable working hours): 149 alerts (mostly harassment related issues);
- decent work (granting 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) 123 alerts (mostly misconduct and discrimination issues);
- impact to people linked to the environment: 1 alert (community access to water).

In summary, over 85% of received alerts are 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 year end, out of the 273 alerts created in 2022, 220 alerts have been closed, and 53 are still under investigation.

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

In 2022, 6 alerts were raised in the "environmental violations" category, 5 of which were not confirmed after investigation, 1 is still under investigation. 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 process in place to manage grievances that come through other channels than Danone Ethics Line, in particular related to suppliers.

Tracking and assessing the effectiveness of supplier programs

Danone tracks its RESPECT program using the following three indicators:

- RESPECT KPI1 measures the supplier registration rate on Sedex or Ecovadis platform: it reached 94% of suppliers identified as in scope suppliers in 2022 (as of end of 2022, some suppliers are yet to be recorded in the Group's database and hence not identified as in-scope) (compared to 98% in 2021);
- RESPECT KPI2 measures the annual audit plan completion: 83% of SMETA audits planned were completed in 2022 (compared to 91% in 2021);
- RESPECT KPI3 measures the audit closure rate: 91% of audits that identified critical non-conformities (being commissioned by Danone on by peers on common suppliers) have been closed in the expected timeline (compared to 82% in 2021). Audits that have not been closed continue to be monitored. In most cases, critical non-conformities were related to health & safety, working hours and compensation.

These RESPECT indicators are included in the calculation of the variable compensation of some purchasing teams and the RESPECT team, including for their 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 2021 and 2022.

	2021	2022
Total number of critical non-conformities identified	279	267
Percentage of critical non-conformities related to:		
• forced labor	3.2%	2.6%
• child labor	0.4%	0.4%
• health and safety	43.7%	53.6%
• discrimination	0.4%	2.6%
• freedom of association and the right to collective bargaining	2.9%	0.8%
• working hours and compensation	26.2%	25.5%
• the environment	11.5%	6.0%
• business ethics	2.5%	4.1%
• other	9.3%	4.5%

The critical non-conformities identified and reported above have been resolved or are being remedied with the suppliers.

AFFECTED COMMUNITIES

Danone Communities

In 2007, Danone created the Danone Communities SICAV (Société d'Investissement à Capital Variable) and the Danone Communities FPS (Fonds Professionnel Spécialisé). 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, 2022, the Danone Communities SICAV fund had a total of €74 million in assets under management. Of that total, 19% was held by Danone and 46% 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, 2022, Danone also directly held 72% of the FPS.

Danone Communities and its partners invest primarily in emerging countries, 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". In particular, Danone Communities invests equity in social businesses in three main fields: (i) access to safe drinking water, (ii) access to healthy local nutrition, and (iii) access to sustainable food systems.

FPS Danone Communities backs 18 social companies in 25 different countries. To date, Danone is also a shareholder in three of these

Danone Ecosystem Fund (*Fonds Danone pour l'Écosystème*)

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

Once projects are selected, they are deployed by non-profits and/or by the fund directly. Since its creation, the fund has supported projects in five areas: regenerative agriculture, micro-distribution, inclusive recycling, healthy food and diet, and sustainable management of land and catchment areas.

social businesses: Grameen Danone Foods Limited in Bangladesh; La Laiterie du Berger in Senegal; and Nutrigo in China.

As of December 31, 2022, the total investments in these businesses came to €16.1 million for the Danone Communities FPS fund (€15.6 million as of December 31, 2021).

Providing access to safe drinking water for vulnerable people and communities

Danone commits to support social innovation projects and to supply safe drinking water to vulnerable populations.

Regarding local communities, the Group has been working since 2007 in Asia, Africa and Latin America to provide safe drinking water to low-income communities via the Danone Communities fund. Overall, all of Danone Communities' investments in social businesses provided access to drinking water for 10,900,000 people around the world in 2022, representing 2.3 billion liters of safe drinking water. This portfolio gathers innovative business models providing safe drinking water at affordable price to low-income population with 7% annual growth on average, on path to sustainability.

The fund, also referred to as Danone Ecosystem, has no employees: Danone staff members are assigned to manage its day-to-day operations and administrative activities. Their salaries and travel expenses, which totaled € 1.2 million in 2022 (€ 1.7 million in 2021), are charged to the fund in full by Danone.

As of December 31, 2022, the Danone Ecosystem Fund had 35 active projects worldwide, representing a total commitment of € 80,300,000 (€78,400,000 as of December 31, 2021).

Livelihoods Carbon Fund

The Livelihoods Carbon Fund (LCF) is an investment fund, SICAV-SIF (Société d'Investissement à Capital Variable-Fonds d'Investissement Spécialisé), dedicated to restoring ecosystems and carbon assets. It seeks to invest in three types of projects in Africa, Asia and Latin America: (i) restoration and preservation of natural ecosystems; (ii) agroforestry and soil restoration through regenerative agricultural practices; and (iii) access to rural energy to reduce deforestation. The carbon credits generated by the Fund are certified, then allocated to its investors in proportion to their investments. As such, the Livelihoods Carbon Fund fights against climate change while improving living conditions for local communities.

Building on the results achieved by the Livelihoods Carbon Fund created in 2011 by ten private investors, eight of these investors created in 2017 a second compartment to accelerate their efforts in the fight against climate change and protect vulnerable people.

Livelihoods Fund for Family Farming

The Livelihoods Fund for Family Farming (L3F) was launched by Danone and Mars Inc. in 2015 and joined by Veolia and Firmenich in 2016. It enables companies to secure their supply, both in terms of quality and quantity by granting small farmers access to more sustainable practices, including regenerative agriculture, and higher revenues, due to good connections with markets. These projects also help to preserve ecosystems through farming practices that combine productivity and respect of the environment.

As of December 31, 2022, investors have pledged to invest:

- in compartment 1 a total of €45.9 million (with Danone accounting for €13.8 million of that amount), which currently supports 9 projects;
- in compartment 2 a total of €65 million (with Danone accounting for €25 million of that amount), which had approved 9 projects as of December 31, 2022.

Capitalizing on the 10-year experience of LCF, a new investment fund, the 3rd Livelihoods Carbon Fund - Livelihoods Carbon Fund SICAV-RAIF ("LCF3"), was created in 2021 with 15 investors and with a first closing of €143 million (with Danone accounting for €30 million of that total amount). This new fund finances projects supporting rural communities in their effort to preserve or restore their natural ecosystems and improve their livelihood through sustainable farming practices.

As of December 31, 2022, investors have pledged to invest a combined total of €36 million in the Livelihoods Fund for Family Farming, with Danone accounting for €15 million of that amount. To date the fund's investment committee has approved 8 projects focusing on coconut (representing 2 projects), vanilla, shea, watershed protection (representing 2 projects, one in Mexico and the second one in Brazil), palm and cocoa.