



DANONE

CLIMATE POLICY

TARGET ZERO NET CARBON
THROUGH SOLUTIONS CO-CREATED
WITH DANONE'S ECOSYSTEM



CONTEXT & CHALLENGES

TODAY, OUR WORLD IS FACING HUGE FOOD-RELATED CHALLENGES.

At Danone, our business is food and water, and our mission is to bring health through food to as many people as possible. Our businesses are directly linked to nature and agriculture.

Climate change impacts natural cycles of water, soils, biodiversity and ecosystem services that play a vital role in the food system. We must tackle this immense challenge and strengthen the resilience of our global food and water cycles to pave the way for future sustainable business growth.

Changing food consumption patterns can help diminish environmental impact and improve people's health. We are committed to bringing healthier diet options, and to sourcing and producing sustainably. Positive change will be achieved by co-creating solutions with the communities that surround us.

CLIMATE FACTS

The link between Green House Gases (GHG) emissions in the atmosphere and increasing temperatures was established decades ago. The Intergovernmental Panel on Climate Change (IPCC) states that, "while Climate Change is a threat to sustainable development, there are many opportunities to integrate mitigation and adaptation objectives."

THE FUTURE OF CLIMATE

Current trends indicate that temperatures will increase between 3.7°C and 4.8°C by 2100, and increase by 10°C by the 23rd century. Based on IPCC reports, the United Nations set an objective to limit global warming to 2°C by 2100 relative to pre-industrial levels, to still be able to adapt at reasonable costs.

CLIMATE IMPACTS AND ASSOCIATED RISKS

Climate stability is critical for resilient food and water cycles on the planet. If temperatures continue rising, dramatic changes in the climate are likely to generate significant systemic impacts on people's livelihoods and particularly the most fragile communities: impoverished people and smallholder farmers.

NEED FOR SOLUTIONS AND ACTION

Staying below a temperature rise of 2°C will require a profound change in development models. This global challenge requires a multi-level approach combining governments, civil society and business efforts. Together we must cut emissions and work with farmers to build resilience to climate change.

A HEALTHIER DIET IS PART OF THE SOLUTION TO REDUCE GHG EMISSIONS

The way we produce and consume food has a major impact on our ecological footprint. Industrialized food systems have become a major driver of climate change, requiring huge amounts of energy to produce fertilizers, and to process, package, transport and preserve food.

We believe that major changes are required in the way food is grown and distributed, as well as new approaches to meet the challenge of increasing products' nutritional benefits whilst reducing their impact on natural resources.

OUR RESPONSIBILITY

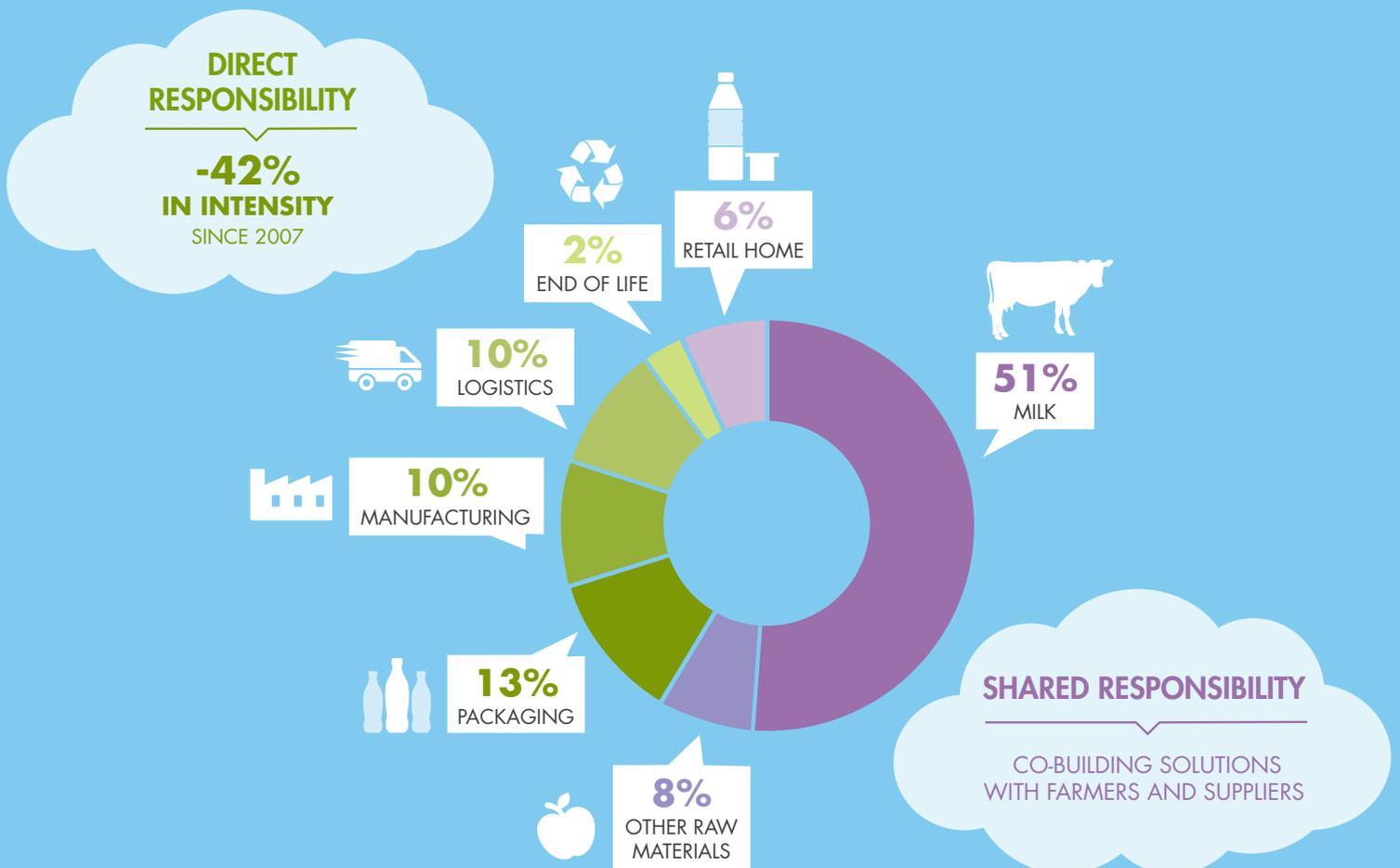
Danone believes that food is health's most significant partner. Everything we eat depends on the earth that it grows in or feeds on.

As a result, our first responsibility is to measure our impact and tackle the full scope of Danone's carbon footprint. In 2014, the full scope of Danone's related GHG emissions amounted to 18.8 million tons.

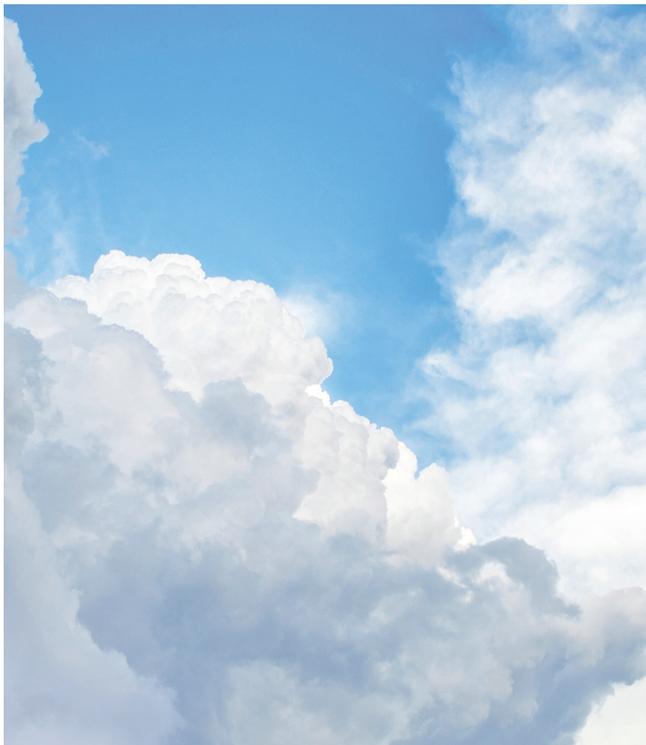
Danone's Direct Responsibility scope is where we have direct control on reduction levers. Danone's Shared Responsibility scope is where we can influence and co-create solutions with our supply-chain, though without a direct "hands-on" approach.



THE FULL SCOPE OF DANONE'S CARBON FOOTPRINT



OUR GUIDING PRINCIPLES



Climate change is a systemic challenge, impacting the way we will produce, live and consume. To find solutions, we must take a holistic view of the food chain.

ACT ALL ALONG THE "CARBON CYCLE"

GHG emissions can come from upstream raw materials, operations, retail and our products' end-of-life. By approaching carbon as a "cycle," we can provide mitigation solutions like carbon sequestration in soils, forests and mangroves, agricultural practices, or ecosystem restoration activities that will reduce GHG in the atmosphere.

PRAGMATISM AND CONTINUOUS IMPROVEMENT

Cutting GHG emissions requires continuous improvement to spark innovation and inspire others to adopt best practices. With hands-on pragmatism and small-scale experimentation, we can scale-up tools to solve the complex climate change challenges in our food chain.

MEET CHANGE WITH INNOVATION

To create momentum and speed the transition to new models, Danone must continue to act as a social innovator and create new forms of cooperation and effective financing structures. Farmers must be at the heart of our approach for climate in agriculture.

CO-CREATE SOLUTIONS WITH ACTORS ALONG THE FOOD AND WATER CYCLES

The most effective ways of solving the climate's complex challenges are by balancing different points of view, forming partnerships and encouraging co-creation with the communities and stakeholders that surround us.

TAKE A 360° APPROACH TO CLIMATE IN AGRICULTURE

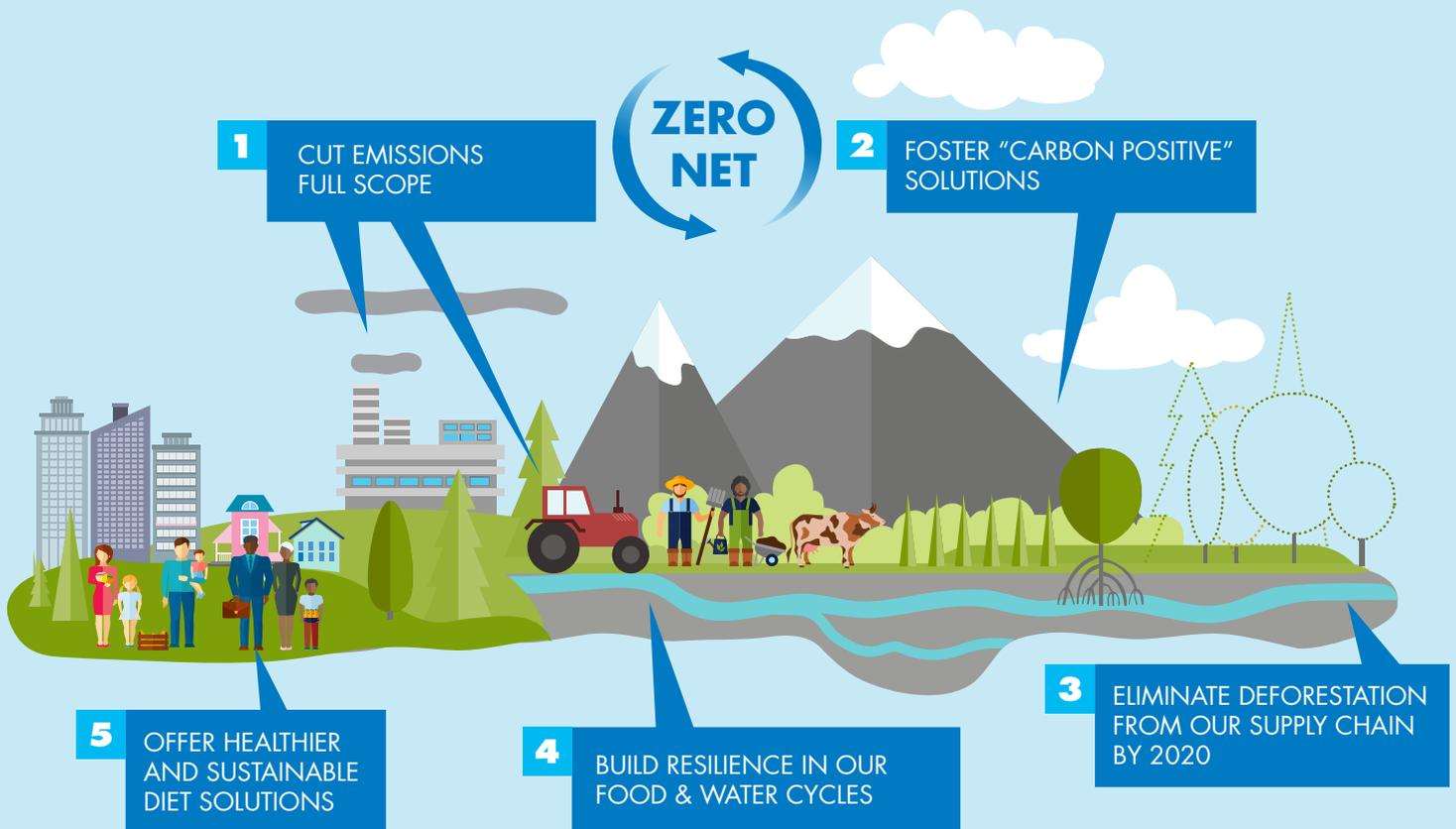
Sustainable agriculture is central to our "shared responsibility" approach on climate. We want to prove that fostering a healthy, balanced diet can keep farms competitive and generate economic and social value, while preserving natural ecosystems looking at Green House Gas emissions but also water resources, soils and biodiversity, animal welfare and, most importantly, farmers' livelihoods.



OUR GOALS & COMMITMENTS

TARGET ZERO NET EMISSIONS

Danone will set a trajectory to reduce GHG emissions consistent with the 2°C scenario and contribute to establish a decarbonized economy. We want to target zero net emissions in Danone's related full scope of carbon emissions in the long term. Our strategy is structured around five main goals:



1 • CUT DANONE'S RELATED CARBON EMISSIONS

To reach our zero net carbon target in the long term, our first goal is to cut Danone's full scope emissions and in the trajectory we have set we commit to achieve a 50% reduction in intensity by 2030. This will initially require decoupling business growth and the company's absolute emissions. Danone then commits to start reducing its full scope carbon emissions in absolute terms before 2025.

We are not starting today: since 2007, we have worked hard to reduce our Direct Responsibility scope carbon footprint. Through an unprecedented effort, we have reduced in intensity by 42% since 2007 and already peaked Danone's direct emissions in absolute value which accounts in 2014 for 6.6 million tons of CO₂ e.

We should now take on our Shared Responsibility scope. As part of a holistic approach to sustainable agriculture, Danone must engage the farmers and suppliers we work with. We will build alliances and co-create solutions with farming communities, customers and suppliers by

implementing Danone's Sustainable Agriculture principles to help transform dairy farming via more resource-efficient practices; building the circular economy on strategic resources (milk, packaging and water); and preventing food-waste and maximizing its recovery.

2 • FOSTER "CARBON POSITIVE" SOLUTIONS

To achieve zero net emissions, Danone will start to reduce its full-scope carbon emissions before 2025, and will keep pioneering «carbon positive» programs to fix more carbon in forests, natural ecosystems and agriculture.

- Fix carbon in forests and natural ecosystems: the Livelihoods Fund, established by Danone with nine other companies, invests in large projects that contribute to mitigating climate change by sequestering large volumes of carbon in forests and natural ecosystems, and improving the well-being of local populations.
- Fix carbon in agriculture: in 2014, Danone launched the Livelihoods Fund for Family Farming (Livelihoods 3F)

based on the belief that sustainable farming, climate change and poverty are closely linked. Danone is one of the funding investors, together with Mars, Inc., behind a new investment fund aimed at helping companies learn how to sustainably source the materials they need from smallholder farmers, while at the same time delivering large-scale social and economic impact to those farmers and their communities. Livelihoods 3F's goal is to implement projects that will simultaneously restore the environment and put degraded ecosystems back on track, while improving the productivity, incomes, and living conditions of small rural farmers in developing countries.



3. ELIMINATE DEFORESTATION FROM DANONE SUPPLY CHAIN

Forests represent one of the largest, most cost-effective climate solutions available today. Danone signed the United Nations New York Declaration on Forests, which recognizes that reducing emissions from deforestation and increasing forest restoration will be extremely important in limiting global warming to 2°C. Danone's goal is to eliminate deforestation in its supply chain by 2020. Danone will co-create sustainable sourcing solutions through alliances with NGOs, academics, suppliers and farming communities*.

* Our commitments are detailed in Danone's Forest Footprint Policy.



4. BUILD RESILIENCE IN OUR FOOD AND WATER CYCLES

Climate change impacts the food chain through pressures on natural ecosystem services essential for agriculture and water cycle. It also impacts the people who produce essential raw materials.

Danone's goal is to co-build "climate resilience" with smallholders, which requires a holistic view of farming economic resilience. Maintaining a diversity of agriculture systems, providing modern extension services to smallholders or protecting the diversity of genetic resources are important for adaptation. Innovative approaches are already being piloted in multiple regions through the Danone Ecosystem Fund initiatives.

Danone will also create new alliances to manage risks across its water cycle, from upstream agriculture through to its own operations.

5. OFFER HEALTHIER DIET OPTIONS USING NATURAL RESOURCES SUSTAINABLY

We stand with our employees and consumers in their quest for good health by encouraging diets and lifestyles that will most greatly benefit their lives.

Our goal is to offer preferred and healthier diet options that are produced in a resource-efficient way, using sustainably sourced ingredients. We will continuously explore new recipes and innovate products aimed at offering better nutrition and carbon footprint ratio. This goal will be embedded in R&D innovation processes "by design," which should ensure long-term consistency in our approach and pave the way for future sustainable business growth.

MEASURE, BE TRANSPARENT AND ESTABLISH THE RELEVANT GOVERNANCE

To be effective, we must set milestones with clear carbon plans. The next milestones are 2020 and 2025 and we will renew our Climate Plan every five years after that to adjust Danone's efforts, unless major changes occur during the trajectory. We will keep track of state-of-the-art scientific developments aiming at establishing a link between the over-arching 2°C target and sectorial efforts required to adjust our own mitigation targets and plans (carbon intensity and/or absolute "net" levels of emissions). Leading "Science Based Targets" initiatives include the Sectorial Decarbonization Approach methodology developed by World Research Institute, UN Global Compact, WWF and Carbon Disclosure Project which Danone joined in November 2015.

Since 2008, Danone has measured and reported its Carbon Footprint (CFP). The objective has been to track CFP at multiple levels in the company (individual

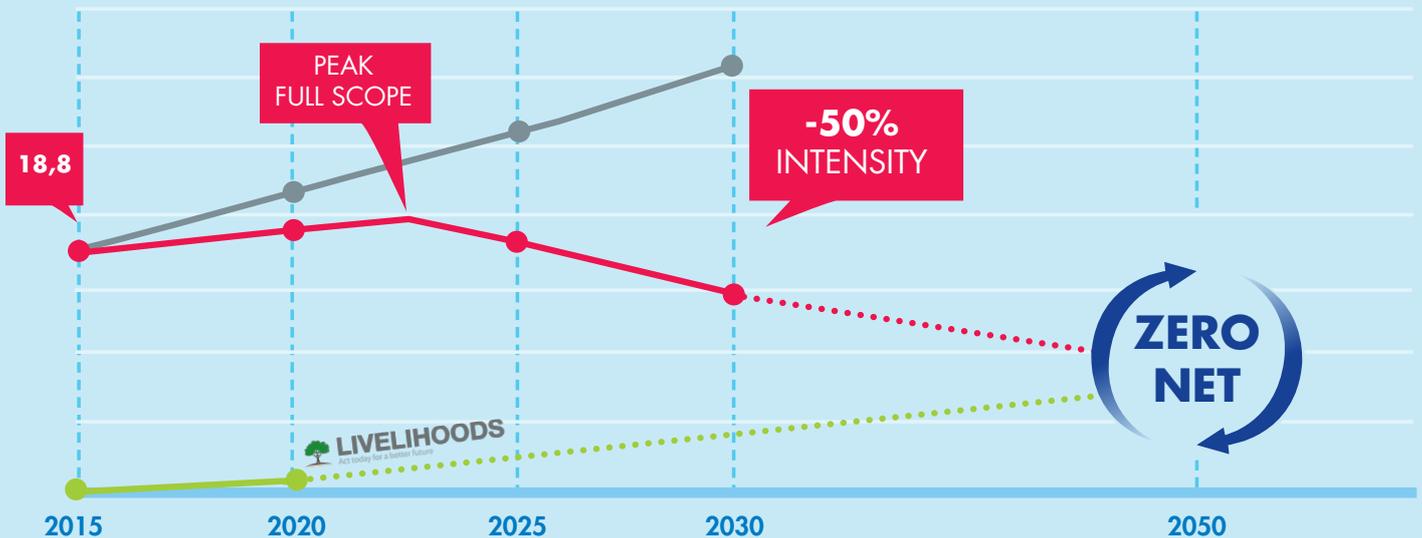
products, brands, subsidiaries, divisions...) to engage carbon reduction plans and projects in each country. Danone was also the first company worldwide to co-create an integrated calculation module embedded in our Enterprise Resource Planning (ERP) systems to measure carbon footprint. Danone's target is to roll out this innovative Carbon Module in 100% of subsidiaries by 2020.

Our commitment is to comply with internationally recognized standards and be transparent in reporting GHG emissions on Danone's full scope of emissions.

Danone will also establish internal governance via Executive Committee sponsorship, an external expert advisory panel, management objectives/incentive plans, and internal carbon pricing mechanisms.

ZERO NET EMISSIONS TRAJECTORY

MT CO₂ e





DANONE



About Danone

With its mission to bring health through food to as many people as possible, Danone is a world leading food company built on four business lines: Fresh Dairy Products, Early Life Nutrition, Waters and Medical Nutrition. Through its dual economic and social project, and its mission, the company aims to create shared value for all its stakeholders: its 100,000 employees, consumers, customers, suppliers and shareholders.

Present in over 130 markets, the company generated sales of €21.1 billion in 2014, with more than half in emerging countries. The company's brand portfolio features international brands (Activia, Actimel, Danette, Danonino, Danio, Evian, Volvic, Nutrilon/Aptamil, Nutricia) and local brands (Prostokvashino, Aqua, Bonafont, Mizone, Blédina, Cow & Gate, Dumex).

Listed on Euronext Paris and on the OTCQX market via an ADR (American Depositary Receipt) program, Danone is a component stock of leading social responsibility indexes including the Dow Jones Sustainability Indexes, Vigeo and the Ethibel Sustainability Index. Danone is also ranked no. 1 in the 2013 ATNI index.

To find out more about Danone Climate Policy: www.danone.com/publications