

WHAT MATTERS TO OUR STAKEHOLDERS



Responsible and sustainable business involves engaging with our stakeholders to refine our strategy. This year, we have renewed our materiality matrix, a key tool to define our Corporate Responsibility strategy, identifying our priorities according to their importance for external and internal stakeholders as well as their impact on Danone's business success.

The 41 key topics that have been identified in collaboration with our stakeholders are shown in our latest matrix below. Covering environmental, social, societal, business and governance aspects, these topics have been evaluated to determine sustainability risks and opportunities for Danone.

MATERIALITY METHODOLOGY

In order to refine our understanding of the key challenges and address them strategically, we have conducted a materiality assessment using a three-step process:

- **identification:** an initial internal consultation and a review of existing literature which enabled us to identify an exhaustive list of topics that are directly or indirectly connected to Danone's business and stakeholders' interests;
- **assessment:** this step covered both exploratory research which helped to identify the most critical topics for us to address and a quantitative survey conducted worldwide, involving some 130 Danone employees, more than 200 professional stakeholders and 17 key customers. This survey prioritized and assessed these material topics;
- **prioritization:** guided by these insights and 360 degree feedback, the final step consisted in defining the relevant thresholds that identify the 14 key topics that Danone must address as priorities.

The topics were ranked according to their potential impact on the activity and their importance for the interviewed stakeholders.

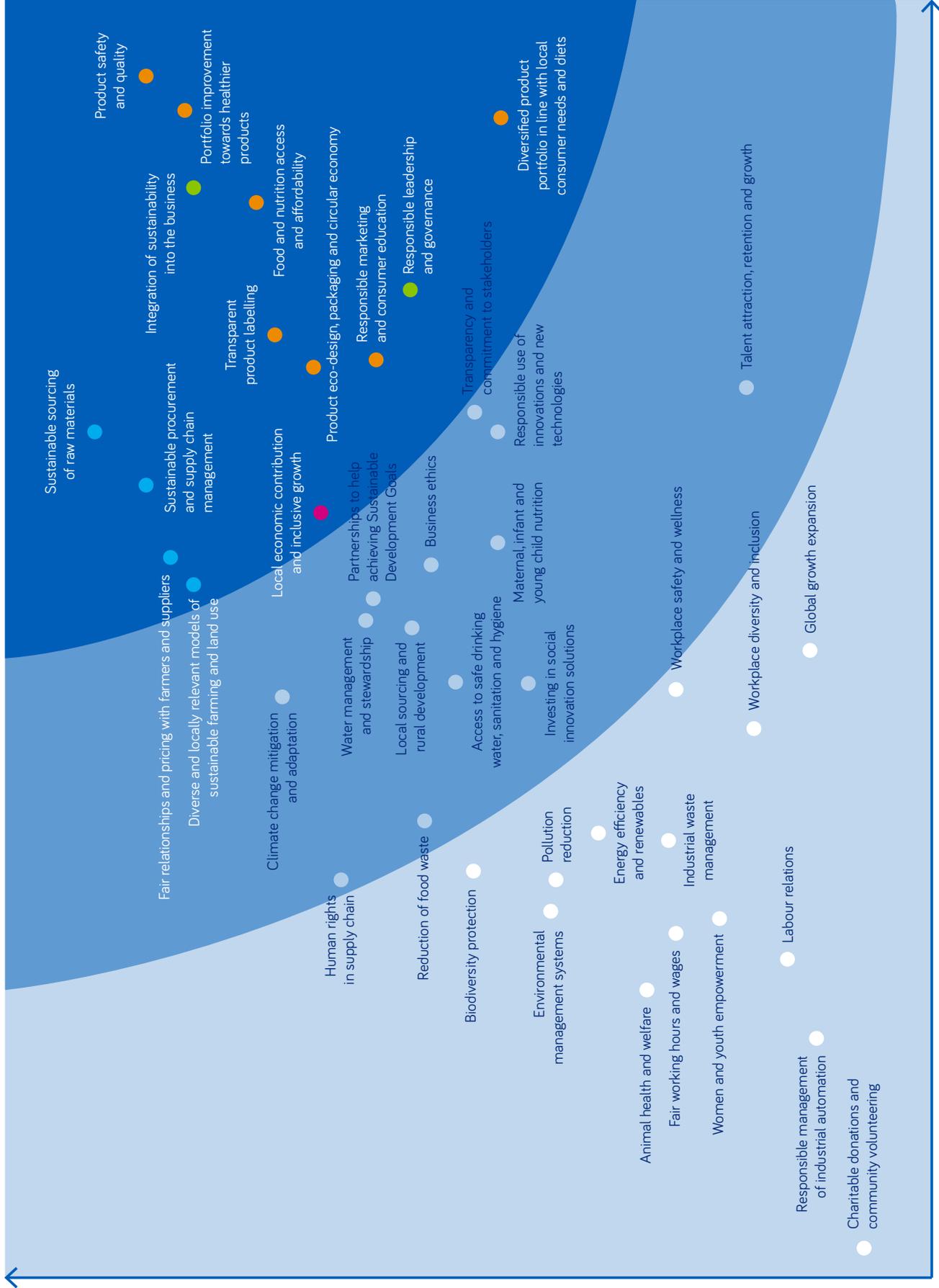
CONSUMER ENGAGEMENT AND PRODUCT RESPONSIBILITY

SUPPLY CHAIN

GOVERNANCE AND STRATEGY

LOCAL ECONOMY / INCLUSIVE GROWTH

IMPORTANCE TO DANONE'S EXTERNAL STAKEHOLDERS



IMPACT ON DANONE'S BUSINESS SUCCESS

- Sustainable sourcing of raw materials
- Integration of sustainability into the business
- Product safety and quality
- Product portfolio improvement towards healthier products
- Sustainable procurement and supply chain management
- Transparent product labelling
- Food and nutrition access and affordability
- Product eco-design, packaging and circular economy
- Responsible marketing and consumer education
- Responsible leadership and governance
- Diversified product portfolio in line with local consumer needs and diets
- Fair relationships and pricing with farmers and suppliers
- Diverse and locally relevant models of sustainable farming and land use
- Local economic contribution and inclusive growth
- Partnerships to help achieving Sustainable Development Goals
- Business ethics
- Responsible use of innovations and new technologies
- Transparency and commitment to stakeholders
- Climate change mitigation and adaptation
- Water management and stewardship
- Local sourcing and rural development
- Access to safe drinking water, sanitation and hygiene
- Maternal, infant and young child nutrition
- Investing in social innovation solutions
- Human rights in supply chain
- Reduction of food waste
- Biodiversity protection
- Environmental management systems
- Pollution reduction
- Energy efficiency and renewables
- Industrial waste management
- Animal health and welfare
- Fair working hours and wages
- Women and youth empowerment
- Labour relations
- Workplace safety and wellness
- Responsible management of industrial automation
- Charitable donations and community volunteering
- Workplace diversity and inclusion
- Global growth expansion
- Talent attraction, retention and growth

UNDERSTANDING THE MATERIALITY RESULTS

- **Topic tiering:** The topics' distribution on the materiality matrix, across three distinct tiers, provides useful insights on how to understand and manage each topic in the short, medium and long term:

- The first tier is made up of the 14 priority topics that are the most material to both Danone's external stakeholders and the company's business success. These topics are intimately linked to Danone's evolving business model. They are core to the activation and delivery of Danone's 'One Planet. One Health'.

- The second tier is a cluster of major topics for creating medium and long term value. Many of these topics are already being addressed by Danone through policy development, target setting, local project management, etc.

- The third tier of topics includes compliance-driven matters and emerging topics. These topics are to be addressed through compliance, monitoring and ongoing management.

- **Interdependence of topics:** Material topics do not exist independently; they are linked to one another and their position on the matrix should be understood accordingly. For instance:

- The broader topic of climate change mitigation and adaptation (dark blue) is closely linked to more specific topics such as product eco-design, packaging and circular economy; sustainable sourcing of raw materials and diverse and locally relevant models of sustainable farming and land use (all three topics being in the first tier)

- The wider topic of human rights in the supply chain (medium blue) is also intimately connected to sustainable procurement as well as fair relationships and pricing with suppliers and farmers (both topics being in the first tier)

- Workplace diversity and inclusion (light blue) is part of the bigger strategic imperative to develop a diversified product portfolio in line with local consumer needs and diets (first tier).

Exploring the interdependence of these topics helps us identify the necessary system-wide approaches to put in place in order to drive progress.

- **Single-axis topics materiality:** It is also important to highlight that some topics may be crucial only externally (to stakeholders) or only internally (to business success). As a consequence, Danone considers them as key and they are addressed strategically even though they may not be located in the first tier of the matrix.

EXPLOITING THE MATERIALITY RESULTS

The materiality results are communicated and spread within Danone in order to activate the 'One Planet. One Health' vision across our businesses. They will also be refined to meet local specificities through local stakeholder consultations.

The core purpose of this materiality analysis is thus to provide guidance for us to better prioritize sustainable strategic topics, to better meet our stakeholders' expectations and to better implement commitments and policies towards a sustainable business and society.

ISSUE NAME

ISSUE DEFINITION

Access to safe drinking water, sanitation and hygiene

Improving access to safe water and sanitation and appropriate facilities to ensure personal hygiene, across the company's value chain and local communities.

Charitable donations and community volunteering

Contribute to the development of local communities through charitable donations and employee volunteering.

Energy efficiency and renewables

Driving high energy efficiency in the company's operations and across the supply chain, using renewable or alternative energies and climate-friendly technologies.

Food and nutrition access and affordability

Contributing to the availability of sufficient, safe, nutritious food for all and to its financial affordability, including to low income communities.

Integration of sustainability into the business

Integrating sustainability priorities and principles in the company's corporate governance, business strategy, business model, investments, performance and impact measurement.

Local sourcing and rural development

Through the sourcing of local commodities and products, supporting local rural development and offering market opportunities for farmers (including small scale family farming) and their communities.

Animal health and welfare

Safeguarding animal well-being in the agricultural supply chain and in the product testing processes, by promoting animal health.

Climate change mitigation and adaptation

Offering safe and high-quality products that prevent health risks arising from use, consumption, handling, preparation and storage throughout the value chain.

Environmental management systems

Implementing environmental management systems and energy efficiency audits and programs and assessing environmental risks in the company's operations.

Global growth expansion

Continuing to expand internationally, in both developed and developing markets, by effectively managing import / export regulations, protectionism risks / threats, and currency fluctuations.

Investing in social innovation solutions

Investing in social businesses and providing capital and expertise in order to ultimately achieve a positive social impact on communities.

Maternal, infant and young child nutrition

Offering products and solutions that enable optimal early life nutrition through fortification, breast-feeding, or breast milk substitutes and food supplements for both consumers and Danone employees.

Biodiversity protection

Maintaining a healthy and balanced ecosystem in and around the communities where the company operates in order to prevent biodiversity degradation (answering challenges such as ecosystem restoration, wetlands and pollinators).

Diverse and locally relevant models of sustainable farming and land use

Promoting the use of diverse and locally-relevant sustainable agricultural practices such as the development of agro-ecology, organic farming, fertility conservation and restoration.

Fair relationships and pricing with farmers and suppliers

Building and strengthening diverse, stable and long-lasting partnerships with farmers and other suppliers through fair value sharing, fair pricing and ongoing support.

Human rights in supply chain

Promoting and respecting human rights in the industrial and agricultural supply chain (such as forced labour, child labour and freedom of association).

Labour relations

Enabling effective labour relations through ongoing engagement and social dialogue, effective implementation of grievance procedures and whistleblowing mechanisms and the use of responsible practices during business reorganisation.

Partnerships to help achieving Sustainable Development Goals

Working with civil society, government, international organisations, suppliers and partners in the food and beverage industry to make progress towards the achievement of the Sustainable Development Goals (as defined by the United Nations).

Business ethics

Upholding and implementing business ethics across the company's operations and value chain (including fighting against corruption, fraud, bribery, counterfeiting and anti-competitive behaviour; and ensuring data protection).

Diversified product portfolio in line with local consumer needs and diets

Responding to and respecting local consumer nutrition needs and diets by diversifying the company's product portfolio based on consumers' geographical location, culture and values.

Fair working hours and wages

Ensuring that all Danone's employees and workers across the supply chain earn a living wage within reasonable working hours and good working conditions.

Industrial waste management

Striving for zero industrial waste to be sent to landfill by reducing, reusing and recycling waste for beneficial use.

Local economic contribution and inclusive growth

Stimulating the economic development and wealth creation of communities through the provision of jobs and professional training, business with local suppliers; with a view to help all individuals and communities, in particular the poor and vulnerable, to have equal rights to economic resources and opportunities.

Pollution reduction

Reducing air and noise pollution.

Portfolio improvement towards healthier products

Continuously improving the company's product portfolio towards healthier and nutritious products helping to address conditions such as overweight and obesity, over-nutrition, under-nutrition and non-communicable or non-contagious diseases (NCDs); as well as answering the most vulnerable consumers' needs (patients and the elderly).

Responsible leadership and governance

Organizing, managing and leading the company in a responsible, transparent, fair and inclusive manner (including auditing and internal controls, independence and assessment of Board Directors, executive compensation, roles and responsibilities of Chairman and CEO, performance management, representation of employees).

Sustainable procurement and supply chain management

Embedding sustainability/CSR principles in the company's procurement policy and continuously evaluating and assisting suppliers in their efforts to be compliant with it (through suppliers' code of conduct, regular audits, capacity building / training programs).

Transparent product labelling

Providing clear and easily accessible information on product ingredients (including GMOs, colorants and flavorings, allergens, etc.), nutritional profile and sourcing (such as provenance of ingredients and conditions of production).

Workplace safety and wellness

Creating a safe (zero accident), secure and healthy working environment where employees can thrive and maintain a balance between work and private life, through education and support.

Product eco-design, packaging and circular economy

Assessing the environmental footprint of products right from the R&D stage, minimizing product packaging (paper or plastics) and increasing recycled content and recyclability of packaging (such as the use of sustainable packaging that is biodegradable, bio-based or recyclable).

Responsible management of industrial automation

Addressing the impacts of automation on job creation and losses in the company's owned operations and across the supply chain (manufacturing and agriculture).

Sustainable sourcing of raw materials

Ensuring that key raw materials have been grown and processed responsibly with a commitment to zero deforestation in the company's supply chain (for palm oil, sugar cane and soy for instance).

Water management and stewardship

Reducing water usage in the full company value chain, protecting water resources through watershed conservation, and promoting sustainable and integrated water management in collaboration with stakeholders.

Product safety and quality

Offering safe and quality products that prevent health risks arising from use, consumption, handling, preparation and storage throughout the value chain.

Responsible marketing and consumer education

Advertising food and beverage products to consumer audiences (both adults and children) in a way that promotes sustainable and healthy behaviors and enables informed product choices.

Talent attraction, retention and growth

Ensuring the recruitment, retention and development of talents at the company is done fairly, including the way the company provides compensation, pension & social security and company training and professional development programs.

Women and youth empowerment

Empowering women and young people across the value chain to participate fully in society and the economy through access to education, training and skills and economic assets (e.g., land, micro-loans).

Reduction of food waste

Reducing food waste in operations and supply chain, and maximising recovery to promote food waste revalorization.

Responsible use of innovations and new technologies

Making responsible use of innovations and new technologies in the production process and product development, by taking into account consumers concerns and demands.

Transparency and commitment to stakeholders

Enabling continuous and constructive dialogue, as well as reporting and grievance mechanisms with the company's stakeholders, whilst being transparent on public policy and advocacy activities.

Workplace diversity and inclusion

Ensuring that all employees in the company's own operations, at all levels regardless of seniority, are treated fairly and without discrimination in recruitment, compensation and benefits and career development (regardless of their gender, age, race, sexual orientation, disability, etc.).