

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.

5 SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

5.5 Responsible business conduct

In 2022, Danone Group created a French “loi 1901” association, Danone Ecosystem, to continue serving the general interest within the Danone ecosystem, with initial funding of €20 million.

Since their inception, the Danone Ecosystem Fund and Association (together, “Danone Ecosystem”) have developed 100 projects together with 89 Non-Profit Organizations as partners. These projects have been catalyzing additional co-funding of €130 million, all with the objective of strengthening inclusion and environmental sustainability.

Danone Ecosystem’s support provides organizational knowledge, technical expertise and financing support responding to local challenges linked to the transition to sustainable and regenerative agriculture practices, watershed protection, and promotion of healthy drinking and eating habits at key moments in life. Projects deliver general interest benefits, and aim at ensuring systemic change for more sustainable and inclusive models, within Danone’s ecosystem.

At the end of 2023, Danone Ecosystem was supporting 32 active projects across Europe, Asia, Africa and Latin America.

Livelihoods Carbon Fund

The Livelihoods Carbon Fund (LCF) is an impact investment fund, SICAV-SIF (*Société d’Investissement à Capital Variable-Fonds d’Investissement Spécialisé*), dedicated to restoring natural ecosystems and delivering carbon credits with a strong social, environmental and economic impact to its investors. 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 and toxic smoke for rural households. 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, in 2017, eight of these investors created a second compartment to accelerate their efforts in the fight against climate change and protect vulnerable people.

As of December 31, 2023, investors have pledged to invest:

- a total of €45.9 million (with Danone accounting for €13.8 million of that amount) in compartment 1, which currently supports nine projects;
- a total of €65 million (with Danone accounting for €25 million of that amount) in compartment 2, which had been approved to support nine projects as of December 31, 2023.

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

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 for the environment.

As of December 31, 2023, 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 eight projects focusing on coconut (representing two projects), vanilla, shea, watershed protection (representing two projects, one in Mexico and the second in Brazil), palm and cocoa.

5.5 RESPONSIBLE BUSINESS CONDUCT

RESPONSIBLE PRACTICES: ETHICS AND INTEGRITY

Definition

Danone works actively against corruption, bribery, payments in kind, facilitation payments, conflicts of interest, theft, fraud, embezzlement, inappropriate use of group resources and money laundering.

Governance

Danone’s worldwide compliance program is under the supervision of the Corporate Compliance and Ethics Board, which is chaired by the Chief Compliance Officer. It is approved and supported by its Chief Executive Officer as well as by its Executive Committee. It is also reviewed at least twice a year by the Audit Committee. The Chief Compliance Officer is the executive head of the Compliance function and, along with the Global Compliance directors, is responsible for

designing and leading the compliance strategy and overseeing its implementation and execution worldwide.

At the local level, Danone has a global network of Local Compliance Officers and Local Compliance Committees, chaired by the local General Manager.

Responsibility for the governance of internal evaluations of alleged or suspected non-conformities lies with the Danone Ethics Line Committee, made up of the Chief Compliance Officer, Global Integrity Director, Global Head of Internal Audit, Global Human Resources Compliance and Labor Law Director, Global Compliance Director - Ethics Line and a senior representative from the Security function.

Policies

Danone has established policies and procedures for responsible practices that apply to all of its employees, its subsidiaries, the companies controlled by the Group and, in some cases, its business partners. Danone has a compliance framework which sets out the most important principles with regard to standards, governance, responsibilities, organization and processes for its policies and programs.

All Danone's policies are available on the Group's intranet Compliance Library accessible to all employees.

GENERAL POLICIES

Compliance Framework Policy	<ul style="list-style-type: none"> ■ updated in 2022; ■ sets out the principles, scope and set up of the Compliance Framework in relation to Standards, Responsibilities, Organization and Process; ■ includes Whistleblowing Policy.
Code of Business Conduct	<ul style="list-style-type: none"> ■ updated in 2022; ■ based on principles derived from: <ul style="list-style-type: none"> • the Universal Declaration of Human Rights; • the Fundamental Conventions of the International Labour Organization; • the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises; • the United Nations Global Compact on human rights, labor standards, environmental protection and anti-corruption; ■ translated into 34 languages; ■ covers a number of responsible practices-related topics, including anti-corruption, conflicts of interest, confidentiality, fraud, money laundering, interactions with Government Officials international trade sanctions and competition, data privacy, human rights and the environment; ■ includes section on how to raise a concern about a breach or a potential breach of the code including a reference and a QR code access to the Danone's Ethics Line; ■ Danone deploys trainings on compliance fundamentals (see section hereinafter).
Disciplinary Code for Business Conduct Breach	<ul style="list-style-type: none"> ■ applies to all employees to ensure that the Group appropriately and fairly sanctions any unethical behavior in general, and/or any breach of its Code of Business Conduct.
Integrity Policy	<ul style="list-style-type: none"> ■ updated in 2022 and translated into 34 languages; ■ includes a preface from the Chief Executive Officer and the Chief Compliance Officer; ■ defines the rules and responsibilities governing the conduct of every Danone employee with respect to Bribery and Corruption, Gifts and Hospitality, Sponsorship, Donations and Grants, Interactions with Government Officials and Healthcare Professionals, Advocacy, Conflicts of Interest, Money Laundering, Fraud and Third Party Vetting; ■ includes section on who does the policy apply to, how to use the policy, how to raise a concern, including reference to the Danone Ethics Line and the policy in relation to non compliance.
Third Party Vetting Compliance Policy	<ul style="list-style-type: none"> ■ refers to the due diligence that Danone performs on business partners, in order to evaluate and, if necessary, address the potential risk they may pose to the Group in relation to anti-corruption, anti-bribery and/or international trade sanction laws and regulations as well as any other criminal or unethical activity; ■ applies to all third parties; ■ defines the rules, responsibilities and guidance that require and enable Danone employees to follow a robust decision-making process for selecting, contracting with and monitoring third parties.
Code of Conduct for Business Partners	<ul style="list-style-type: none"> ■ ensures that Danone's business partners comply with applicable laws on bribery and corruption, money laundering, unfair competition and international trade sanctions.

THEMATIC POLICIES

Competition Policy	<ul style="list-style-type: none"> ■ defines Danone's commitment to engaging in fair competition on the merits in all its business activities in compliance with all applicable competition laws.
International Trade Sanctions Policy	<ul style="list-style-type: none"> ■ defines Danone's commitment to complying with trade, financial and other restrictions imposed by national governments and international bodies on certain sanctioned countries, entities and/or individuals.
Personal Data Privacy Policy	<ul style="list-style-type: none"> ■ recognizes individuals' fundamental right to privacy and protection of personal data; ■ defines Danone's commitment to processing personal data in a fair, lawful and transparent manner. It applies to all Danone entities worldwide, including all the subsidiaries and affiliates that are majority owned or effectively controlled by the Group, and all their employees; ■ establishes the rules and responsibilities that employees and any third parties that process personal data on Danone's behalf must abide by when managing personal data.
Danone Policy for the Marketing of Breast Milk Substitutes	<ul style="list-style-type: none"> ■ establishes and implements strict marketing guidance for all Danone employees. This BMS Policy is the Group's minimum global standard and Danone follows local legislation whenever the latter is more demanding; ■ contains strict rules at the global level: no Danone subsidiary may advertise or promote breast milk substitutes for babies under six months, even if local law allows it. In accordance with the breast milk substitutes criteria of the FTSE4Good Index, in countries classified as higher-risk, Danone has voluntarily extended its BMS policy to infants up to 12 months of age, which may go beyond local legislation; ■ applies to all Danone employees and contracted partners involved in the marketing, distribution, sale, or governance of the affected products and/or related education programs. Danone was the first Group with a global policy, applicable in all the countries it operates, on marketing breast milk substitutes from birth to six months of age.
Health Care Systems Compliance Policy	<ul style="list-style-type: none"> ■ updated in 2022 with a preface from the Executive President of Specialized Nutrition category; ■ builds on the learning from the last 5 years and strengthens Danone's commitments to uphold the highest ethical standards including updating its transparency and disclosure requirements; ■ ensures that all interactions with health care professionals are conducted in an ethical, open, transparent and responsible manner and are in compliance with applicable laws and regulations; ■ applies to all Danone employees worldwide, as well as third-party contractors who interact with the health care system.
Advocacy Policy	<ul style="list-style-type: none"> ■ describes the Group's vision of advocacy and the way it engages with external stakeholders. In particular: <ul style="list-style-type: none"> • Danone interacts with governmental and non-governmental players as part of its dialogue with stakeholders and in the regular course of business to fulfill its purpose of "bringing health through food to as many people as possible". The Group is committed to sustainable lobbying and advocacy activities, working with others to find solutions to the public health, social and environmental challenges the world is currently facing; • Danone does not use any corporate funds or assets to make political contributions or independent expenditures on behalf of candidates or parties. ■ sets out the behaviors expected of its employees, as well as the expectation that all advocacy efforts must comply with the Code of Business Conduct and the Integrity Policy described above on top of all applicable national and international laws and regulations. The policy also describes how Danone's advocacy activities are monitored, and the external reporting linked to its advocacy. In particular: <ul style="list-style-type: none"> • Danone is listed in the EU Transparency Register, as well as the French Haute Autorité Française pour la Transparence de la Vie Publique (HATVP) and US registers of interest representatives.

Action plans

Danone has put in place a compliance program that includes a specific section on anti-corruption. This program incorporates risk assessments and their related mitigation plans, policies, procedures, controls, trainings, communication plans and due diligence on third parties.

Several compliance-specific internal controls such as gifts and hospitality, interactions with government officials and healthcare professionals, events, sponsorships, donations and grants, public tenders, confidentiality of personal data, third party due diligence as well as effective implementation of the overall compliance program are in place. These controls are reviewed annually by internal control and periodically by internal audit and the results are used as a key input into Danone's compliance and anti-corruption risk assessment.

Whistleblowing system: Danone Ethics Line

Danone has a clear whistleblowing policy as part of its Compliance Framework policy which encourages all employees, anonymously if necessary, to speak up to raise a concern of any wrongdoing. Any employee raising a concern in good faith will not be retaliated against. The whistleblowing statement is also available on Danone.com and on the homepage of Danone's whistleblowing system, the Danone Ethics Line.

The Danone Ethics Line was upgraded in 2022. It is accessible to all employees and anyone via the internet or phone and is available in 56 languages: www.danoneethicsline.com. Suppliers and any other third parties can also use the Danone Ethics Line to report their concerns, anonymously if necessary, about any violation of the Code of Business Conduct or any of Danone's compliance or complementary policies (e.g. cybersecurity or purchasing), illegal behavior, inappropriate financial practice or activity posing an environmental or human rights risk.

In conjunction with the alerts received through the Danone Ethics Line and the non-conformities identified during the Group's controls and audits, mitigation plans and sanctions are put in place under the governance of the Danone Ethics Line Committee and local management. These mitigation plans can involve process improvements, disciplinary action, training and communication, and enhanced monitoring from the compliance team in the form of a steering committee responsible for overseeing the implementation of corrective measures.

Awareness of the Danone Ethics Line is raised on an ongoing basis via posters and through a targeted communication campaign every year. A QR code is now available on Danone's Code of Conduct, Integrity Policy, Healthcare Compliance Policy, posters, training courses and the intranet. A link to the Danone Ethics Line is also available on the "Contact Us" section of Danone's corporate website.

Employee training and information

Danone has a comprehensive compliance training program incorporating a mandatory annual compliance fundamentals e-learning course for all employees with access to a laptop and a more targeted integrity essentials training for those employees identified as being at higher risk e.g. those working in sales, finance, marketing, medical, public affairs, procurement and R&I. In 2023, 99% of such Danone employees completed the e-learning course (see section 5.8 *Methodology note*). In addition, Danone has specific training modules on interacting within the healthcare environment and international trade sanctions.

Outcomes

In 2023, Danone received 902 alerts on various issues, including workplace people-related issues, corruption and fraud (compared to 506 in 2022). None of these cases had a material impact on the Group's consolidated financial statements.

In 2023, over 164,856 third parties were vetted through Danone's dedicated Third Party Vetting digital solution (70,995 in 2022). Among them, 98.7% were approved (99% in 2022), 1.1% were approved with mitigation (0.8% in 2022) and 0.2% were rejected (0.2% in 2022).

Focus – Fight against tax evasion

Since 2022, Danone published an annual tax transparency report on Danone's website. This publication illustrates Danone's commitment to greater tax transparency and the fight against tax evasion. The transparency report includes Danone's Tax Policy, which underscores its commitment to responsible tax management and its pledge to avoid tax schemes that are artificial, fraudulent or disconnected from actual operations. The tax transparency report includes a range of information such as the total tax contribution with a detail per category of tax and per country. The tax transparency report will be updated annually and can be found on Danone's website.

Danone has also implemented a code of conduct for internal use to prevent any risk of tax evasion. It defines the principles for action and the appropriate behaviors when dealing with the local authorities. Tax-related information and processes are also subject to internal audits.

Danone's tax function is supervised by the Vice-President Tax, who reports at least once a year to the Audit Committee on the main events of the year and on the Group's tax policy. The Vice-President Tax is supported by a core team tasked with performing regular performance reviews with the main regions. At the regional and local level, a network of tax officers is responsible for ensuring implementation of the tax policy and entities' compliance with applicable regulations.

Lastly, Danone is involved in discussions on taxation with its external stakeholders. The Group supports the OECD's Base Erosion and Profit Sharing initiative. Danone has also signed a partnership agreement with the French government as part of the *Confiance Plus* initiative, which encourages transparency in the interactions between the government and businesses. Danone is also part of the B Team association that promotes responsible tax principles.