

DANONE 2012

SUSTAINABILITY

Strategy and Performance

STRATEGIC
HIGHLIGHTS

Health, For All,
People, Nature

GRI PERFORMANCE
INDICATORS



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EDITORIAL FRANCK RIBOUD

The year 2012 confirmed in spectacular manner the profound shift in the global economy that is gathering pace. On the one hand, new economic powers such as China, India and Brazil are growing as other economies such as Indonesia and Nigeria are emerging as future powers. On the other, many countries of the so-called developed world are marked by stagnation, recession and a worrisome financial situation.

This trend is also reflected in Danone's activity. The group continued to record strong, and in some cases very strong growth in numerous countries, further strengthening its positions in the emerging economies. In Europe, however, sales and margins in 2012 were affected in several of the group's major historical countries such as Spain and France. Given this situation, management's responsibility consists in adjusting its strategies quickly and rethinking its company organization in order to take advantage of the growth momentum in the new economies while regaining maneuvering room in Europe, which remains a major region for the group. Significant changes are under way to enable Danone to "reinvent" itself in response to this new global environment.

In this rapidly changing world, Danone's actions are guided by its "dual economic and social project," which celebrated its 40th anniversary in 2012. When visionary Antoine Riboud conceived this "dual project" back in 1972, he felt that economic and social (or societal) interests should not be pitted against one another, but instead that a company's duty was to find a way to combine the two and to make the necessary adjustments for a given context. This vision does not lock the company into a straightjacket of rigid social or environmental obligations, but enables it to adapt to local environments in order to come up with the right models that create both economic value as well as social and environmental value.

The success of the Danone Ecosystem Fund provides a useful illustration of this approach. In three years, this fund has invested in 43 projects, some of which have already become sizeable in their own right. These projects are all conceived and managed locally by Danone subsidiaries in partnership with Non-Governmental Organizations. They all have a direct relationship with Danone's economic ecosystem. They include, for example, the development of a high-quality milk supply chain with small producers in Ukraine, Egypt, Brazil and China, the recycling of plastic bottles in Indonesia and Mexico, and local distribution in several countries that creates numerous jobs and helps market products to new customer bases.



These projects are breaking new ground. They are sustainable because they are connected to Danone's economic activity and bring economic value to the company which finances them (supplying milk or the raw materials used to manufacture bottles, sales development). They are also sustainable because they create considerable social and environmental value (improving the income and social condition of milk producers, waste-pickers and salesmen, as well as their families while making a positive environmental impact).

In the environmental area, Danone continued its efforts despite a generally unfavorable international context and in 2012 achieved the ambitious goals set in 2008, namely to reduce the group's greenhouse gas emissions by 30% worldwide. Certain Danone brands such as Evian have achieved reductions that exceed 40% and are striving to achieve carbon neutrality thanks to the innovative measures of the Livelihoods Fund. This fund was launched by Danone at end-2011 and has now been joined by other large corporations. Here again, this carbon reduction target was achieved by striving for the right combination of productivity gains and environmental impact. Energy efficiency and innovation in logistics and packaging materials must serve our two-fold objective of being competitive and transforming our production methods.

Upstream from its processing activity, Danone is conscious of the strategic role played by agriculture both now and in the future and of the challenges involved in securing its agricultural raw materials. The sustainable agriculture project launched in 2012 will play an increasingly central role in the group's strategy. The idea is to promote sustainable agricultural models based on their economic viability and agricultural practices that ensure food quality, health and taste while respecting soil and plant quality, the water cycle or animal well-being.

Here and in other areas, the compass of the dual economic and social project will enable Danone to stay the course pragmatically so as to continue making progress while taking into account the diversity of situations.

Franck Riboud
Chairman and Chief Executive Officer



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NUTRITION AND HEALTH ISSUES

At the start of the 21st century, two major health issues loom worldwide :

The first challenge is the **Non-Communicable Diseases (NCDs)** such as cardiovascular diseases, cancers, diabetes and chronic lung diseases. In a 2011 policy declaration, the UN highlighted the growing prevalence of NCDs in developing countries and described these diseases as a major obstacle to development.

Today 1.4 billion adults and more than 40 million children under the age of five are overweight, and 2.8 million people die of it each year.

Fully 65% of the global population lives in countries where obesity kills more people than malnutrition.

According to current projections, the proportion of deaths from NCDs will increase over the next 20 years (with 55 million expected in 2030), while a parallel drop in annual fatalities due to infectious diseases is expected. This NCD epidemic has consequences not only on mortality rates, but also on local economies. At low incomes, the high cost of treatment for a chronic NCD can plunge a family into poverty.

The second challenge is the **aging of the world's population.**

The World Health Organization devoted its World Health Day, on April 7, 2012, to this topic, describing it as “one of the most important transformations of the society”. Around the world, as countries develop, their infant mortality rates drop, birth rates recede and life expectancy rises, all of which leads to population aging. This demographic transition first occurred in the most developed countries, and is now underway in mid- and low-income countries.

Within five years, for the first time in the history of humanity, there will be more people over age 65 than under age five. In 2050 they will outnumber the population under age 14, and 80% of the elderly will live in mid- or low-income countries.

However, although people are living longer, the length of their lives spent in good health is not increasing in the same proportions. The 2010 Global Burden of Disease study of 187 countries shows that for one year of added life expectancy, only 0.8 years of life in good health is gained. The researchers conclude that disability will become a growing burden for healthcare systems around the world, as more and more people are living longer and being affected by more diseases.

Healthcare systems in the most developed countries are already struggling, with rising expenditures (medical progress, increased chronic disease, aging population), and uncertain resources (recurring unemployment, uncertainty regarding growth rates).



NUTRITION AND HEALTH ISSUES

In the emerging countries, and in particular the BRICS (Brazil, Russia, India, China and South Africa), social welfare protection is expanding rapidly. The rate of healthcare coverage of the Chinese population rose from 24% to 94% from 2005 to 2010. However, while everyone needs healthcare coverage, healthcare systems based on a curative approach are not sustainable in the long term.

Prevention is therefore a crucial issue, including prevention of Non-Communicable Diseases on the one hand, and creation and maintenance of a lifelong health approach on the other, to support successful aging. The quality of daily diet is key to addressing these two challenges of preventing NCDs and ensuring successful aging.

All the science confirms that **a varied and balanced diet and regular physical exercise** are factors that contribute to good health and preventing chronic diseases. On the other hand, poor diet along with a sedentary lifestyle can contribute to an increased risk of certain conditions including diabetes, osteoporosis, hypertension, etc. Scientific progress continues to confirm that individual dietary needs are very specific and vary by age (babies, children, teenagers, adults, elderly), gender, and physical condition (pregnancy, metabolic deficiency, chronic disease, aging, etc.). Paying close attention to nutrition can help ensure optimal growth and health, prevent diseases, and even improve the efficacy of certain therapeutic treatments. In particular, there is more and more evidence to show that early nutritional input (the first 1,000 days of life including pregnancy and the first two years) is a major determinant of future health, and that breastfeeding exclusively for the first six months of a baby's life provides optimal nutritional benefit.

With the urbanization that accompanies economic development, people no longer have direct access to the basic foodstuffs that they once produced for themselves. For food, they must rely on others to process these commodities for them and make them available. Today the food industry is often accused of being part of the problem. The goal for food companies is therefore to offer solutions, and be recognized for this positive role. They will need to **mobilize their Research and Development resources to develop appropriate solutions addressing national health issues** while respecting local preferences, and devote a large share of their communication and advertising efforts to shifting consumer preferences towards healthier products. If they are not responsible, self-disciplined and proactive in this area, they risk being subject to restrictive regulatory measures dictated by healthcare authorities.



The ability of the major food industry players to apply a responsible approach and address the dual concerns of malnutrition and diet-related obesity/chronic disease was assessed in detail for the first time in 2012 with the publication of a new rating index, ATNI (Access to Nutrition Index) designed by the NGOs GAIN (Global Alliance for Improved Nutrition) and Wellcome Trust, with the financial support of the Bill & Melinda Gates Foundation.

Food companies' long-term performance will depend to a large extent on how well they use their resources, and their ability to demonstrate to stakeholders that their actions are consistent overall with public health priorities.



Sources

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<http://www.who.int/world-health-day/2012/en/index.html>
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SOCIAL ISSUES

For a group such as Danone, the coexistence of two very different macroeconomic environments in the countries where it operates – mature and emerging countries – constitutes a real challenge.

In the so-called “mature” countries, demographic change is resulting in an aging population and a shrinking labor force (which has dropped to 68% of total population in Europe, according to INSEE data), and in the cohabitation of two or even three generations at work for the first time ever. In the emerging countries, the need for skills development, in particular in countries where the education system is not able to produce the necessary talents, and competition between Western companies to attract potentials, requires policies to attract and develop skills.

Major international groups must therefore address challenges in three areas:

- **ensure a properly functioning working community in which several generations work side by side** : reflect on developing and properly utilizing senior workers’ skills, on organizational approaches that promote discussion and cooperation;
- **attract and develop talents in high growth countries** by partnering with local stakeholders (universities, training institutions), acquiring appropriate internal systems and developing their employer brand;
- **foster continuous development for all in an evolving environment**: one study referenced by the OECD⁽¹⁾, for example, indicates a shortage of some 1.5 million managers in the United States who are able to seize investment opportunities related to digital data. Thinking about new ways to learn and share knowledge and information is a key issue.



The lasting recessionary economic environment in Europe also has consequences for inequality and households’ standard of living. In the OECD countries, more than one in three job seekers had been unemployed for at least twelve months in 2012. The OECD’s composite leading indicators, designed to anticipate turning points in economic activity relative to trend, continue to show weak growth prospects for several major economies (Japan, Germany, France, India, Russia, etc.), while signs of stabilization are emerging in Canada, China and the United States.

The employment situation is leading to growing socio-economic inequality: over the past five years, income inequality has been on the rise in two-thirds of OECD countries. This correlates largely to changes in wages, which account for 75% of working households’ income.

(1) Organisation for Economic Co-operation and Development

Beyond their immediate impact in terms of households' available income, rising inequalities can have major consequences for living conditions, in particular in a context where government intervention in the area of social protection (access to healthcare and co-payments, welfare, pensions, etc.) and wealth redistribution are subject to considerable budgetary constraints.

This raises the question of companies' role in providing social welfare insurance for their employees and, more generally, redistributing created wealth. These issues must be addressed from an international angle, at a time when demands in the area of labor law and working conditions are more and more insistent in certain emerging countries (such as China).

For companies, these changes are all challenges that require them to redefine certain facets of their relationships with their employees and their ecosystem (including skills development and transfer, relations between generations at work, redistribution of wealth, and protection from life's hazards).



ENVIRONMENTAL ISSUES

By 2050, the world's population will have reached 9 billion people, with consumption patterns that are evolving significantly. **Food needs and increasing pressure on natural resources will increase.** This trend is already having multiple effects : pollution and loss of soils, pollution of streams and groundwater, greenhouse gas emissions, rising waste production and loss of biodiversity.

While agriculture is a vital necessity for people, it is responsible for nearly 25% of greenhouse gases, 70% of water consumption and 40% of groundwater pollution. Loss of biodiversity could itself lead to reduced agricultural production (estimated 25% impact by 2050), threatening the planet's food security. **Agriculture needs to reinvent itself to rise to these challenges.** One will have to produce more with fewer inputs on a smaller cultivated area, while also significantly improving the impacts of agricultural practices on water and soil. Livestock farming is particularly criticized as being responsible for 18% of greenhouse gas emissions and 37% of soil degradation alone. This creates two risks : a risk of increased tax pressure, and a risk of reduced demand for animal-based product categories.

Agri-food companies are facing the **dilemma of how to meet the needs of an ever greater number of consumers, on the one hand, and limit the environmental impact of their activities on the other.**

Their stakeholders' expectations, for now, are mainly focused on **reducing the impact of industrial production** and precisely measuring these reductions (ISO certification, carbon footprint measurements, reduced water and energy consumption, contributions to eliminating waste). **Managing the impacts arising from packaging** requires reduced use of materials upstream, improved collection and recycling, and transitioning to packaging made of renewable biomass (not in competition with food), rather than fossil materials.

Pressures on agricultural raw materials supply are strong (increased price volatility, new competitors for land such as biofuels, climate impact, biodiversity loss). This supply context is transforming society to push for improvements in strategy even further upstream. The global economy is transitioning from a period of abundance to **a period of resource scarcity, which will ultimately weight down on costs.**

For their part, consumers are voicing higher expectations of agriculture that combines security, nutrition and health along with environmental protection and respect for natural cycles, and this will become a factor of brand competitiveness in the future. To meet these expectations, regulatory changes and progress in research are pushing towards better awareness of the environment and health concerns (precision agriculture, pesticides effective at low doses, alternative methods for fighting off pests and disease, more efficient use of water and soil, etc.).

Lastly, some major players in global distribution are gradually beginning to promote sustainable development and will progressively choose to work with suppliers who respect the environment (Sustainability Consortium Index).

These major environmental and food security challenges are core concerns for Danone. Preserving our resources and sustainably managing strategic raw materials (in particular water and milk) are the foundation of the company's sustainable model within its ecosystem and alongside key stakeholders.



STRATEGY

HIGHLIGHTS **STRATEGY 2012**

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Given the global public health environment and stakeholders' high expectations from the food industry (see "Issues" chapter, page 7), the Danone's mission is more relevant than ever: **"Bring health through food to as many people as possible."** This mission is a strong commitment that is expressed in concrete actions, described in the Food, Nutrition and Health Charter, and implemented every day by Danone teams around the world.

In 2012, Danone consolidated its strategy around four key aims:

- a portfolio of products in wholesome categories;
- developing pertinent solutions based on detailed understanding of local situations;
- positioning its products as "healthier alternatives" for better nutrition;
- assessing the impact of its products on diet and on consumer health.

Danone focuses on products in wholesome categories

Over the years, Danone has redesigned the contours of its product portfolio to concentrate on:

- firstly, fresh dairy products and mineral waters that are part of a daily diet, as defined by public health recommendations;
- secondly, baby nutrition and medical nutrition products with high nutritional value that address specific needs.

Not only does Danone contribute in this way to consumer health from birth to the final days of life, but the unique nature of this product portfolio gives Danone a **positioning that marks a difference among food industry players**. Danone thus contributes to promoting healthy eating through its product categories.

In 2012, **84% of Danone's sales correspond to essential products** (fresh dairy products containing at least 50% of milk, water, baby nutrition, medical nutrition). **66% of the sales concern products for daily consumption** – fresh dairy products and baby nutrition products compliant with Danone nutrition standards, waters and sugar-free drinks, medical nutrition⁽¹⁾.



(1) Figures from the 2012 Scorecard for a scope of 46 subsidiaries in the four divisions.

HEALTH

Danone develops pertinent solutions based on detailed understanding of local situations

Danone also cultivates strong connections with local market ecosystems and seeks to thoroughly understand the health and nutrition situation and public health issues of the countries in which it operates, so as to propose products that are appropriate to these contexts.

In 2012, Danone continued and expanded the program launched in Algeria in 2011 to study food styles. Three studies were completed in France, India and Indonesia in 2012. The studies' conclusions enable Danone **to propose product offers consistent with these countries' food culture and heritage.**

Danone positions its products as “healthier alternatives”

Superior gustatory quality will always be a primary element in product development. Nutritional superiority is another key feature of Danone's strategy: if the Danone product replaces another daily consumption product, it is important to ensure that the resulting change is positive for the consumer. Therefore, in 2012, the group's Research and Development department developed the notion of nutritional superiority in two ways: by defining an innovative approach to identifying what food(s) a Danone product might be replacing for consumers, and by developing a comparison method based on nutrient density. This program will be rolled out in pilot subsidiaries in the Fresh dairy products and Waters divisions in 2013.

Danone also continues to pursue its nutrition continuous improvement program. Overall in 2012, **26% of sales corresponded to products that underwent nutritional improvements from 2010 to 2012⁽²⁾.**

Danone seeks to have a positive impact on diet by promoting categories of products that are recognized as wholesome

This approach gained speed in 2012 in the Fresh dairy products division with:

- the creation of a knowledge base on yogurt and its nutrition properties;
- the definition of scientific methodologies for the subsidiaries to identify **yogurt's specific contribution to nutritional needs and balanced diet** in each country;
- the organization of 22 strategic meetings in the main subsidiaries to define a research and stakeholder communication plan.



(2) Figures from the 2012 Scorecard for a scope of 46 subsidiaries in the four divisions.

School-based **education programs for children** were rolled out in the Waters division in Latin America in 2012, based on the successful experience in Poland the previous year (*see the 2011 Sustainable Development Report, page 17*); such programs were introduced in Argentina, Mexico and Uruguay.

Upstream of these achievements, at the research level, **a large number of nutri-economics initiatives were implemented in 2012**. Following the pioneering role of Danone's Research and Development in launching this new discipline, which seeks to assess the impact of food on public health, a foundational article on the field's defining characteristics was published⁽³⁾.

Under the aegis of the **Danone International Institute**, an in-depth analysis of the literature was completed in partnership with the University of Manitoba⁽⁴⁾ and the conclusions of a symposium titled "Nutrition economics – food as an ally of public health" were reported⁽⁵⁾.

The results of several research projects were also published in prestigious international scientific journals. **These studies show that nutrition, by helping to prevent certain diseases, can reduce healthcare spending:**

- using infant formula containing probiotics (Immunofortis®) reduces certain allergies and their long-term consequences⁽⁶⁾;
- adequate hydration contributes to preventing the formation of kidney stones^(7,8);
- regular consumption of dairy products can significantly reduce bone fractures due to osteoporosis and the related costs⁽⁹⁾.

In addition, a conference and three major events were held in various countries in 2012. With its products, and thanks to nutrition economics expertise as yet unparalleled in the food industry, Danone contributes to better health for all.



(3) I. Lenoir-Wijnkoop, M. J. C. Nuijten, I. Gutiérrez-Ibarluzea, et al. Workshop Report: concepts and methods in the economics of nutrition – gateways to better economic evaluation of nutrition interventions. *British Journal of Nutrition* 2012; 108:1714–1720

(4) C.L. Gyles, I. Lenoir-Wijnkoop, J.G. Carlberg, et al. Health economics and nutrition: a review of published evidence. *Nutrition Reviews* 2012; 70:693-708

(5) I. Lenoir-Wijnkoop, P. J. Jones, R. Uauy, et al. Nutrition economics – food as an ally of public health. *British Journal of Nutrition*; doi:10.1017/S0007114512005107

(6) I. Lenoir-Wijnkoop, W. M. C. van Aalderen, G. Boehm, et al. Cost-effectiveness model for a specific mixture of prebiotics in The Netherlands. *Eur J Health Economics* 2012; 13:101-10

(7) Y. Lotan, I. Buendia Jiménez, I. Lenoir-Wijnkoop, et al. Primary prevention of nephrolithiasis is cost-effective for a national healthcare system. *BJU International* 2012; 110: E1060-7.

(8) Y. Lotan, I. Buendia Jiménez, I. Lenoir-Wijnkoop, et al. Increased Water Intake as a Prevention Strategy for Recurrent Urolithiasis: Major Impact of Compliance on Cost-Effectiveness. *The Journal of Urology* 2013; Volume 189:935–939

(9) F. J. B. Lötters, I. Lenoir-Wijnkoop, P. Fardellone, et al. Dairy foods and osteoporosis: an example of assessing the health-economic impact of food products. *Osteoporosis International* 2013; 24:139-150

HEALTH

Among the other highlights of 2012, **continued efforts made by Danone in support of responsible communication should be mentioned.**

In the Baby nutrition division, Danone significantly stepped up its efforts regarding the requirements of **WHO Code**⁽¹⁰⁾, in particular via the creation of internal management documents implementing the Code's principles, and by extending the practice of regular audits by independent auditors to all subsidiaries. Danone also participated with the other **European Pledge** member companies in defining shared nutrition criteria⁽¹¹⁾ to identify products compatible with advertising to children. These criteria will replace those previously individually defined by each company, starting in 2015.

Lastly, in continuation of its approach of working closely with its stakeholders, Danone launched two major scientific partnerships in 2012

In the framework of its Research and Development activity, Danone:

- takes part with eleven other industrial and academic partners in the European **Metacardis** consortium, a large-scale project that began in November 2012 with the goal of improving understanding and treatment of conditions such as **obesity, diabetes and cardiovascular diseases**. The project will run for five years at a total cost of 12 million euros, financed in part by the 7th European Union framework program;
- initiated a new partnership with **the European Association for the Study of Obesity (EASO)**, which is active in 30 countries. This partnership includes, among other things, the creation of a joint Danone-EASO work group on healthy hydration, and a recurring joint presence at the European Congress on Obesity on the topic of hydration and the prevention of obesity.

At the same time, the partnership with the International Society of Nephrology (ISN) continues, with support once again in 2012 for World Kidney Day⁽¹²⁾, devoted to the prevention of kidney diseases, as well as the co-production of an educational film on the golden rules for good kidney health.

Last key fact in 2012, **Danone was ranked leader of the first ATNI index (Access To Nutrition Index), created jointly by GAIN (Global Alliance for Improved Nutrition), the Bill and Melinda Gates Foundation and the Wellcome Trust**. This index aims to assess every two years the major food companies on their policies, practices and performance on nutrition. This recognition shows the relevance of the Danone's strategy to the health and nutrition issues.



(10) www.who.int/nutrition/publications/infantfeeding/9241541601/en/

(11) www.eu-pledge.eu/sites/eu-pledge.eu/files/releases/EU_Pledge_Nutrition_White_Paper_Nov_2012.pdf

(12) www.worldkidneyday.org

A quality system that places the consumer at the heart of Danone's concerns

Food safety is a fundamental Public Health concern. It is also crucial for maintaining the profitability of a group based on consumer confidence and sustainable development.

Danone has created a specific "product governance" system to ensure the quality and safety of its products. This system was designed to place consumers at the center of considerations and to contribute sustainably to the performance of the group.

In 2012, Danone continued to implement its Quality vision in four key areas:

Food safety and risk assessment

The group must ensure that all operations worldwide are aligned to a **common food safety standard that is recognized by authorities, consumers and retailers**. Danone has chosen **FSSC 22000** as the international standard aligned with its food safety requirements.

Over the past two years, the group has consolidated and improved its risk assessment procedures. A checklist called IGEA has been drafted that includes all ISO/TS 22002-1 (PAS 220) requirements as well as Danone's specific requirements. This checklist can be used for the Pre-Requisite Programs (PRP) that are part of certification audits, and also to assess compliance with Danone-specific best hygiene practices and score the level of compliance with the Danone global PRP standard.

Five certification bodies have been selected and their auditors trained to align food safety certifications worldwide (including assessment of compliance with Danone's specific requirements), by ensuring that they use the IGEA checklist and perform the assessment and scoring according to Danone's expectations.



HEALTH

In addition, to guarantee healthy and safe products for its consumers, Danone evaluates and manages potential and actual risks via the **Danone Food Safety Center** (DFSC) *(for more detail, see page 167 of this report, indicator PR1)*.

Food safety is a shared responsibility. **It requires the cooperation of all stakeholders involved in the food chain.** Food safety reaches beyond the strict framework of the group; it is a responsibility shared by governments, regulatory bodies and food-related companies as well as the media, NGOs and consumers.

In this framework, Danone has been an active member in recent years of such international organizations as the **Global Food Safety Initiative** (GFSI). The **GFSI** – whose mission could be summarized as “safe food for consumers everywhere” – is one of the major organizations associating all players in the international agri-food industry to support ongoing improvement of food safety and strengthen consumer confidence throughout the world. The GFSI has succeeded in building bridges between the public and private sectors, and works with governments and other organizations around the world to manage food safety threats more effectively with a view to improving Public Health.



Robust Quality system throughout the product lifecycle

The system is based on a set of quality criteria (Danone Operating Models, or DOMs) that define what must be done to ensure safe products that comply with Danone specifications at every stage of the distribution chain, from product design to consumption, everywhere in the world and all the time.

These quality criteria were revised in 2012, with in particular the redefinition of 4 levels of compliance. **A risk and opportunity assessment was carried out for this purpose, to prioritize resources, support business growth and ensure product safety, compliance and superior quality.**

Food safety indicators are described in the section on the PR1 indicator *(page 167 of this report)*, concerning the lifecycle stages in which the impact of products and services on health and safety are assessed with a view to their improvement.

Consumer confidence

Consumer loyalty is supported by effective market feedback management.

Quality systems direct attention to information and process them at each phase of the product lifecycle, to provide an appropriate response and deliver consumer satisfaction.

The development and expansion of two projects in this area continued in 2012:

- the information system for **improved consumer feedback** management continued to be expanded geographically; it is now used in more than 90 subsidiaries around the world, enabling harmonization and thus discussion and benchmark between countries;
- the project for **auditing on-shelf products**, following its pilot phase, was integrated into daily activities and is implemented in more than 60% of subsidiaries in the Fresh dairy products and Waters divisions. The project's importance lies in the analysis of consumer experience at the time they make the decision to buy, when the totality of their expectations are met (product compliance, as well as availability, presentation and position on the shelf relative to the competition).

Development of Danone employees

Danone emphasizes the key role played by employees in effectively implementing the Quality Policy; **the group ensures that employees have exemplary business expertise, culture and behavior.** The "Quality Road Book", a reference document containing advice on career management in the quality function and beyond, with a business orientation, was distributed to the Quality community in 2012. A half-day dedicated to human resources was included in quality training sessions to help employees understand and implement this advice.

In response to Danone's geographic expansion, the group has begun decentralizing its training sessions to reach as many people as possible, to create closer connections within the Quality community by strengthening the quality culture and employee empowerment.



FOR ALL

Danone's strategy to improve access to its products continued in 2012. New consumers were gained, both in countries where the group was already present and in new regions, as Danone continued to adapt its offer and business models to accomplish its mission of "bringing health through food to as many people as possible".

Continuing the group's geographic expansion and reaching new consumers

Since 2008, the number of Danone consumers has risen by 50%, from 600 million to **845 million estimated consumers in 2012**.

Danone continued its geographic expansion begun 15 years earlier, into additional new regions ; **emerging countries accounted for 53% of net sales in 2012 (compared with 17% in 1996)**.

This growth was driven by geographic expansion in the six key countries known as **MICRUBs** (Mexico, Indonesia, China, Russia, USA, Brazil), which accounted for more than 40% of Danone's total sales in 2012 and generated around two thirds of net sales growth.

Danone also began developing in new countries. In particular, the group strengthened its presence in India with the acquisition of the Wockhardt group's baby nutrition and medical nutrition activities.

To build its growth potential over the long term, Danone is experimenting with small-scale models in new markets in certain Asian countries and in Africa, in response to recent economic and socio-demographic development, including the appearance of a middle class and of mid-sized cities (with populations of more than one million). In Africa, relying on experience gained in recent years in the Maghreb region in particular, the group is developing positions in new markets (Ivory Coast, Cameroon, Kenya, etc) through nutritional offers adapted to local conditions and in compliance with the World Health Organization Code.

Consumer access to products is a major issue for Danone, for which it seeks to identify the most innovative distribution circuits. As a result, 25 subsidiaries deployed the Route To Market methodology in 2012 (*see page 28 of the 2011 Sustainability Report*) to consolidate physical availability of products in certain regions, including through innovative distribution models (micro-distribution, door-to-door, etc.).



Some examples are:

- in China, the Waters division subsidiary increased coverage of large cities from 20 in 2009 to nearly 200 in 2012. This strong expansion of the Route To Market project is one key factor for successful growth, bringing the Mizone brand to millions of new consumers and doubling market share compared with 2010;
- in Brazil, the Route To Market project in the Nordeste region – the country's second most populous region, but with the weakest consumption of fresh dairy products – enabled Danone to gain 25 penetration points (% of consumers reached) in households thanks to the addition of 24,000 new stores in 5 years. New distribution models, such as door-to-door, very relevant to this region, have also been implemented. The Danone brand became the market share leader in this region in 2012 for the first time in its history;
- in Egypt, an innovative Route To Market project in rural regions led to the addition of 500,000 new consumers for the Fresh Dairy Products category in two years. This positive model combines development of the group's business and the economic and social development of the involved regions;
- in Turkey, the Baby nutrition division also introduced a new Route To Market project for more extensive coverage of the territory by its sales agents, along with more intensive cooperation with its distributors, resulting in sales growth of 40%.

Creating new and continuously evolving business models

For the past 5 years, Danone has been testing business models in an effort to truly change the way it generates growth to better address the “For all” dimension of its mission.

Among these different experiments, Danone was a pioneer in social business with the 2007 creation of the danone.communities fund (*see the 2011 Sustainability Report, pages 32-35*), spearheaded by the Grameen Danone Food Ltd project in Bangladesh. In 2012, the group began a phase of consolidation of the 10 existing danone.communities projects (*see details in the following pages*).



FOR ALL

Danone has carried out other experiments, notably the “**BOP**” (Base of the Pyramid) business creation project in India. Launched in 2011, this project was based on three-pronged innovation involving the creation of a product offer adapted to local tastes, industrial processes and investments, and distribution circuits. In 2012, Danone determined that two elements of the model needed improvement: managing the capillarity of distribution networks, and succeeding in introducing new products in terms of consumer habits and consumption times. These two parameters, crucial to the success of the project, were entirely reworked to better align with local cultural specificities. The offer was repositioned in 2012, with the **Fundooz** brand recentered around a narrower category of consumers and a smaller territory.

It is this type of experiments involving complex local issues that allow Danone to continue to gain expertise in new countries where the group’s ambition is to develop in order to ensure its long-term growth and the success of its mission.

Danone has inventoried the key learnings to be drawn from the BOP project in India, namely: the importance of thoroughly understanding local food culture and eating habits to better integrate these into the development process; the correct target population size (cities, rural areas) in an emerging country; controlling distribution circuits and costs and the various intermediaries to reach the target economically; and the importance of the management and education model for enhancing the product’s image and use. These lessons have been shared and are already used in other projects, in particular the micro-distribution projects conducted as part of the Danone Ecosystem Fund.

The Research and Development center opened in India in 2012 also concentrates expertise used for all new Danone projects in this country. The center’s very close connection to the local communities, consumers and/or non-governmental organizations allows these groups’ input to be integrated into product definition and recipes at an earlier phase, and multiplies interactions and opportunities in a co-development approach. In the end, results are achieved more rapidly and solutions are more relevant than with a traditional approach.



danone.communities: from consolidation to shared knowledge

danone.communities is a social business incubator with the mission of **promoting, supporting and financing social businesses that seek to respond to issues of malnutrition, access to drinking water and poverty.**

Today, danone.communities provides technical and financial support to 10 projects, including 8 in which the FCPR (venture capital fund) has already invested, and 2 in the incubation stage. From Mexico to India, via Senegal, danone.communities is creating change that has already benefitted more than a million people. The ten projects can be divided into two categories:

- **historical projects** which have been developed for more than 3 years, whether or not they were created with the support of danone.communities. These are **Grameen Danone Foods Ltd** (Bangladesh), **La Laiterie du Berger** (Senegal), **Naandi Community Water Services** (India), **1001 Fountains** (Cambodia) and **JITA Bangladesh** (Bangladesh), created by the NGO Care Bangladesh in 2004, and the last project to have received an investment from the fund.
- **start-up projects**, recently created (within the past 3 years), or still in incubation phase. These danone.communities projects include **El Alberto** (Mexico), **Nutrigo** (China), **Isomir** (France), **Malin** (France) and **Lemateki** (Senegal), the last two still being in incubation.

The group decided to invest in three projects in 2012 alongside the danone.communities fund (Grameen Danone Foods Limited in Bangladesh, Laiterie du Berger in Senegal and NutriGo in China) to ensure these projects' viability and longevity.

10 projects between consolidation and incubation

In 2012 danone.communities focused a large portion of its efforts on consolidating its 5 historical projects around 3 priorities:

- social impact;
- model's economic sustainability;
- organization.



FOR ALL

These efforts produced positive signs of development aligned with the consolidation strategy.

For example:

- **Grameen Danone Foods Ltd** (Bangladesh) is on a growth path again, with an 18% increase in volumes compared to the previous year;
- in Senegal, the results of **La Laiterie du Berger** project demonstrate a financial balance (break even) during three consecutive months (september, october, november) ;
- for the **1001 Fountains** project (Cambodia), the threshold of 60 water purification stations installed in the same region was crossed, and the project team is planning to launch the approach in another region of the country. 1001 Fontaines aims to break even by May 2013;
- lastly, **JITA Bangladesh**, the 8th project in which the fund invested, is making its first forays as a social business after several years of incubation within the NGO Care. Financial break-even is planned for the end of 2014.

Nevertheless, the projects' long-term survival is not yet assured. According to danone.communities, sustainable success will require greater autonomy on the part of local project teams, which places learning, skills acquisition and empowerment at the heart of priorities.

While consolidating its historical projects, danone.communities is also supporting five additional projects, two of which are still incubating (Lemateki in Senegal and the Malin program in France). These recent projects, which operate as start-ups, have made significant progress. For example, **El Alberto** (Mexico), launched at the end of 2011, already broke even financially for its first year of operation. Nutrigo in China, also launched at the end of 2011 in several villages in the Enshi region, plans to extend its sites to a second region of the country, in Fuyang. These rapid and positive results reflect a learning curve that began with the historical projects and can now be applied by those just starting out.

Learnings shared with the community

To leverage this learning curve and its strong network of partners, danone.communities began a process of learnings sharing in 2012.

The **Global Communities Meeting** workshops held during the day of the Annual Meeting on May 15, 2012 are the key feature of this new phase. More than 250 international experts (researchers, entrepreneurs, project managers, etc) took part in the workshops to examine social business in more depth, through topics including micro-distribution, nutrition, access to water, social impact measurement and financing.

New avenues to explore and pursue were defined in the workshops, opening up fresh areas for cooperation and co-development in support of social business, to increase its impact in emerging and developed countries.

The workshop reports are available to all at the danone.communities website (www.danonecommunities.com/node/1199#node-1199).

Additionally, no fewer than 21 events dedicated to promoting social business were organized in 2012, most by danone.communities partners under the Global Communities Meeting label.

Strengthened commitment by “Danoners” (employees)

The **commitment of Danone’s employees** to support the development of social businesses is at the heart of the danone.communities project. More than 280 employees have taken part directly in those projects, most frequently through part-time support missions in areas as varied as research and development, marketing and communication, human resources, finance, sales and distribution, and production.

The proportion of Danoners who have invested in the fund continued to rise in 2012, to 15.5% of total investments, representing a total of 10.5 million euros since 2007.

2013-2014: Autonomous projects

Based on the lessons learned from these five years of development, danone.communities plans to introduce an organizational change in 2013 towards a more decentralized form of both project management and community support. This initiative aims to foster the projects’ autonomy to strengthen them further.

Community involvement is also being revised from this perspective, and in the next few months, the focus will be on providing both the legacy projects and the start-ups the tools for managing their local communities to involve agents at a more local level. In a word, 2013 will be the year of increased local empowerment.

Find the latest danone.communities news at : www.danonecommunities.com



PEOPLE

Employee and team development as a foundation for growth

Investing in the teams' development worldwide

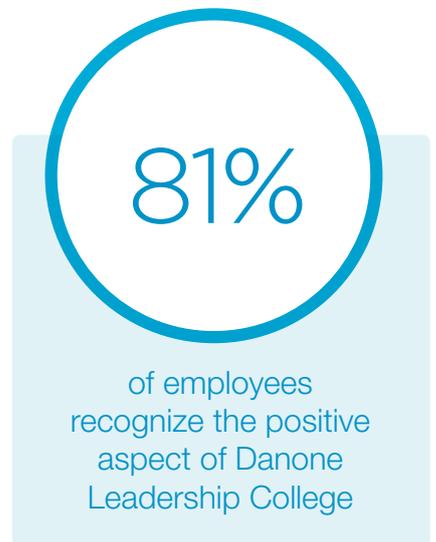
Danone views skills development as a necessary condition for growth. The aim is both to transmit knowledge and expertise, and for all Danone's employees to share a common culture. **Skills development and leadership are also factors for which the group stands out**, and a way of attracting and developing quality resources on a large scale in fast growing countries.

Access to training has been expanding for several years, and continued to increase in 2012: **100% of employees received training in 2012** (compared with 98.8% in 2011 on a like-for-like basis). From 2008 to 2012, the average number of training hours per employee rose from 24 hours per year to 31 hours per year, a nearly 30% increase. In China for example, following the 2011 creation of Danone China University, 2,185 people received training in 2012 from 110 internal trainers.

The **Danone Leadership College program was introduced in 2008** to promote a specific Danone leadership culture and deeply transform attitudes. As of December 31, 2012, 50,000 Danone employees, including 15,000 Team Leaders, had been supported in this transformation process, thanks to 460 internal trainers. Fully 81% of employees felt that training and thinking about their individual and shared attitudes had a positive impact on the way they work.

After 4 years in place, the goal is for this leadership culture to become an even more prevalent daily benchmark for all Danone employees, and a means of achieving outstanding operational performances. 15 pilot plants (of which 3 in Asia) were identified to test 14 modules aimed at establishing these attitudes among operators in their daily work situations. The development of this Danone leadership culture is also an integral part of Human Resources management processes.

A new **"Learning" strategy was defined in 2012** to provide a long-term foundation for Danone's training ambitions. It aims to create the right conditions for developing resources in high-growth regions, and for employees to learn even more, more efficiently, across many different situations.



The “Campus 2.0” project initiated at the end of 2012 supports learning communities and e-learning (where the best experts on a given topic make their knowledge available to others). The “Danone Campus”, an original corporate university format that combines training, networking and exploration of general interest topics such as “social innovation and social business” continued in 2012: 13 campus were organized in Europe (France, Czech Republic, Russia), Asia (China, Malaysia, Indonesia, Japan) and the Americas (Mexico, Argentina), with the participation of 3,300 people.

The development of the potentials is also made through short term missions. In South America, the **Jaguar program**, launched in 2009 in the Fresh dairy products division, aims to accelerate the development of the potential of young people and to reinforce sharing between South American subsidiaries. It is based on six months to a year missions, allowing a subsidiary’s employee to take part in an another subsidiary’s project. 12 missions have been implemented in 2012, in 6 countries (Argentina, Brazil, Mexico, Chili, Uruguay and Colombia).

More than the impact on the turnover, this program allowed to 80% of the young employees who participated to benefit from a change of position at the end of their international mission.

Diversity as a source of well-being and performance at work
Danone views diversity as a source of innovation and strength for the group. Among the priority action areas are gender equality, diversity of generations, cultures and nationalities, and diversity of academic backgrounds.

To improve gender equality, Danone addresses issues of working life (internal promotion, wages, working conditions, etc.), career and individual mindsets. As a result of this policy, the item “my subsidiary offers equal opportunities regardless of gender” in the Danone People Survey gained five points in 2011 among both female and male respondents.

Key highlights in 2012 include:

- **an increased percentage of women at the director and executive levels**, from 28% to 31% compared with 2011, and a stabilization at the manager level at 46%. Systematic analysis of equity between men and women in annual salary reviews at all classification levels confirms that there is no significant gap between men’s and women’s wages overall among managers and directors;
- **the introduction of measures to support work-life balance**, which foster better gender diversity at work. In particular, several subsidiaries introduced pilot programs in 2012, such as telecommuting for all levels of responsibility;



PEOPLE

- **work on individual mindsets and female leadership.** The 3rd EVE seminar, created in 2009 by Danone to develop female leadership, addressed the theme “Dare to be yourself to act” for 320 participants and 15 companies;
- as an extension of the EVE seminar, Danone launched the “Octave” event following the same model, with a view to **foster intergenerational connections**. This seminar is based on the notion that when generations “rub shoulders” it contributes to the overall performance of the company. The first Octave seminar took place in April 2012, and was attended by 120 people of all ages, from five companies;
- lastly, 96 young Danone managers aged below 30, from 21 countries, were brought together in Evian for the “**Gen D**” program, with the goals of transmitting the Danone culture, increasing their motivation and bringing them closer to the group’s executives.



Committing to HR fundamentals

Developing a safety culture

The WISE program launched in 2004 has been strengthening **Danone’s commitment to employees’ safety at work** for nearly a decade. After eight years of continuous progress (the frequency rate of accidents generating work absences dropped by nearly 60% between 2009 and 2011), the frequency rate stagnated for the first time in 2012 at 2.2. These results illustrate that safety is a constant challenge, and that efforts must be pursued in certain countries in the Fresh dairy products division and in French subsidiaries.

The results also show that the development of a true safety culture is essential to maintaining the progress achieved. In this context, Danone has decided to implement initiatives that bring a safety approach to bear at multiple levels:

- **employees’ commitment:** 70% of the group’s sites have now undergone “WISE” audits, with new guidelines for the industrial sites and stricter requirements;
- **operational excellence:** by developing a disciplined approach to safety standards, Danone contributes to developing discipline in other areas: quality, operational efficiency, customer service, environment, etc.;



- **improved health and working conditions:** repetitive musculoskeletal disorders represent a growing share of accidents at all types of Danone sites. Initiatives launched in 2012 in the areas of training (movement and posture, ergonomics training for technical and engineering teams), workstation adaptations and design upstream new projects (dedicated investments, participatory proposals) aim to improve both safety and working conditions.

Improving health and working conditions through effective social dialogue

Social dialogue at Danone is organized around a worldwide labour relations body (Information and Consultation Committee, CIC), negotiation and monitoring of international framework agreements with the IUF (International Union of Food workers), and dynamic labour relations with trade union representatives and staff representatives in the group's subsidiaries.

As of December 31, 2012, **Danone had entered into 9 agreements with the IUF**, relating mainly to diversity, labour relations, health, safety, working conditions and stress.

Action plans designed and implemented by the group's subsidiaries translated them into reality in the field. For example, in application of the 2007 agreement on diversity between Danone and the IUF, subsidiaries in Poland began launching initiatives starting in 2008 to improve women's ability to reconcile their professional and personal lives. These measures include an additional month of maternity leave, six-hour working days during the first two months after returning to work, and rooms for nursing at the workplace. As a result, Danone Fresh dairy products Poland was awarded with the "Mother at work" prize in 2011 and 2012.

Regarding working conditions, the rollout of the framework agreement signed in September 2011 with the IUF on health, safety, working conditions and stress, and implemented country by country, has in particular led to greater emphasis being placed on the human consequences of change. In 2012 Danone designed a methodology for deployment of "human feasibility study" (HFS), which is an integral part of agreements signed in France on stress prevention and quality of life at work, and aims to facilitate recognition of the human impact of change projects. As a concrete expression of this approach, to provide real support for change, pilot projects were carried out in the French subsidiaries, with around sixty employees trained to implement an HFS previous to more than 20 projects.



PEOPLE

Danone and the IUF jointly monitor their agreements, notably with joint visits on the ground of 42 group subsidiaries between 2009 and 2012, which led to a summary report in 2012. A particular advantage of these joint visits by IUF and Danone representatives is to better explain the impact of their collaborative efforts at the local level, and to raise subsidiaries' awareness of the issues involved in implementing their agreements.

Providing quality social welfare and medical coverage for all employees: the Dan'Cares program

The Dan'Cares program was introduced to achieve Danone's dual economic and social project. It reflects the group's desire for every employee to benefit from quality healthcare coverage, in particular for basic medical care: hospitalization, maternity and outpatient care.

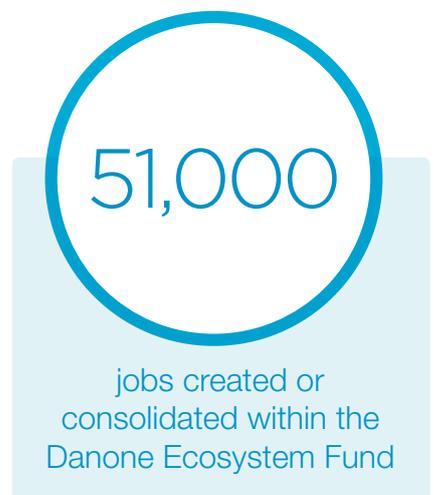
The program started in 2010 with an audit in 15 countries and 56 subsidiaries; **it now covers 98% of Danone's employees** (except Unimilk group companies) in **41 countries**, making it possible to assess existing coverage in each of the countries and identify needed improvements.

The group's objective was to achieve coverage for 30,000 additional employees by 2013. This goal is already reached. Eight countries (China, Spain, Indonesia, Mexico, Brazil, Poland, Russia and Saudi Arabia) started implementing Dan'Cares in 2011. At the end of 2012, 27,700 employees received coverage under Dan'Cares, and coverage was improved for 8,000 others. By the end of 2013 the program aims to cover at least 13,000 additional employees.



Supporting new business models – The Danone Ecosystem Fund

To “bring health through food to as many people as possible”, Danone must continuously innovate and adapt its business models. The Danone Ecosystem Fund was created in 2009 with a view to strengthen the economic and social situations of local players in Danone's ecosystem (small farmers, suppliers and subcontractors, transport operators, distributors, regions, etc.) throughout its value chain (*for more information, see indicator EC9, page 101*). Structured around five action areas⁽¹⁾, the fund comprised **43 projects** in 2012 (including twelve new projects created in 2012) involving **35 subsidiaries**; they represent a total investment of **34 million euros** and aim to create or consolidate over **51,000 jobs**.



(1) The Danone Ecosystem Fund is structured around five priority action areas: supply, micro-distribution, recycling, personal services and local development.

The projects have impacts at multiple levels of the value chain:

- **securing supply of raw materials** by supporting the dairy and fruit sectors (notably by helping small farmers and/or producers);
- **enhancing consumer perceptions of the value of the raw materials**, through sustainable farming partnerships;
- **recycling** (support for waste pickers working in garbage dumps);
- **researching services the group can offer its consumers** in the areas of health through food: nutrition and health education, services to support autonomy for the elderly or child development, developed with specialized agents;
- **micro-distribution, by testing models** adapted to new geographic circumstances and populations to address specific issues of accessibility and employability.

Fostering the emergence of new business practices was a priority goal for the fund in 2012. These practices include, for example, local micro-distribution networks and the decision to assess key Danone Ecosystem Fund projects using recognized social impact measurement methods. Two projects were identified as test cases for social impact measurement, which should be implemented in 2013. The methodology for measuring economic impacts for the group is currently being defined, and will also be tested in 2013 (*for more information, see indicator SOI, page 159*).

In 2012, to consolidate existing projects and best support the launch of new projects (twelve new projects this same year), the Danone Ecosystem Fund worked to **ensure that projects are anchored into subsidiaries' strategies, to reproduce earlier successful experiences to the extent possible**, and to foster sharing and communication of best practices between teams.

The development of new skills through social innovation project management is a source of wealth for Danone. Two key developments took place in 2012 with regard to the goal of increasing team professionalism: a pilot training specifically designed for the fund's project teams was tested, and an integration program now allows new project managers to benefit from experience acquired by others in previous projects. All project management support tools are made available on the fund's web platform. The co-creation guide in particular serves to support and develop the teams working on these projects by helping them create operating frameworks with their partners that are adapted to the projects and the goals.



NATURE

Danone exceeds its groundbreaking carbon footprint reduction goals announced in 2008

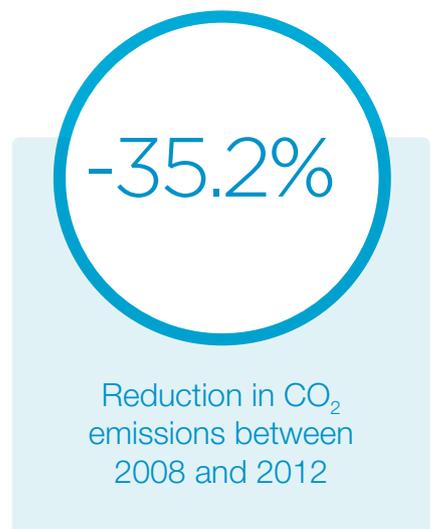
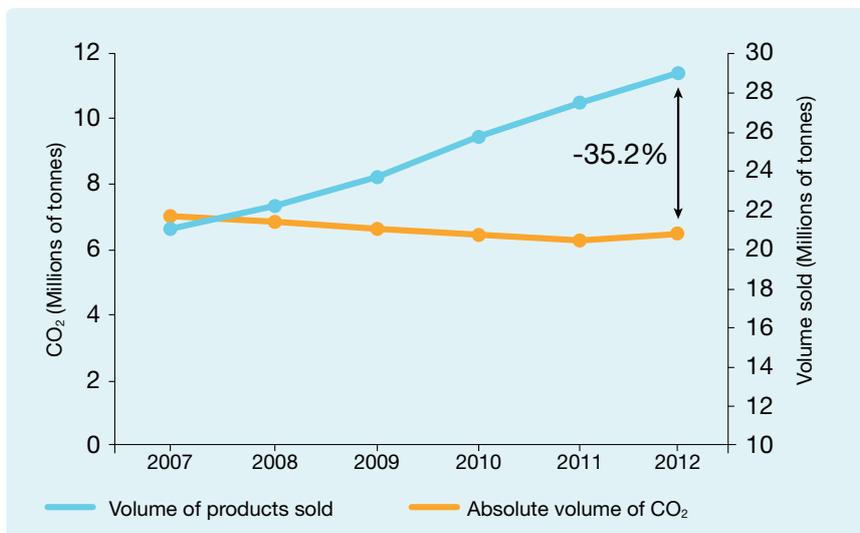
The spread of best practices and ambitious results achieved confirm that Nature preservation and business development do not conflict, but can operate in synergy. Danone continued its work on the priorities defined in its Nature strategy for the past 5 years:

Combat climate change and reduce dependency on fossil fuels

Reduce the carbon footprint

Danone had set the ambitious goal in 2008 of reducing its carbon footprint by 30% over the 2008-2012 period, wherever the group holds direct responsibility (production sites, packaging and end of life, transport and storage – excluding upstream agriculture). A **reduction of 35.2%** was achieved between 2008 and 2012. This groundbreaking goal was largely exceeded thanks to the ongoing commitment of Danone’s teams and of the group’s partners participating in this policy. The group’s total emissions in 2012 (including upstream agriculture) are estimated at 17 million metric tons equivalent CO₂.

Since 2007 the group’s sales volumes have experienced strong growth of more than 35%, while its carbon emissions remained stable overall during this same period (scope of direct responsibility).



Reduce energy intensity and experiment with renewable energies

Danone reduced its energy intensity by 3.6% in 2012, representing a cumulative change of -46.5% since 2000.

After the Poços de Caldas plant in Brazil in 2011, the Baby nutrition site in Wexford, Ireland invested 3.8 million euros in a biomass boiler, for an annual savings of 9,500 metric tons of CO₂ and an annual fossil fuel bill reduced by 750,000 euros. This project should also enable the development of a local FSC (Forest Stewardship Council) certified wood industry and the creation of 65 indirect jobs in the upstream segment. It was supported by the Danone Ecosystem Fund and won the award in 2012 for best Nature project, which recognizes the most innovative projects of the year within the group.

The Evian brand and the Livelihoods Fund

Based on its successful experience since 2008, partnering with the IUCN and the Ramsar convention on wetlands in the framework of carbon offset projects, Danone wished to involve other companies in this approach by creating the Livelihoods Fund in 2011. This fund, which today includes seven large companies in addition to Danone, invests in major natural ecosystem restoration projects. These projects contribute to combating climate change by fixing large volumes of carbon. The goal is to store seven million metric tons of carbon over 20 years, for a minimum investment of 30 million euros. Livelihoods has already invested in six projects in Africa and Asia, and contributed to the planting of more than 100 millions of trees.

Consistent with its commitment, and after reducing its carbon footprint by 40% over the 2008–2012 period, the Evian brand offset its remaining emissions in 2012 by supporting several quality projects recognized by standards including Verified Carbon Standard and Gold Standard.

Starting in 2013, following consultation with its stakeholders, Evian has decided to refocus its efforts on the Livelihoods Fund, whose projects are supported by the brand since 2008, by strengthening its participation over the long term. The expansion of these projects will progressively offset the Evian brand's emissions, to achieve full emissions offset by 2020.



NATURE

Water: Protect water resources, particularly when scarce, and use them in harmony with local ecosystems and communities

Reduce water consumption

In 2012 Danone reduced its water consumption in industrial processes by 3.1%, bringing the overall reduction since 2000 to 43.1%.

Protect the springs and the water supply

Danone also continues to promote the protection of springs through its Ground Water Policy, which is based on **holistic management of the resource in cooperation with local players**: respect for natural cycles (not removing more water than can be replenished by nature) and protection of rainwater catchment areas and of their ecosystems. In 2012, the Danone Waters China subsidiary enhanced its protection initiatives at the Longmen site, relying on the expertise of the IUCN and with the support of the Danone Ecosystem Fund. In 2012, the Ramsar Convention (United Nations international convention for wetland protection), the IUCN (International Union for Conservation of Nature) and Danone launched a recognition process for “**SPRING**” (Sustainable Protection and Resources managING), an internal tool for managing water resources that includes physical, regulatory and community management of springs and their drainage basins, deployed since 2008 at 100% of Waters division sites.

Measures to go even further

Danone continued its water footprint measurement research in 2012, notably with its partner Quantis, as well as by contributing to the development of international (ISO) and European (Envifood protocol) standards. This approach has enabled the development of a **water footprint evaluation methodology** that takes water stress factors into account, the Water Scarcity Footprint. This tool will serve to identify at-risk zones and methods for reducing the group’s impacts across its entire value chain.



Packaging: use sustainable materials

The group's position on "Forest Footprint" and on "Forest" for paper and board packaging

Conscious of the critical importance of preserving forests for the equilibrium of our planet (in particular the tropical forests in Indonesia and the Congo and Amazon basins), Danone is committed to a strategy of eliminating the deforestation impacts of its supply chain, and to a reforestation program, between now and 2020. Danone has published its position on "Forest Footprint" which aimed at transparently evaluating the deforestation risks associated with commodities used directly or indirectly by the group's businesses, and proposing specific policies by ranking its actions according to associated risks and impact priorities.

<http://danonestaging.danweb.danet/nos-politiques/positions/nos-politiques-positions.html>

This ambition notably includes all paper and board packaging that might have a negative impact on forests. The commitment targets three concrete objectives: actively reduce the weight of paper and board packaging for each product, prefer the use of recycled fibers and, where this is not possible, prefer FSC certified virgin fibers.

Experiment with renewable materials

Three year of experimentation with plant-based plastics (sugar cane, sugar cane waste and corn) for four brands (Volvic, Actimel, Activia and Stonyfield) have allowed Danone to develop an understanding of the environmental implications (lifecycle analysis), compliance with sustainability criteria (competition with food, end of life, etc.), associated business issues and consumer perceptions. The group continues its extensive cooperation initiatives with experts and partners to improve impact measurement and contribute to the **emergence of third-generation renewable materials** that are not in direct competition with foodstuffs. For example, Danone contributes to the Bio-Plastics Feedstocks Alliance platform with the World Wildlife Fund to develop a "sustainability" standard for bio based packaging materials.



NATURE

Agriculture: support competitive agriculture that creates social, environmental and nutritional value

Commit to joining with others to promote agriculture that is more respectful of the environment

In 2012 Danone launched a **Sustainable Agriculture taskforce to redefine its strategy**. Internal and external stakeholders (Danone Ecosystem Fund, experts panel, etc.) were involved from the start, first to select a tool for assessing farm sustainability (based on RISE approach developed by Bern University), referencing a complete benchmark (100 tools assessed) that addresses all four dimensions: health, economy, nature and social. The taskforce then implemented the vision operationally through concrete projects in **six pilot countries in 2013 (in Europe, Americas and Asia) covering all models of dairy production**. The goal is to create momentum for developing sustainable agricultural practices, in close cooperation with producers and stakeholders in the dairy sector.



In 2012 the Fresh dairy products division launched its **Animal Well-Being** program comprising a number of practices to be applied at the farm level, to ensure not only animal well-being but also food safety, plan for regulatory changes and ensure that the farmer continues to earn revenues over the medium and long term.

This program, developed in cooperation with scientists, livestock farmers and animal protection organizations, is based on three priorities:

- strengthen farmers' awareness of animal well-being by providing them with the necessary information and tools;
- reward good animal well-being practices. Farmers who make progress in the area of animal well-being will be recognized by Danone in a variety of ways (a label, a prize, etc.);
- ensure a high level of animal well-being while improving milk production. Danone intends to draft action plans, in collaboration with livestock specialists, dedicated to improving animal well-being and farm performance.

Biodiversity: protect the ecosystems connected to agriculture and forests

The impact of Danone's business on biodiversity is primarily related to upstream agriculture (soil and water). A pilot lifecycle analysis study was launched in 2012 by the Danone Brazil subsidiary with IPE (a local Non Governmental Organization) and the IUCN to develop a methodology for **evaluating issues relating to biodiversity in Danone's value chain**.

In 2012, the **Villavicencio brand** began an innovative partnership with the NGO Banco de Bosques, and implemented the "**Déjà tu Huella**" ("Leave your mark") operation, which invited consumers to participate in creating a new nature reserve. For every bottle purchased during a two-month period, Villavicencio committed to protecting one square meter of parkland. The initiative included efforts to raise public awareness of the dangers of deforestation and the importance of biodiversity for the local ecosystem, and had a significant impact: nearly 2,200 hectares were protected, the public participated actively in the project, and consumer preference for the Villavicencio brand increased.

Since 2010, Danone has included a panel of experts and external stakeholders in its strategic thinking about its long-term direction. These efforts have revolved in particular around the following themes: "full scope" carbon footprint including upstream agriculture, transforming packaging waste into resources and bio-sourced materials, water footprint, sustainable agriculture and biodiversity.



STRATEGY

MEASURING PROGRESS AND PERFORMANCE THROUGHOUT THE VALUE CHAIN

DANONE WAY

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RESPECT

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DANONE'S EVALUATION
BY NON-FINANCIAL
RATING AGENCIES

50



Danone Way: key practices in Danone subsidiaries for sustainable business development

Launched in 2001, the Danone Way program helps to disseminate the sustainable development culture and fundamentals within the group, by measuring the subsidiaries' social and environmental responsibility performance. Every year, the group's subsidiaries assess the maturity of their policies and their corresponding performance levels for 16 key practices in five areas: human rights, human relations, environment, consumers and governance.

This program meets stakeholders' expectations in terms of measuring Danone's non-financial performance and is also a driver of ongoing improvement for all the subsidiaries. Danone Way enables:

- to provide guidance to subsidiaries operating as start ups, particularly in emerging countries;
- to integrate Danone's sustainable development strategic priorities and culture into newly acquired, but already structured, subsidiaries;
- each subsidiary to compare its performance to that of its fellows and seek for areas of improvement.

Change in methods in 2012

Since the new version of Danone Way was introduced in 2007, the group has sought to define guidelines that meet two needs:

- the need for sufficiently consistent guidelines to ensure a clear understanding of the subsidiaries' progress over a period of several years;
- the need to respond to stakeholders' increasing requirements, changes to Danone's strategy in these areas, and the specific features of the various subsidiaries (size, maturity and type of business).

In 2012, and as announced in the 2011 Sustainability Report, significant changes were made to the program that raised standards compared with 2011. These changes involved:

- adapting the guidelines to changes in sustainable development issues that have become an increasingly integral part of Danone's business:
 - give greater priority to the nutritional quality of products for consumers by establishing two separate practices instead of only one: product composition as well as responsible communications related to product promotion, while taking account of specific aspects relating to the divisions' activities;
 - expand efforts to develop the group's human capital by also transitioning from one to two practices: first, increase employment options for all Danoners with appropriate training programs throughout their careers, and second, support individual development by matching employees' personal and professional ambitions with the company's needs;



DANONE WAY

- health at work is incorporated into the safety at work issue to create an expanded fundamental encompassing health, safety and working conditions. This issue now includes stress management-related programs to comply with the agreement signed between Danone and IUF in 2011;
- the fundamental concerning compensation for all Danone employees has been removed from Danone Way scope of responsibility and is now monitored as part of “Dango”, Danone’s internal control program.

The subsidiaries received more extensive support as a result of these changes, to facilitate their adoption:

- dynamic materials were created for greater understanding of the added value and content of the Danone Way program and how it works;
- collaborative training and information sessions about the various key practices were organized and attended by some 250 participants in total;
- all of the materials thus generated were made available on a platform accessible to all the subsidiaries.

External audits to certify the program

To demonstrate the objectivity of the Danone Way framework and the reliability of the approach results to all group stakeholders, the program has been audited by an independent firm since 2002 (KPMG since 2007).

Assessments of 14 subsidiaries representing 20.5% of the group’s net sales were audited by KPMG between October 2012 and January 2013. Taking these audits together with the review of the consolidation method applied to all the subsidiaries’ results, KPMG certifies the Danone Way program’s 2012 results (limited assurance level).

The resulting opinion is published on *pages 83 to 85 of this report*.



of the net sales
of participant
subsidiaries verified
by external
third part

2012 results

Scope of assessment

146 subsidiaries took part in Danone Way in 2012 (vs. 142 in 2011), representing 89% of the group's net sales (vs. 92% in 2011), the subsidiaries not involved correspond to Unimilk group companies. Out of the 146 subsidiaries involved in the program, 28 follow the "Danone Way Light" guidelines for small subsidiaries. It should also be noted that some subsidiaries do not conduct self-assessments on all Danone Way program fundamentals, as the group and/or the subsidiaries consider that certain evaluation criteria do not apply to them.

Detailed results

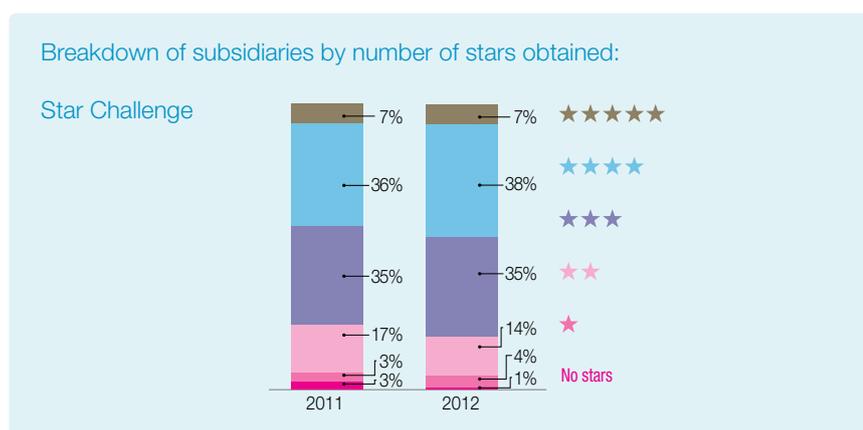
Methodology note: All of the results presented below show the trend from 2011 to 2012. They are calculated on a like-for-like basis for easier comparison of results.

Overall scores

According to the Danone Way methodology, the subsidiaries are awarded a certain number of stars for their performance based on the scale below:

0 stars	Little or no awareness of sustainable development objectives - no proactive program
1 stars	
2 stars	Aware of certain sustainable development objectives - occasional steps are taken
3 stars	Aware of sustainable development objectives - the most important practices are implemented
4 stars	Best sustainable development practices are implemented, in some cases using an innovative and/or distinctive approach
5 stars	Innovative and/or distinctive practices are implemented for all sustainable development objectives

The 2012 results are as follows, for all the subsidiaries:

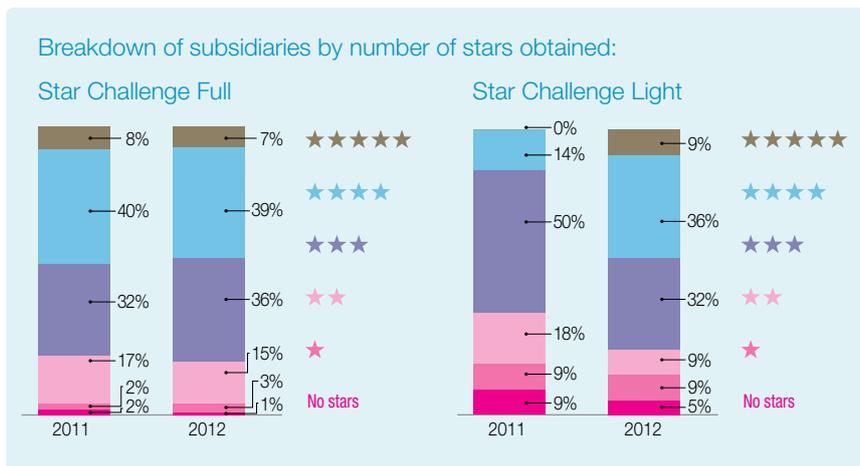


146

subsidiaries self-assessed through Danone Way

DANONE WAY

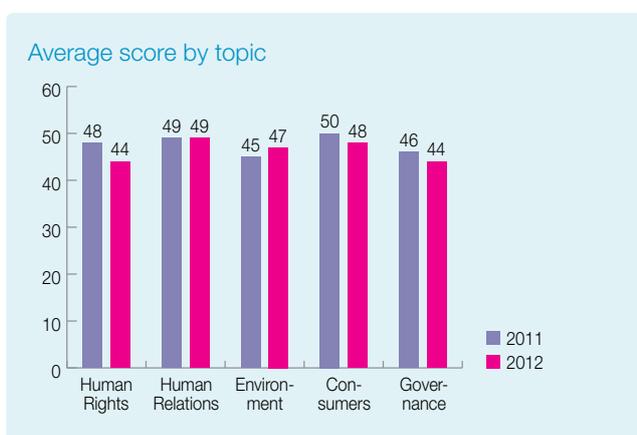
Distinguishing between subsidiaries applying the full Danone Way guidelines and those applying the “light” version, the results are as follows:



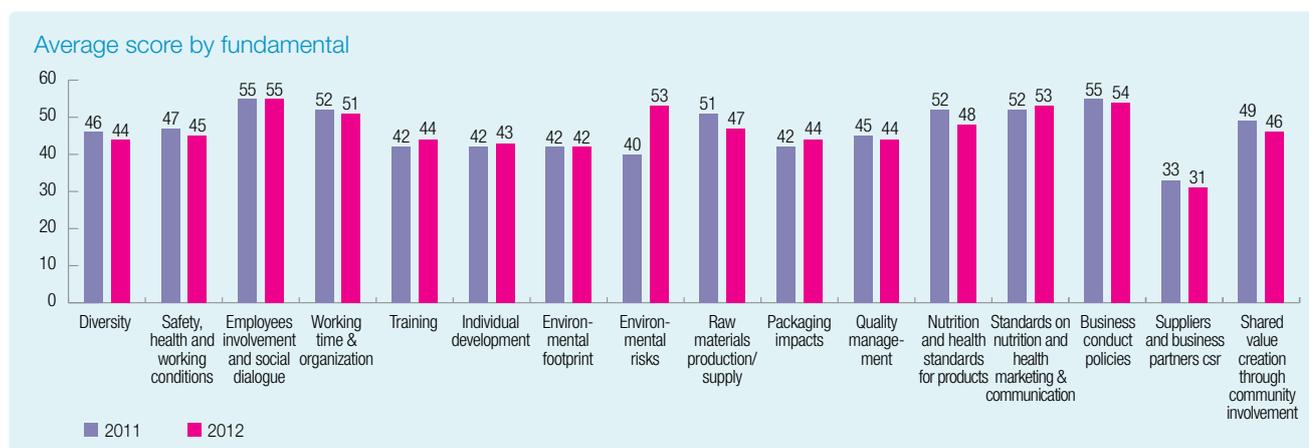
Overall, distribution across the levels of stars remained stable, as did the number of subsidiaries participating in the Danone Way program. Given that the 2012 guidelines were more demanding than in 2011, the results are very satisfactory, **with 81% of subsidiaries scoring at least 3 stars**, i.e. the lowest performance threshold recommended by the group. The Baby and Medical nutrition divisions continue to develop their commitment to the program, leading to a significant rise in the number of “light” version subsidiaries reaching the minimum 3 stars threshold (77% in 2012 compared with 64% in 2011).

These results demonstrate that the efforts made to adapt the 2012 Danone Way guidelines to the specific features of small entities and the support given to subsidiaries, irrespective of size, were effective.

Topics and Key Practices



This chart illustrates the change in subsidiaries’ average score (total for policies and indicators) for each of the 5 Danone Way areas in 2011 and 2012.



This chart illustrates the change in subsidiaries' average score (total for policies and indicators) for each of the 16 Danone Way key practices in 2011 and 2012.

While results improved in 2012 on the Environment topic and remained stable in Human Relations, they were down for Human Rights, Consumers and Governance. These results reflect the more stringent requirements integrated into the 2012 guidelines:

- **Human Rights:** the introduction of the Danone/IUF agreement on health, safety, working conditions and stress requires the subsidiaries to apply practices that extend beyond the issue of workplace safety;
- **Consumers:** the higher internal standards linked to product nutrition quality are raising product formulation requirements;
- **Governance:** measurement of the performance of social innovation projects reflects inequalities between the subsidiaries in terms of their teams' professional approach;
- **Environment:** roll-out of the GREEN program and efforts to structure environmental reporting continue to bear fruits;
- **Human relations:** although this result is difficult to compare with 2011 due to the removal of the compensation policy criteria, globally the subsidiaries responded well to the rise in standards for training practices and individual development.

Danone Way in 2013

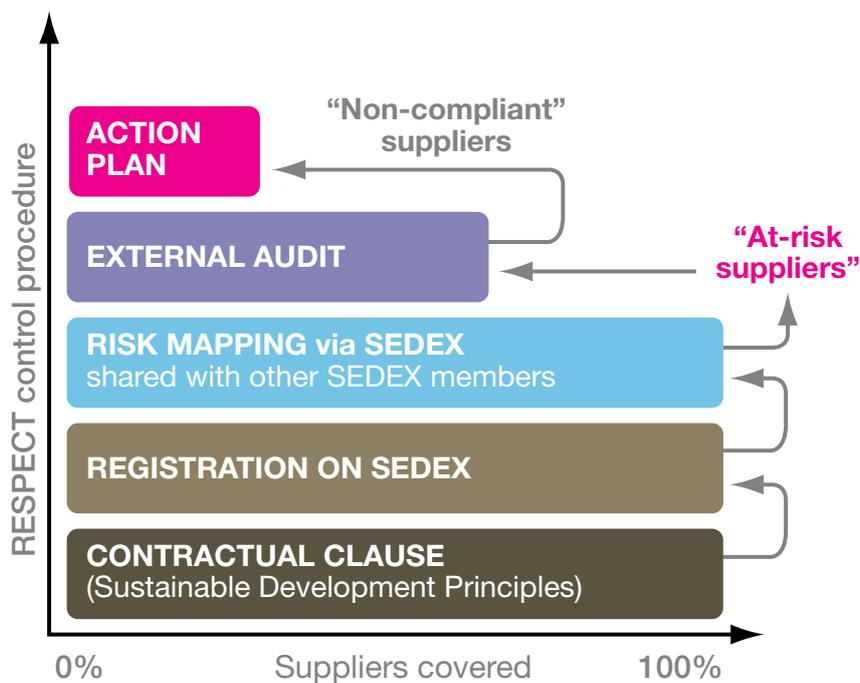
Efforts made in 2012 to integrate the new guidelines will be leveraged in 2013. While the requirements for the new campaign have only slightly changed, certain evaluation criteria considered as less relevant have been removed. The subsidiaries will therefore be able to consolidate their practices and continue their ongoing transformation to implement more sustainable business models.

RESPECT

The RESPECT program

The RESPECT approach launched in 2005 consists in extending the “dual economic and social project” to the group’s entire supply chain, except milk producers, following a specific process:

- contractualizing the Sustainable Development Principles with the group’s suppliers (social, environmental and ethics) including the Sustainable Development Principles (social, environmental and ethical) in suppliers’ contracts and/or general terms of procurement;
- sharing information through supplier self-declarations concerning their Corporate Social Responsibility performance, using the SEDEX platform shared by all consumer goods industry players in the AIM-progress association (see this link for more information: www.sedexglobal.com);
- external CSR audits using the SMETA benchmark for suppliers viewed as at-risk based on this information exchange, with a view to implementing an appropriate action plan (see diagram below and this link for more information on the benchmark: www.sedexglobal.com/ethical-audits/smeta).



2012 results

More than 300 new suppliers completed self-assessments of their CSR performance on the SEDEX platform under the continued rollout of the RESPECT policy in 2012.

During the 2009-2012 period, a total of **2,361 suppliers from all divisions completed self-evaluations**. This represents nearly 70% of the 3,500 suppliers targeted by this approach around the world, due to the scope of their relationship with the group and the nature of their products and/or services: raw materials (except milk), packaging, logistics, promotional products and other services.

Zone	Waters	Baby & Medical nutrition	Fresh dairy products	Total
Africa	0	3	70	73
Americas	156	61	367	584
Asia	186	134	161	481
Europe	222	445	556	1,223
Total	564	643	1,154	2,361

This table shows the breakdown by division of the number of suppliers who completed the self-evaluation questionnaire during the 2010/2012 period with enough detail to assign a risk level indicating the need for an audit or not.

Based on the self-evaluations by these 2,361 suppliers, 76 new suppliers underwent “SMETA” audits administered by external auditors (in addition to the 184 suppliers audited since 2010). These audits confirm or rule out the risks identified during the SEDEX pre-analysis, and lead to the introduction of action plans where required.

Zone	Number of audits 2010/2012
Africa	25
Americas	64
Asia	128
Europe	42
Total	260

RESPECT

The table below shows the breakdown of non-compliance issues identified by the 104 audits of Danone suppliers carried out in 2012 (included audits carried out on demand of other members of AIM-progress), the results of which were made available on the SEDEX platform. They primarily concern audits completed in China, Brazil and Indonesia.

Topic	Breakdown of non-compliance issues
Health, safety and hygiene	62%
Working hours	14%
Environment	7%
Wages	6%
Management systems	5%
Work contract	4%
Freedom of association	1%
Child labor	1%
Housing conditions	< 1%
Forced labor	< 1%
Ethical practices	< 1%

Four items continue to account for the great majority (89%) of non-compliance issues: Health, safety and hygiene; Working hours; Environment and Wages. Occurrences of this latter item are on the decline compared with 2011, while non-compliance in the area of Environment is proportionally on the rise. Items relating to child labor and forced labor, priorities for the group, remain at very low levels. It should be noted that any cause for concern regarding either of these two topics leads to an immediate demand for corrective action by the supplier as soon as it is flagged in the SEDEX self-evaluation, independent of the subsequent audit.

RESPECT outlook

The program's aim and objectives set at the end of 2010 by the RESPECT Committee and Danone's Executive Management remain current.

With regard to the introduction of tools and processes for managing the approach, support given to members of the procurement function undeniably bore fruit in 2012, in terms of understanding the issues encountered based on categories of procurement and geographic regions, and the relevance of solutions proposed to move the commercial relationship in the direction intended by the RESPECT program. Danone's recognition by the Dow Jones Sustainability Index as the leading global agri-food company in the area of responsible procurement reflects this success. A priority in 2013 will be sharing, unifying and formally defining best practices between the different divisions and countries.

Danone had also set the goal in 2010 of recording CSR data for 100% of its major suppliers and auditing 100% of the at risk suppliers. This goal turned out to be more ambitious and complex than expected. In addition to introducing the necessary organization within Danone, the need to involve suppliers in registering and communicating sometimes sensitive information is a major challenge, not just for Danone but for all AIM-progress members. In response to this issue, the association introduced a new SEDEX questionnaire at the end of 2011 that is more relevant to suppliers' specific business models and locations. Following this necessary update the validity of responses given by many suppliers needed reviewing, which slowed progress in the coverage rate of self-evaluations.



DANONE'S RATING BY NON-FINANCIAL RATING AGENCIES

Dow Jones Sustainability Index Rating - September 2012

The Dow Jones Sustainability Index (DJSI) is a leading global index that rates the sustainable development performances of the top 340 companies (selected from a peer group of 1,544 companies reviewed), notably with respect to their social, environmental and economic performance. Over the years, the criteria have become increasingly demanding, and companies must constantly improve in order to remain listed on the index.



Danone has been included in the index since its creation in 1999 and achieved a score of 83% (81% in 2011), confirming its position among the leaders in the ranking which, for the agri-food industry, consists of a panel of the top 15 global companies chosen for the 2012 index.

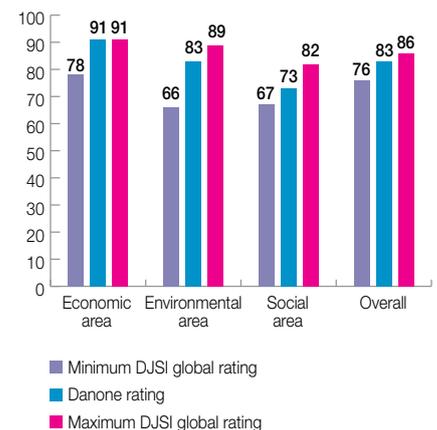
In 2012, Danone therefore received the Silver class distinction awarded by SAM Robeco, the company that administers DJSI.

A change of index methodology was introduced in 2012 transferring the Supply Chain management criterion from the social to the economic area. As Danone performs well in this criterion (with 97 points, the best rating in the sector), the change significantly impacts results, with a decline in the social area and an increase in economic performance.

Economic area

Danone increased its rating by eight points compared with 2011 in this criterion and obtained the sector's highest score (91 points) in the economic area. This increase is due to consistently good performance in the Supply Chain management criterion (97 points, highest rating in the sector), and for the second year running, Danone's health and nutrition practices (+10 points) and innovation management which rose by 14 points to achieve the sector's highest score. Areas for improvement include better distribution and promotion of the business conduct policy.

Danone DJSI rating 2012

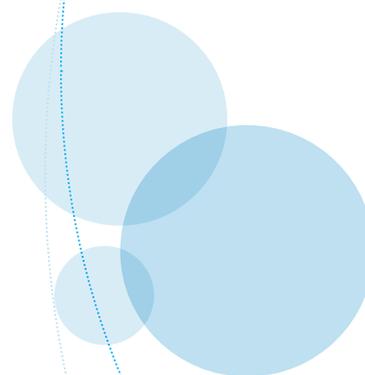


Environmental area

Danone remains one of the companies receiving the highest scores in the environmental area (83 points) and the difference with the industry leader is maintained, despite being one point down from 2011. The group retained its leading position in packaging management and environmental policy implementation systems. While Danone ceded its leading position in raw materials procurement and environmental reporting criteria, it remains among the highest scorers. With respect to the policy on Genetically Modified Organisms (GMOs), Danone improved its results by 12 points compared with the preceding year. This area nevertheless remains one where major progress can be made.

Social area

Performance in the social area was slightly down in 2012 to 73 points. While Danone remains the leader with respect to attracting and retaining talent, it failed to improve its rating in health at work (as subcontractor safety reporting was not available in 2012) and achieved a lower score in social reporting (due to incomplete documentation of the materiality test).



DANONE'S RATING BY NON-FINANCIAL RATING AGENCIES

VIGEO rating - February 2013



As the leading European non-financial rating company, Vigeo measures the performance of Dow Jones Global 1800 Index companies in Europe, Americas and Asia with respect to social responsibility in six rating areas (*see table*).

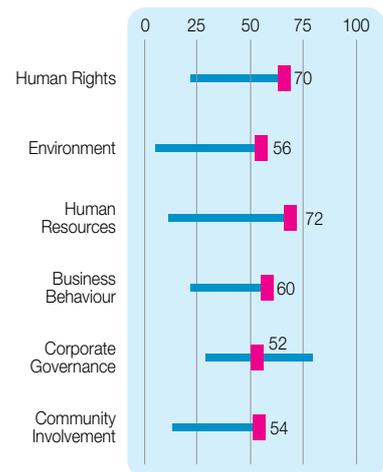
In February 2013, Danone was therefore rated among a peer group of 18 companies in the food sector and maintained its position as the **leader in the food industry** with a stable general score of 60/100 and the confirmation of its leading position on all the rating areas except Corporate Governance.

Assessment of Danone's environmental, social and governance performance in February 2013 for the six areas of assessment and changes relative to July 2011.

Domain evaluated	Scores 07/2011	Ratings 07/2011	Scores 02/2013	Ratings 02/2013
Human Rights	70	++	70	++
Environment	60	++	56	++
Human Resources	69	++	72	++
Business Behavior	55	++	60	++
Corporate Governance	53	=	52	=
Community Involvement	58	++	54	++

- ++ the company is ranked as a leading performer in its sector.
- + the company is ranked as an active performer in its sector.
- = the company is ranked as an average performer in its sector.
- the company is ranked as a below average performer in its sector.
- the company is ranked as a poor performer in its sector.

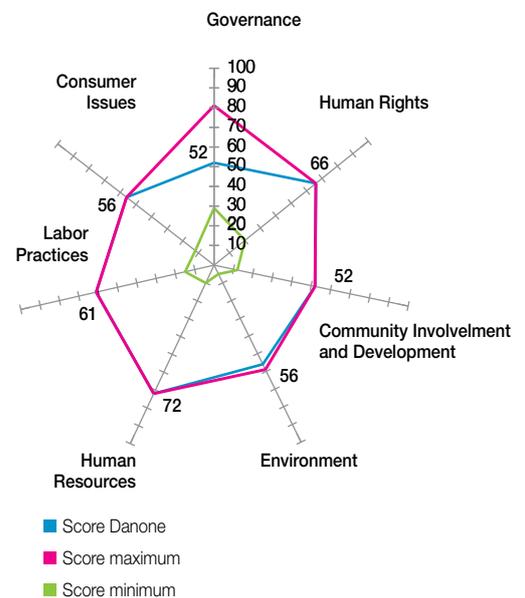
Company's performance in comparison with its sector



In five of the six areas assessed by Vigeo, Danone's scores remained stable and were the best in the sector:

- the **Human Rights** remain a strength thanks to Danone's ability to fully integrate freedom of association, the negotiation of collective agreements and anti-discrimination measures into its strategy;
- the **Business Behavior** is also earned favorable mention, given the improvements made on transparency on its influence strategies and the integration of social and environmental factors in the upstream portion of Danone business;
- the **Human Resources** area is also a strength, particularly due to training and employability for all employees and management of career's system, and to the cooperation between Danone and IUF notably in terms of health and safety.
- the **Environment** area benefits from a strategy deployed worldwide, supported by quantitative objectives including the major challenges related to Danone's business. Moreover, the group's performance on biodiversity is highlighted. Implementing a group policy in order to reduce environmental impacts from transportation remains a room for improvement;

- Danone is also recognized for its **societal commitment**, its ability to incorporate into its strategy the challenges related to access to water and nutritional solutions adapted to the most underprivileged populations, and its contribution to communities development notably via dedicated funds (danone.communities and the Danone Ecosystem Fund);
- Danone still lagged behind the leaders in the area of **Corporate Governance** and shareholder rights, while good practices are highlighted (CSR review by Board members and integration of CSR criteria in remuneration).



Lastly, the Vigeo report underscores that the information made available by Danone for these assessments covered 90% of the criteria used for the methodology, or on average 38% than the rest of the food sector. This result demonstrates the true recognition of CSR issues by Danone across its entire value chain and its commitment to transparency with stakeholders for its sustainable development strategy.

VIGEO rating based on ISO 26000 – February 2013

Along with this assessment, Vigeo evaluated Danone with respect to the ISO 26000 standard published in late 2010 and representing a generic framework for defining and managing a social responsibility program. The results are described below. This evaluation illustrates the consistency of Danone’s performance across all seven areas of ISO 26000.

Danone is included in the **ASPI** and **Ethibel** sustainable development indexes, which highlight the company’s performance with respect to societal performance and respect for the environment at the European level.

The Aspi Eurozone index includes the 120 listed euro-zone companies with the highest Vigeo ratings for environmental and societal performance.

The Ethibel index provides potential investors with a broad view of leading companies in the sustainable development and societal responsibility areas. It rates Danone in the “**Ethibel Excellence Europe**” and “**Ethibel Excellence Global**” categories.



DANONE'S RATING BY NON-FINANCIAL RATING AGENCIES

Carbon Disclosure Project Rating

In 2012 Danone entered the Carbon Disclosure Leadership Index for the first time since the group began participating in the Carbon Disclosure Project (CDP). The CDP provides an evaluation tool for institutional investors and other stakeholders. In 2012 the index included 51 firms selected for the quality of data disclosed and performance in actions taken to reduce climate change. The highest scorers enter the Carbon Disclosure Leadership Index (CDLI). Danone's high rating (97/100) illustrates the group's good internal data management and its understanding of climate change issues relevant to it. The score also rewards Danone's high degree of transparency in its responses.



Access to Nutrition Index Rating

"Access to Nutrition Index" (ATNI) is a new international rating index created at the joint initiative of GAIN (Global Alliance for Improved Nutrition), the Bill & Melinda Gates Foundation and Wellcome Trust. Every two years, the index will rate the largest food and beverage companies on their nutrition-related policies, practices and performance. This index aims to encourage those companies to improve their nutritional quality and products accessibility, and to exercise their influence on consumers' choices and behavior in a responsible way.

After the methodology spent three years in development, the world's 25 largest food and beverage companies were assessed in 2012 on the basis of 2011 performances.

In the first ATNI rating published on March 12, 2013 Danone ranked number one with a global rating of 6.3/10, within the group of top performers (Danone, Unilever and Nestlé). The group also achieved the highest ratings in the Accessibility, Marketing and Engagement categories.

Strong points highlighted by the Index correspond to Danone's priority areas for action:

- analyze local contexts and study local eating habits to offer appropriate products;
- contribute to fighting under-nutrition by means of enriched products;
- strive to make products affordable for low-income consumers;
- implement responsible marketing practices, particularly with respect to children.



The ATNI also expresses reservations with regard to the issue of breast-milk substitutes. On this topic, and in addition to supporting WHO guidelines, Danone recognizes the need for overall improvement in industry practices and spearheads action in this area.

Forest Footprint Disclosure Rating

For the first time in 2012 Danone participated in the Forest Footprint Disclosure (FFD), which primarily aims to mitigate the increasing impacts of deforestation.

This global rating assesses the impact that very large companies have on forests, based on their use of five raw materials: soy, palm oil, wood and paper pulp, animal feed and biofuels.

Danone was able to report the data necessary for this evaluation based on its Forest Policy published in 2012, illustrating the group's concern for its impacts upstream from the value chain (see link: www.danone.com/nos-politiques/positions/nos-politiques-positions.html).

“Global 100” Rating

Every year at the World Economic Forum in Davos, the Global 100 ranks the world's 100 best performing companies in term of social responsibility. In the 2013 ranking (based on achievements in 2012), Danone finished 75th and obtained the highest rating among agri-food industry companies.

This annual rating initiated in 2005 by Corporate Knights (Canadian media, research and investment studies company) is regarded as the most credible evaluation, with criteria based on data published by companies.



STRATEGY

HISTORICAL **AND** APPROACH **HIGHLIGHTS**

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DOCUMENTS

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HIGHLIGHTS AND
KEY DATES 1972-2012

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REFERENCE DOCUMENTS

- **Antoine Riboud's speech in Marseille** (1972) constitutes the group's cultural heritage. It was formalised in 1974 in the economic and social dual project.
- The **Fundamental Social Principles**, based on the standards defined by the International Labour Organisation, provide the basis to be respected by all companies within the group, Country Business Units, partners and suppliers.
- The **joint conventions signed with the International Union of Food (IUF)** since 1988, which include the **World Convention on Diversity**, signed on June 8, 2007, serve as the reference for international trade union dialogue within the group.
- The **Environmental Charter** (1996) commits the group from the design of products right through to the recycling of the packaging to a management approach that is more environmentally-responsible.
- The **Danone Business Conduct Policy** (1997, revised in 2001, 2005 and 2009) details the behavior expected of managers on issues such as corruption and conflicts of interest.
- The **group's Values**, formalised in 1997: openness, enthusiasm, humanism and proximity.
- The **Food Nutrition and Health Charter** (2005, revised in October 2009) formalises Danone's commitments. The 5 commitments of the new charter represent a response to the concerns of authorities regarding public health issues related to food.
- The **Global Policy on the Protection of Underground Water Resources** (2005) commits Danone to ensuring the sustainable management of its sources.
- **Franck Riboud's speech** (of December 2008) for the launch of the Chair in "Social Business / Enterprise and Poverty", in partnership with HEC, reaffirms the economic and social dual project supported by Danone.
- **CODE**: an initiative launched in 2009 aimed at formalising and developing the leadership style and attitudes expected of all employees, in close alignment with the Danone values.
- The **Danone Inside Pack**: created and distributed in 2009 to all employees and all new arrivals. This is the reference document on: the history and background, the Danone values, areas of strategic focus, managerial attitudes (CODE), the Danone Way initiative and the Business Conduct Policy.
- The **Danone Charter** (created in 2005 by Blédina then updated in 2011 by Danone) for the **marketing of breast-milk substitutes** and other foods for babies and infants concerns Danone's governance in accordance with the principles of the WHO Code.
- Danone's Public Affairs Policy, created in 2011 and issued in January 2012, commits Danone in its relationships with all stakeholders.
- **Danone's Forest Footprint policy**, created and implemented in 2012, propels Danone into a strategy to eliminate the impact of deforestation on the supply chain, as well as a programme for reforestation by 2020.

HIGHLIGHTS AND KEY DATES 1972-2012

2012

100% of employees trained in 2012 (excluding Unimilk).

Dan'Cares: 27,700 employees insured in 2012, 98% employees in 41 countries.

43 Ecosystem projects in 35 subsidiaries, generating 51,000 jobs.

Danone is listed in the DJSI Index for 14th consecutive year and is No. 2 in food sector.

Danone is listed in the ATNI index, launched for the first time in 2012, and is No. 1 in food sector.

6 Livelihoods Fund projects in 2012, involving 7 partner companies.

Reduction of Danone's carbon footprint by -35.2% (target of -30%), from 2008 to end of 2012.

2011

9th Danone-IUF global framework agreement on health, safety, working conditions and stress.

35 projects approved and supported by the Danone Ecosystem Fund at end-2011, with 27 partners from civil society.

Danone is in the DJSI index for the 13th year and is joint leader in the Food sector.

94% of CBUs are covered by the Nutripack approach.

Second international "Microbes for Health" symposium, organized in partnership with the Pasteur Institute in Paris: 366 participants from 34 countries.

The Danone Nature Fund opens up to external partners and becomes Livelihoods. New carbon offset projects are launched in India.

The reduction in Danone's carbon footprint from 2008 to end-2011 is -27.5% (compared with the objective of -30% for the 2008-2012 period).

Creation of a dedicated plant in India (dairy products) for a Base Of the Pyramid business; initial launch of Fundooz products.

2010

Launch of the Dan Cares program to bring minimum medical coverage to all employees in every geographic region.

The first EVE seminar, a women leadership program created on Danone's initiative in partnership with other companies, uniting 230 women led by the common topic "Dare to be yourself to act".

84% of Danone products have been assessed in terms of nutritional profile.

Final integration of the former Numico subsidiaries in Danone processes.

Deployment of the Danone Inside Pack in most of the CBU's (document including Danone Way's history, values, strategy and approach, Business Conduct Policies, etc).

2009

Creation of the Danone Ecosystem Fund approved at the Annual General Meeting of Shareholders.

First carbon offset project with the Danone Fund for Nature: the restoration of mangroves in Senegal in partnership with a local NGO, Oceanium.

Revision of Food Nutrition and Health Charter and the Business Conduct Policy.

Safety Charter signed by all General Managers.

The Employee Barometer survey is sent for the first time to all employees.

Enlargement of the International Consultation Committee outside Europe.

CODE launching: corresponds to the formalizing of the leadership styles and attitudes.

2008

Creation of the Danone Fund for Nature with the International Union for the Conservation of Nature, this coming after 10 years of partnership with Ramsar (International Convention on the Protection of Wetlands in the World).

Launch of the Chair "Social Business/Enterprise and Poverty" in partnership with the HEC school.

Danone commits to reduce its carbon footprint by 30% between 2008 and 2012.

1999

Creation of the Managers' barometer, an opinion survey for measuring adherence to the group's strategy and values.

Danone selected for the Dow Jones Sustainability Index.

1998

Publication of the first annual social and environmental responsibility report.

Support for the Ramsar International Convention on the protection of wetlands.

1997

Refocusing on 3 businesses with high health-nutrition positioning: Dairy products, Beverages and Biscuits.

Business Conduct Policy.

Group's values formalizing: Openness, Enthusiasm, Humanism, Proximity.

1996

Appointment of Franck Riboud as CEO of Danone.

Environmental Charter.

Creation of Danone Conseils, consumer relations department in France.

1992

Creation of the 1st network for collection and recycling of packaging, Eco-Emballages.

1991

Creation of the Danone Institute.

2007

Creation of the Danone Communities Fund.

World Convention on Diversity signed between Danone and the International Union of Food (IUF).

Danone completed the sale of its Biscuits and Cereal Products division and took over control of Royal Numico N.V. specialized in Baby nutrition and Medical nutrition.

Creation of the Social Responsibility Committee of the Board of Directors.

Hosting an internal global network: more than 150 people participated in the "Social Innovation Labs" which also helped establish contact and relations between members of NGOs from several countries and Danone teams.

2006

Creation of the company Grameen Danone Foods Limited.

Danone refocuses its mission around health: "Bringing health through food to as many people as possible".

Deployment of the sustainable procurement (RESPECT) initiative in all Country Business Units of the group after a pilot phase between 2003 and 2005.

2005

Food, Nutrition and Health Charter.

Comprehensive global policy on protection of underground water resources.

Integration of the Fundamental Social Principles in conventions that were revised and re-signed with the IUF.

Blédina charter about commercialization of Baby nutrition products.

2003

Membership of the Global Compact of the United Nations. Danone a founding member of the "Sustainable Agriculture Initiative".

Danone's commitment to the Global Compact was reconfirmed in 2009.

2001

Launch of DANONE Way.

Formalisation of the Fundamental Social Principles.

1985

First meeting at the European level with the IUF, inaugurating an international social dialogue within the group.

1977

Creation of employment offices in charge of supporting restructuring.

1972

Antoine Riboud's speech in Marseille (economic and social dual project).

2000

Over 70% of group employees outside of Western Europe.

PERFORMANCE



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GRI INDEX



Self-evaluation of the application of GRI according to version 3.0 guidelines for the GRI with approval by KPMG Audit.

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2.2	Primary brands, products, and/or services		F	ch. 2.3, 2.4
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2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report		F	ch. 2.2
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2.9	Significant changes during the reporting period regarding size, structure, or ownership		F	ch. 2.1, 3.1
2.10	Awards received in the reporting period	50 - 55	F	
3. REPORT PARAMETERS				
Report Profile				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	75	F	
3.2	Date of most recent previous report (if any)	75	F	
3.3	Reporting cycle (annual, biennial, etc.)	75	F	
3.4	Contact point for questions regarding the report or its contents	back cov.	F	
Report Scope and Boundary				
3.5	Process for defining report content	76 - 82	F	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	76 - 82	F	
3.7	State any specific limitations on the scope or boundary of the report	77 - 82	F	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	77 - 82	F	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	77 - 82	F	

		Page of this report	Scope	Chapter and/or page of RD
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	76 - 82	F	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	76 - 82	F	

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3.12	Table identifying the location of the Standard Disclosures in the report	62 - 70	F	
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Third party validation

3.13	Policy and current practice with regard to seeking external assurance for the report	83 - 85	F	
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4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT

Governance

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight		F	ch. 6, 11.2
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)		F	ch. 6.5
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members		F	ch. 6.1
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		P	ch. 7.3
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)		P	ch. 6.10, 8.5
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		F	ch. 6.1
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics		F	ch. 6.2, 6.3, 6.4
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	87	F	ch. 6.4
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	41 - 49	F	ch. 6.4, 7.1
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance		F	ch. 6.1

GRI INDEX AND CONTENT

		Page of this report	Scope	Chapter and/or page of RD
Commitments to External Initiatives				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	88	F	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	88 - 89	F	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	89	F	
Stakeholder Engagement				
4.14	List of stakeholder groups engaged by the organization. Examples of stakeholder groups are: communities; civil society; customers; shareholders and providers of capital; suppliers; and employees, other workers, and their trade unions	90	F	
4.15	Basis for identification and selection of stakeholders with whom to engage	90 - 91	F	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	91	F	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	92	P	

5. MANAGEMENT APPROACH AND PERFORMANCE INDICATORS

5.1. ECONOMIC PERFORMANCE INDICATORS

Economic Performance

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	95	F	ch. 4.1, 5
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	96	F	
EC3	Coverage of the organization's defined benefit plan obligations	96	F	
EC4	Significant financial assistance received from government	96	NR	

Market Presence

ADD EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	97	F	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	97	NR	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	97	F	

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		Page of this report	Scope	Chapter and/or page of RD
Indirect Economic Impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	98 - 100	P	
ADD EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	101	P	

5.2. ENVIRONMENTAL PERFORMANCE INDICATORS

Materials

EN1	Materials used by weight or volume	105	P	
EN2	Percentage of materials used that are recycled input materials	106	P	

Energy

EN3	Direct energy consumption by primary energy source	106 - 107	P	
EN4	Indirect energy consumption by primary source	107	P	
ADD EN5	Energy saved due to conservation and efficiency improvements	108	P	
ADD EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	109	P	
ADD EN7	Initiatives to reduce indirect energy consumption and reductions achieved	109	F	

Water

EN8	Total water withdrawal by source	110 - 111	P	
ADD EN9	Water sources significantly affected by withdrawal of water	112	P	
ADD EN10	Percentage and total volume of water recycled and reused	112	F	

Biodiversity

EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	113 - 114	F	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	114 - 115	F	
ADD EN13	Habitats protected or restored	115 - 117	NR	
ADD EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	117 - 118	P	
ADD EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	118	P	

GRI INDEX AND CONTENT

		Page of this report	Scope	Chapter and/or page of RD
Emissions, Effluents and Waste				
EN16	Total direct and indirect greenhouse gas emissions by weight (t CO ₂ eq)	119 - 120	P	
EN17	Other relevant indirect greenhouse gas emissions by weight (t CO ₂ eq)	120 - 121	P	
ADD EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	122	P	
EN19	Emissions of ozone-depleting substances by weight	122 - 123	P	
EN20	NO, SO, and other significant air emissions by type and weight	123	P	
EN21	Total water discharge by quality and destination	123	P	
EN22	Total weight of waste by type and disposal method	123 - 124	P	
EN23	Total number and volume of significant spills	124	F	
ADD EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	124	NR	
ADD EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	124	P	
Products and Services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	125 - 126	P	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	126	P	
Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	127	F	
Transport				
SUPP EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	127 - 129	F	
Overall				
ADD EN30	Total environmental protection expenditures and investments by type	130 - 131	F	

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5.3. SOCIAL PERFORMANCE INDICATORS

Employment

LA1	Total workforce by employment type, employment contract, and region	135 - 138	F	
LA2	Total number and rate of employee turnover by age group, gender, and region	139	P	
ADD LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	139	NR	

Labor/Management Relations

LA4	Percentage of employees covered by collective bargaining agreements	140	P	
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	140	P	

Occupational Health and Safety

ADD LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	141	P	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region	141 - 143	P	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	144	P	
ADD LA9	Health and safety topics covered in formal agreements with trade unions	144	P	

Training and Education

LA10	Average hours of training per year per employee by employee category	145	F	
ADD LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	146	F	
ADD LA12	Percentage of employees receiving regular performance and career development reviews	146 - 147	P	

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		Page of this report	Scope	Chapter and/or page of RD
Diversity and Equal Opportunity				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	148 - 149	P	
LA14	Ratio of basic salary of men to women by employee category	150 - 151	F	
5.4. HUMAN RIGHTS PERFORMANCE INDICATORS				
Investment and Procurement Practices				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	153 - 154	F	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	154 - 155	F	
ADD HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	155	F	
Non-discrimination				
HR4	Total number of incidents of discrimination and actions taken	156	F	
Freedom of association and collective bargaining				
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	156	F	
Child Labor				
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	157	F	
Forced and Compulsory Labor				
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	157	F	
Security Practices				
ADD HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	157	F	
Indigenous Rights				
ADD HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	157	NR	

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5.5. SOCIETY PERFORMANCE INDICATORS

Local Communities

S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	159 - 161	F
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Corruption

S02	Percentage and total number of business units analyzed for risks related to corruption	162	P
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	162	P
S04	Actions taken in response to incidents of corruption	162	F

Public Policy

S05	Public policy positions and participation in public policy development and lobbying	163	F
ADD S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	163 - 164	F

Anti-Competitive Behavior

ADD S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	164	F
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Compliance

S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	165	F
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5.6. PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS				
Consumer Health and Safety				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	167 - 170	F	
ADD PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	170	P	
Product and Service Labeling				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	171	F	
ADD PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	171 - 172	P	
ADD PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	172	P	
Marketing Communications				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	173 - 174	F	
ADD PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	175	P	
Consumer Privacy				
ADD PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	175	P	
Compliance				
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	175	F	

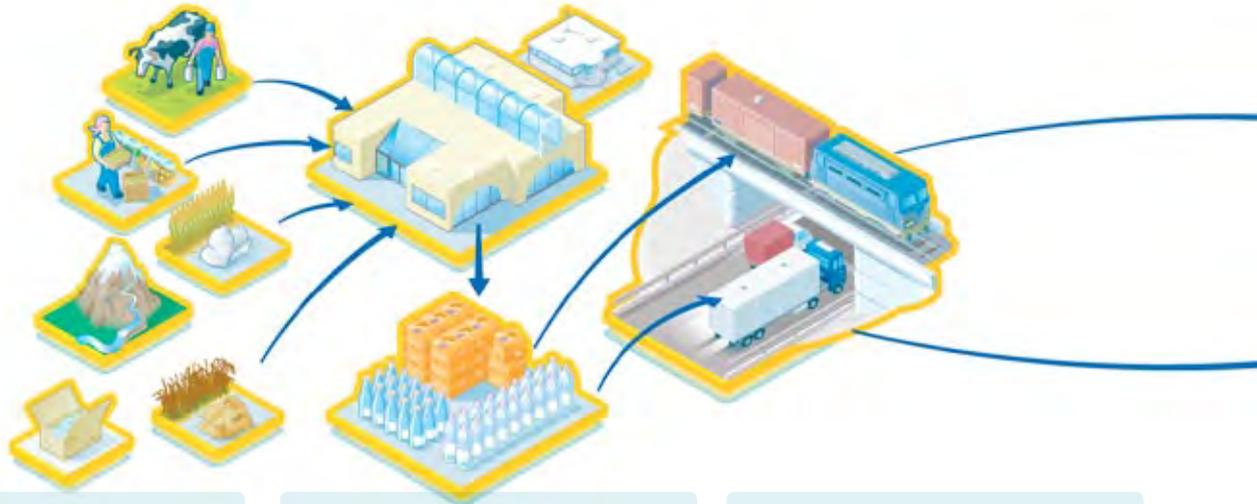
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IMPACTS AND RESPONSIBILITIES IN BUSINESS, FROM END TO END

The diagram below indicates the impact and key figures regarding Danone's activity on its value chain. Actions implemented at every step are detailed in this report.



Raw and Packaging Materials

- Pollution from fertilizers and pesticides
- Greenhouse gases emissions
- Consumption of renewable and non-renewable resources
- Social impact on suppliers

- ≈ 30,000 milk producers
- ≈ 30,000 other suppliers
- 22.9 million m³ of water in the finished products
- 40% of the Danone Carbon Footprint

Industrial production

- Energy and water consumption
- Waste production
- Wastewater discharge
- Impact on biodiversity
- Social impact on employees and employment areas

- 102,401 employees
- 194 Productions sites
- 35.7 million m³ of water used for industrial process
- 4.1 million MWh of energy consumed
- 31% of the Danone Carbon Footprint

Transport

- Energy consumption
- Greenhouse gases emissions
- Impact on biodiversity
- Social impact on transport providers

- 28,200 tons of finished products transported
- 28% of the Danone Carbon Footprint



Sales

- Energy consumption
- Greenhouse gases emissions
- Social impact on Danone employees and distributors

- 4 divisions: Fresh dairy products, Waters, Baby nutrition and Medical nutrition
- 20,800 million euros of net sales
- More than 40 brands marketed
- Active in 130 countries worldwide

Consumption

- Energy consumption
- Greenhouse gases emissions
- Product's safety and quality
- Products' economic accessibility

- 845 million consumers
- 168 consumer information programs
- 84% of net sales compliant with Danone's guidelines on products nutritional quality

End of product lifecycle

- Pollution of soil, air and water
- Indirect waste production
- Social impact of population dedicated to managing waste

- 40% of packaging waste recovered
- > 1/3 of packaging made of recycled materials
- 3.8% of the Danone Carbon Footprint

PERFORMANCE

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VALIDATION OF THE
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COMPANY PROFILE

The first information relative to this section of the report (company profile) is available in the group's Registration Document. References to the relevant pages are indicated in the GRI index *published on pages 62 to 70 of this report*.

This report covers Danone's economic, social and environmental performance for the period from January 1 to December 31, 2012.

The indicators and management systems described in this report were prepared in compliance with the guidelines of the **Global Reporting Initiative (GRI 3.0)**. These provide a balanced and reasonable presentation of the group's economic, environmental and social organization. The indicators are presented using the GRI 3 references (e.g. EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change).

In compliance with the GRI criteria, Danone gave itself a **B+** rating (in accordance with version 3.0 guidelines). KPMG Audit reviewed and approved the Danone group's self-evaluation of its GRI application level.



The indicators also meet the information requirements of Articles R225-104 and R225-105 of the Code of Commerce and take into account the "annual social indicators" jointly agreed upon by the IUF (International Union of Food workers) and Danone in September 2004.

A portion of the social, environmental and societal data contained in this document was published in section 7.2 of the group's 2012 Registration Document and verified as such by PricewaterhouseCoopers and Ernst & Young. This data is addressed by a report expressing reasonable assurance published in section 7.2 of the group's Registration Document.

The previous report covering the period from January 1 to December 31, 2011 was published for the Shareholders' General Meeting on April 26, 2012.

The figures and data published in the present report are communicated, unless otherwise specified, for a worldwide body of companies controlled by Danone (list of consolidated companies in the Registration Document); the Registration Document and Economic and Social Report are complementary and available for download on the website www.danone.com.

Awards received during the reporting period

- Danone was selected for the **Dow Jones Sustainability Index (DJSI)** for the fourteenth year in a row, and is rated Silver Class in the SAM Robeco ranking for the Food sector;
- in 2012, Danone entered the Carbon Disclosure Leadership Index (CDL) for the time since the group began participating in CDP, with a score of 97/100 (an 8 points increase compared to 2011);
- in the first ATNI rating campaign, Danone ranked n°1 within the food companies in the nutritional quality area, with a score of 6,3/10;
- in the framework of the World Economic Forum in Davos, Danone ranked 75th of the "Global 100" rating of the world's 100 best performing companies in terms of social responsibility;
- Danone is also included in the major sustainable development indices: **Ethibel Sustainability Index** and **ASPI Eurozone**, ranked in the "Ethibel Excellence Europe" and "Ethibel Excellence Global" categories. Detailed results of Danone's ranking in 2012 by the major rating indices are presented on pages 50 to 56 of this report).



REPORT PARAMETERS

This section of the report corresponds to GRI indicators 3.1 to 3.11 (*see GRI index on pages 62 to 70 of this Report*).

Consolidation scope and coverage scopes

The **financial data** included in this report corresponds to consolidated historical data from the **2012 Registration Document**. It was prepared in compliance with IFRS accounting standards as adopted by the European Union.

The consolidation scope is composed of all the subsidiaries fully consolidated for the establishment of the group consolidated financial statement, in other words the subsidiaries in which the group holds, directly or indirectly, a controlling interest.

However, some small or recently acquired subsidiaries do not report all the social (safety) and environmental indicators, in particular the ones included in Unimilk and Wockhardt groups. The non-reporting subsidiaries may be different depending on the nature of these indicators, such that the scope of coverage varies for the following categories of indicators:

- Total group scope;
- Social indicators scope;
- Safety scope;
- Production site environment scope;
- Greenhouse gases emissions scope – Danprint scope;
- Greenhouse gases emissions scope – GHG scope.

Total Group scope and Social indicators scope

In 2012, 187 group entities, located in 59 different countries and representing around 85% of the group's total workforce reported social indicators (Social indicators scope), except indicators concerning total workforce for which the coverage rate is 100% (Total group scope).

The main subsidiaries that did not report social indicators (excluding total workforce) and for which the integration process is planned and/or ongoing are Danone Russia, the Unimilk group companies in Russia, and the Baby nutrition and Medical nutrition subsidiaries in India created following the 2012 acquisition of the Wockhardt group's baby nutrition and medical nutrition businesses.

Safety scope

In 2012, 151 group entities representing around 83% of the group's total workforce reported safety indicators (Safety scope).

The main subsidiaries that did not report all safety indicators and for which the integration process is planned and/or ongoing are Danone Russia, Danone Ukraine, the Unimilk group subsidiaries in Russia, and the Baby nutrition and Medical nutrition subsidiaries in India created following the 2012 acquisition of the Wockhardt group's baby nutrition and medical nutrition businesses.

Production site environment scope

In 2012, 164 production sites (among the group's 194 production sites) located in 60 different countries and representing around 92% of the group's consolidated net sales, reported environmental indicators (Production site environment scope), other than the GHG Protocol Corporate indicators.

The environmental impacts of administrative headquarters and logistics bases are not included in the consolidation scope (except for certain indicators, when the logistics bases are adjacent to an industrial site).

Greenhouse gases – Danprint scope

In 2012, this scope covered 94% of the group's sales volumes.

Greenhouse gases – GHG scope (organization approach)

In accordance with the GHG Protocol Corporate standard, this indicator covers all sites and vehicles under Danone's operational control: production sites, distribution centers, offices, etc.

In 2012, 121 group entities, located in 53 different countries and representing around 92% of the group's consolidated net sales, reported GHG Protocol Corporate indicators (Greenhouse gases – GHG scope).

The main subsidiaries that did not report all environmental indicators including GHG Protocol Corporate, and for which the integration process is planned and/or ongoing are the Unimilk group companies and the Baby nutrition and Medical nutrition subsidiaries in India created following the 2012 acquisition of the Wockhardt group's baby nutrition and medical nutrition businesses.

For the Medical nutrition division, the ten subsidiaries with the highest net sales (67% of the division's net sales) and including the division's entire production were integrated into GHG Protocol Corporate reporting.

For this scope, social, environmental and safety data is 100% integrated (comprehensive integration of data).

Variations in consolidation scope

Scope variations arise from fully integrated subsidiaries creations, acquisitions, disposals or liquidations.

The subsidiaries integration and exit of the consolidation scope rules used for environmental and social data are the same as the rules used for the group's financial statements:

- **acquisition:** data for the acquired entity is included in the consolidation scope at the date the group took control;
- **creation:** the entity's data is included in the scope from the date of creation;
- **disposal or liquidation:** data for the entity sold or liquidated is withdrawn from the consolidation scope at the effective disposal or liquidation date in the current financial year.

When data is reported at production site level rather than subsidiary level (case of certain environmental indicators), the rules for integrating or removing sites from the consolidation scope are as follows:

- **acquisition:** data for the acquired site is included in the consolidation scope at the date of acquisition;
- **creation:** data for the newly constructed site is included in the consolidation scope from the starting up date;
- **disposal or closing:** data for the site closed or disposed is withdrawn from the consolidation scope at the effective disposal or closing date.

Like-for-like basis variations (constant scope)

The group measures evolutions of some social and environmental indicators on a like-for-like basis that is to say on a constant consolidation scope. The 2012 data is restated using a consolidation scope identical to the 2011 scope.

REPORT PARAMETERS

Selection of indicators

The social indicators presented:

- correspond to Danone's human resources policy in terms of monitoring of workforce and social performance and employee management and development performance;
- take into account cultural specificities and local differences (various national legislations or legal obligations, etc.).

The environmental indicators presented:

- correspond to Danone's environmental policy and reflect the progress made by production plants; these indicators are relevant to the group's business;
- make it possible to monitor Danone's environmental performance with regard to its primary environmental challenges.

Data reporting

To ensure the homogeneity of indicators across the reporting scope, shared data reporting guidelines for social, safety and environmental data are transmitted and updated each year following data consolidation and comments by contributors. These guidelines specify the methodologies to use for reporting indicators: definitions, primary methodologies, calculation formulas and standard ratios.

The guidelines regarding environmental, social, safety and GHG data are available upon request from the Social Responsibility Department.

The social, safety and environmental indicators are transmitted from the subsidiaries and production sites and are consolidated at group level by the concerned department.

Social indicators

The group central Human Resources Department is responsible for social indicators with the exception of safety indicators. Reported data is generally derived from wage payment system installed in the subsidiaries and is reported via the group financial consolidation software (SAP/ Business Objects Financial Consolidation).

Safety indicators

The group central Safety Department is responsible for environmental indicators. Reported data are monthly entered at the level of each subsidiary the group consolidation system, WISE.

Environmental indicators

The group central Nature Department is responsible for environmental indicators. Environmental data is reported by the Environment manager of each production site via the NatIV tool.

Regarding GHG Protocol Corporate indicators, data concerning offices, distribution centers, Research and Development centers and vehicles is collected through a specific IT tool developed by ERM (a specialized environmental consulting agency). Production site data is collected using NatIV.

Methodological clarifications

The methodologies used for certain social and environmental indicators may involve de facto limits, due to, in particular:

- the absence of shared national and/or international definitions;
- the estimates required, the representative nature of measurements or the limited availability of external data needed for calculations.

This is why the definitions and methodologies used for the indicators hereafter are specified.

Workforce

A negligible portion of the managerial workforce is not included in the data reporting framework (a few cases of internationally mobile employees on assignment in other group entities). Furthermore, some disparities may exist in the workforce accounting methods for expatriate employees (it is notably the case for expatriate employees who have three-parts contracts signed between the employee and the two subsidiaries).

Employees in long-term leaves (more than nine months) are not included in the workforce registered at the end of the reporting period.

In China, employees remunerated by Danone, but whose contracts are with a third-party company (equivalent to a temporary work agency) are not included in the workforce.

Short-term contracts and movements within the group are not included in the entries/exits.

Net job creation

The net creation of jobs is the current financial year workforce compared with the last financial year workforce, on a like-for-like basis (with corrections of the acquisitions and disposal effects).

Number of training hours and number of employees trained

Training data from French subsidiaries includes training categorized as ongoing professional training as well as other types of training.

The number of employees trained includes all employees who benefited from at least one training session during the year, including employees no longer present at December 31, 2012.

The training sessions for which evidence have not been received yet at the reporting closure limit are not included, which can lead to underestimation.

Employees with disabilities

This indicator covers employees declared as disabled workers. The definition of a person with disabilities is determined by local regulations in the different countries. In addition, due to local regulatory specificities, certain countries include both externally documented disability recognition and disability recognized internally by the on-site occupational physician.

Absenteeism

The absenteeism rate is expressed as a percentage, calculated by the total number of absence hours divided by the theoretical total number of working hours. Absences included in this indicator are those for illness (with or without hospitalization), absences due to work stoppages, and unjustified absences. Hours of absence due to maternity/paternity leave and long-term absences (of more than nine months) are not included in the indicator.

The hypothesis choice for the theoretical worked hours calculation method is at the discretion of the subsidiaries, taking into account local specificities, which can lead to minor heterogeneities.

Some subsidiaries monitor the absenteeism only for hourly paid employees; other employees are included in a specific program providing them some available off-days that can be used for several reasons (holidays, sickness...).

Frequency rates of workplace accidents

The frequency rate 1 (FR1) is the number of accidents with lost time of one day or more that occur over a twelve-month period, for every one million hours worked. The hours worked are real hours worked; by default, theoretical worked hours are taken into account based on local practices and regulations.

The hypothesis choice for the theoretical worked hours calculation method is at the discretion of the subsidiaries, taking into account local specificities, which can lead to minor heterogeneities. Safety indicators cover temporary personnel working on Danone's sites and interns who have a training agreement with Danone.

REPORT PARAMETERS

Temporary personnel refers to individuals under Danone's direct management for whom working time is available (in number of hours), this can create discrepancies in the scope of the workforce accounted for by the sites.

Waste

Reporting of waste data in 2012 is based on four categories (packaging waste, materials waste, other non-hazardous waste and hazardous waste).

Consolidated data for waste in 2012 does not include (i) sludge from treatment facilities, (ii) returned products (raw materials rejected for non-compliance / unsold inventory due to sales issues), (iii) whey and (iv) inert waste (construction waste).

The data related to recovered waste includes material (recycling, compost, reuse...) and energy recovery.

Water consumption

Consumption of well or surface water may be estimated when sites have no meters. The definitions and methods of accounting for various uses of water (including runoff, i.e. water pumped and returned into streams) are specified in the technical environmental guide and the specific software tool NatIV. Water consumption includes water used in industrial processes and water that is part of the formulation of finished products.

The calculation method used by the group takes into account the water used in open cooling circuits (water pumped and returned without any modification except for temperature).

When logistics bases are adjacent to industrial sites, their water consumption is included if the site is not able to separate out its own consumption.

Energy consumption

By definition, the environmental indicators only include the impacts of production sites, with the exception of the GHG Protocol Corporate indicators. When Research and Development centers or other non-industrial sites are located adjacent to production sites, estimates may be made by the production sites to only take into account their own energy consumption (estimate and deduction of energy consumed by the non-industrial site adjacent to the plant).

In some cases, the energy consumption of buildings adjacent to industrial sites is included if the site is not able to separate out its own consumption.

Greenhouse gas emissions by organization

Greenhouses gases emissions by organization (scopes 1 and 2) for 2012 are calculated using the methodology defined in the GHG Protocol Corporate Standard (revised 2010 version).

The approach chosen by Danone is to integrate all emission sources over which the group has operational control into its carbon footprint. All group sites are included: plants, distribution centers, offices, Research and Development centers, etc., as well as owned or controlled vehicles.

Scope 1

Direct emissions (scope 1) are emissions arising from consumption of fuels at the sites (natural gas, propane / butane / LPG, heating oil, fuel oil and coal), from consumption of fuel by vehicles (gasoline, diesel, LPG/ CNG, biodiesel, ethanol) and from leakage of refrigerants (in compliance with GHG Protocol Corporate, only HFC and PFC consumption is included). No Danone site uses PFCs.

When vehicle fuel consumption data is not available, emissions are calculated using the mileage travelled.

Regarding offices, the data used for 2012 calculation is that of 2011, as this data does not vary from year to another.

Scope 2

Indirect emissions (scope 2) are emissions arising from the production of electricity, steam, heat or cold purchased by the group.

Direct emissions are calculated based on the emission factors and global warming potential (GWP) of each activity data 1 (scope 1 emissions sources).

The emission factors and GWPs used in calculating emissions from energy consumption correspond to the 2006 IPCC guidelines (2006 IPCC Guidelines for National Greenhouse Gas Inventories). IPCC is the Intergovernmental Panel on Climate Change. Emission factors for electricity are those of the International Energy Agency ("CO₂ highlights" publication, 2012), factors used for heat, steam and cold are from the ADEME (Company and Local Authority Carbon Balance, Guide to Emission Factors, Version 5, 2007). Factors to convert mileage to CO₂ emissions are based on the GHG Protocol tool (GHG emissions from transport or mobile sources, 2010).

Emission factors used to characterize the impact of refrigerant leakages are from the IPCC report "Climate Change 2007, 4th Assessment Report, The Physical Science Basis" published in 2007.

Wastewater

The data presented corresponds to wastewater after internal and/or external treatment. For sites declaring external treatment, a purification rate of 90% is considered.

Consolidation and internal control

Danone's group central Human Resources, Safety and Environment Departments respectively consolidate social, safety and environmental data based on the information reported by production sites and group subsidiaries around the world.

Social data is collected in each of the group's subsidiaries. Reported data is generally derived from wage payment systems installed in the subsidiaries. Data consistency is verified and then approved by the Human Resources department in each subsidiary before publication in the SAP/Business Object tool.

Safety data is collected monthly by each site via the group's safety consolidation system; it is approved through this system at the subsidiary level, followed by an approval process and publication by the group working in connection with the divisions.

Consistency is checked at division and group levels, and a formal "post-closure change request" procedure is applied for any corrections.

Environmental data is collected at the level of each production site by the Environment manager. It is verified and approved by the subsidiary's Environment coordinator before consolidation in the NatIV tool.

REPORT PARAMETERS

The Environment coordinators of each division verify and approve consolidation of environmental data before its final approval by the group's Nature Department.

During consolidation, data consistency is checked by the group central Human Resources, Safety and Environment departments.

These verifications particularly involve comparisons with the previous year and calculation of specific ratios to detect anomalies. Any difference seen as significant is investigated and if necessary corrected.

External controls

To receive an outside opinion of the reliability and robustness of Danone Way approach results, Danone asked KPMG Audit to verify the results of this approach. The audit report detailing the work undertaken and their comments and conclusions can be found on *pages 83 to 85 of this report*.

In addition, some of the social, societal and environmental data published in this report was published in section 7.2 of the group's Registration Document and verified by PricewaterhouseCoopers and Ernst & Young, Danone's statutory auditors. This data is identified with the following symbol: . The audit report detailing their work and including their comments and conclusions can be found in *section 7.2 of the group's Registration Document*.

Adjustment of previous data

Certain reporting errors in previous financial years may be detected during the course of the current year's reporting. If this situation arises, historical data is readjusted to allow better interpretation of results and trends.

VALIDATION OF THE REPORT BY AN EXTERNAL THIRD PARTY



Danone

17, boulevard Haussmann
75009 Paris

This is a free translation into English of the original report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Limited Assurance Report on the Results of the Danone Way Initiative Published in the Group's Sustainability Report for 2012.

As requested, and in our capacity as an independent third party, we hereby present our report on the Results of the Danone Way initiative ("the Results") provided in the chapter "Danone Way: key practices in Danone subsidiaries for sustainable business development" of the Group's 2012 Sustainability Report.

Management responsibility

The data were prepared under the responsibility of the Group's Corporate Organization Development and Social Dynamics Department, in accordance with the Danone Way internal protocol (the "Protocol") which may be consulted at the department. The sections "Change in methods in 2012" and "2012 Results" presented in the chapter "Danone Way: key practices in Danone subsidiaries for sustainable business development" provide further details on the consolidation scope, definitions of the fundamentals and methods used to collect and control the published Results.

Independence and quality control

Our independence is defined by the rules and regulations, ethical code of the profession and the provisions of Article L.822-11 of the French Commercial Code. In addition, we implemented a quality control system which included documented policies and procedures aimed at ensuring compliance with the ethical rules, professional standards and applicable rules and regulations.

Responsibility of the independent third party

It is our responsibility, based on the work performed, to express a limited level of assurance that the Results of the Danone Way initiative are presented, in all material respects, in accordance with the above mentioned Protocol.

VALIDATION OF THE REPORT BY AN EXTERNAL THIRD PARTY

Limited Assurance Report on the Results of the Danone Way Initiative Published in the Group's Sustainability Report for 2012

Nature and scope of our work

We conducted the review in accordance with International Standards on Assurance Engagements (ISAE 3000), in compliance with professional standards and best practice applicable in France.

We performed the following procedures in order to obtain a limited level of assurance that the Results of the Danone Way initiative do not contain any material misstatement likely to call into question the fact that they have been prepared, in all material respects, in accordance with the Protocol. A higher level of assurance would have required more extensive work.

We performed the following work:

- We assessed the suitability of the Danone Way Protocol with regard to its relevance, reliability, neutrality, understandability and completeness;
- We conducted interviews at the Corporate Organization Development and Social Dynamics Department to update our knowledge of the reporting process and the organization implemented, and ensure that the Protocol had been correctly applied;
- We conducted interviews and carried out surveys on the implementation of the Protocol in fourteen Country Business Units⁽¹⁾; the choice of the sample was based on their contribution to Group consolidated data, their activity, their location, a risk analysis and the results of the work we carried out in previous years;
- We conducted consistency tests on the consolidation of the Results of the Danone Way initiative.

The contribution of the selected Country Business Units represents 20.5% of Danone Way turnover.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the Results of the Danone Way initiative published in the chapter "Danone Way: key practices in Danone subsidiaries for sustainable business development" of the 2012 Sustainability Report have not been prepared, in all material respects, in accordance with the above mentioned Protocol.

⁽¹⁾ Nutricia Nederland Baby, Nutricia Cuijk (SP), N.V Nutricia Zoetermeer Medical (SP), Nutricia Great Britain Medical, Nutricia Liverpool (SP), Nutricia Great Britain Baby, Nutricia Bago Argentina Baby, Kasdorf Argentina Baby, Danone Argentina, Danone Brazil, Support Produtos Nutricionais Brazil Medical, Danone Japan, Danone Waters Japan, Dannon Company.

Limited Assurance Report on the Results of the Danone Way Initiative Published in the Group's Sustainability Report for 2012

Comments on the Protocol and on the Results

Based on the work performed, the following comments were made on the Protocol, its implementation and the Results:

- The criteria and definitions of some Danone Way initiative fundamentals have been reviewed and adapted to better take into account the specificities of the different Country Business Units (division, size, activity) and reflect the latest changes in Danone policies.
- The criteria defined by the Group to justify the fact that some Country Business Units are not concerned by some fundamentals have been clarified in the Protocol. However, the persons in charge of the Danone Way initiative in the Country Business Units are not sufficiently aware of this, and the criteria should be further clarified to systematically ensure their correct application.
- Internal controls on the Results of the Danone Way initiative have been improved with regard to the consolidation of Group data. However, there is still room for improvement with regard to data collection levels, in particular for the fundamentals related to:
 - quality management (CO1); some Country Business Units have not understood the changes made to the Protocol for this fundamental in 2012;
 - environmental footprint (ENV1) and suppliers' and business partners' corporate social responsibility (GOV2); during our work in some Country Business Units, we observed certain difficulties in understanding the requirements defined in the Protocol with regard to these fundamentals.

Paris-La Défense, 3rd of April 2013
KPMG Audit - Department of KPMG S.A.

Philippe Arnaud
Partner
*In charge of the Climate Change
and Sustainability Services Department*

PERFORMANCE

PERFORMANCE INDICATORS

GOVERNANCE, COMMITMENTS AND DIALOGUE

GOVERNANCE

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Mandatory information about the company's governance according to GRI guidelines (indicators 4.1 to 4.10) is available in **Danone's Registration Document**. References to the relevant pages are indicated in the GRI index published on *pages 62 and 70 of this report*.

4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation

The Danone Way initiative has been in place since 2001 to address the goal of managing the group's relations and impacts with regard to its stakeholders, both up and downstream (*see pages 41 to 45 of the current report*) including policies and criteria pertaining to environmental and social performance, governance, health and nutrition policy, etc. This approach makes it possible to measure the implementation of policies and performance criteria in all group subsidiaries every year (*see pages 41 to 45 of the current report, Danone Way results*).

Many other initiatives and processes have been implemented in the areas of environmental and social policy and supplier relations.

To learn more about these initiatives, see the chapters on the performance indicators relative to the environment (*page 102*), human rights (*page 153*), social policy (*page 134*), and supplier management (*page 46*).

Danone has been formally defining its missions, values and internal codes of conduct for a number of years in various documents. For more details, see the chapter titled "Reference texts and key dates" on *page 56 of the current report*.

COMMITMENTS TO EXTERNAL INITIATIVES

4.11

Explanation of whether and how the precautionary approach or principle is addressed by the organization

Protecting the consumer means applying the principle of “Due Diligence” which, at Danone, relies on a team of in-house scientific experts and an external network of international experts.

The company’s Food Safety Management Systems, based on international standard ISO 22000, ensure the implementation of measures for managing risks in this area across all businesses.

A periodic review of risks involved in the key processes of most subsidiaries also ensures that proper precautions are taken to reduce the impact and/or the probability of risks identified. This issue is also addressed in the framework of indicator PR1 pertaining to consumer health and safety.

4.12

Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses

Danone’s commitments, as defined in its **Business Conduct Policy**, are based on certain principles referenced in the following international texts:

- the Universal Declaration of Human Rights;
- the international agreements of the International Labor Organization;
- the guiding principles defined by the Organization for Economic Cooperation and Development for multinational companies;
- the UN Global Compact on human rights, labor rights, environmental protection and anti-corruption.

Danone joined the United Nations Global Compact in 2003 and reaffirmed its commitment in 2009. In addition, the 7 Fundamental Social Principles defined by the agreements of the International Labor Organization (ILO) were integrated into the Danone – IUF agreements in 2005.

Danone wished to extend these Fundamental Social Principles beyond its subsidiaries to all its suppliers through implementation of its RESPECT program. Since 2009, this policy has been expanded to include Environmental and Ethical Principles to which all suppliers must commit.

These commitments are anchored in Danone's values and in the foundations of the Danone Way approach. They apply to all employees of every company controlled by Danone throughout the world. Danone is committed to promoting these principles in all the companies in which it holds shares.

4.13

Memberships in associations (such as industry associations) and/or national/international advocacy organizations

Danone's policy is of membership in all legally constituted and recognized, sector-specific or national professional associations representing the food industry. The group encourages its managers to actively take part in the work of these associations at both local and central level. Danone or its subsidiaries are members of all national food industry associations in European Union countries where the group has operations, as well as of Food & Drink Europe which represents the industry at EU level. Danone is a member of more than 100 associations of this type.

STAKEHOLDERS ENGAGEMENT

4.14

List of stakeholder groups engaged by the organization; examples of stakeholder groups are: communities, civil society, customers, shareholders and providers of capital, suppliers, and employees, other workers and their trade unions

The Danone Way approach launched in 2001 was implemented to respond to the goal of dialogue and recognition of impacts with the company's stakeholders, which were defined at the start of the approach: consumers, suppliers, environment, employees, shareholders, local communities (scientific, neighborhood, representatives of public authorities and non-governmental organizations). The annual evaluation carried out by each subsidiary on the Danone Way themes allows the group to ensure that stakeholders are truly integrated into the various issues (nutrition-health, employees, environment, local communities, etc.).

In addition, for several years Danone has been committed to dialoguing with organizations of civil society. The goal is not only to develop active listening with regard to the changing situations and expectations of various stakeholders, but also to commit the company to partnership or co-development processes with these players, as illustrated by numerous initiatives and projects developed in partnership with NGOs, with the support of funds established by Danone (The Danone Ecosystem Fund, the danone.communities Fund and the Livelihoods Fund). *(To learn more about Danone's stakeholder policy, see the section about stakeholders strategy on pages 92 to 102 of the 2011 Sustainability Report).*

4.15

Basis for identifying and selecting stakeholders with which to dialogue

Danone has been developing **specific dialogue tools** for several years to support subsidiaries in their interactions with the various stakeholders **at the local level**: the "**stakeholders mapping**" tool allows to identify the company's stakeholders, to analyze the issues and stakeholder expectations, and to define communication priorities. It also describes best practices in place in other countries where the group does business. All subsidiaries are invited to carry out a "stakeholders mapping" every year; this is part of the Danone Way evaluation (Shared value creation through community involvement).

In addition, a **Public Affairs kit** was distributed to correspondents in the subsidiaries in January 2012. This tool presents an explanatory overview of the field of action of a Danone Public Affairs correspondent. It defines the expected practices in communicating with stakeholders (elected officials, public authorities, opinion leaders, etc) and provides practical guidelines for supporting correspondents in their day-to-day activity.

The kit can thus be used to make an inventory of local issues, and to qualify those issues with a view to prioritizing them, identifying the players involved and mapping them based on their position and influence, and finally determining the best watch mode for monitoring changes to these issues and the players' positions.

Danone also has the goal of encouraging all subsidiaries to integrate stakeholders into their own strategic thinking. To achieve this, **methodological tools for strategic thinking** have been developed since 2010-2011 to firmly include stakeholders' expectations in subsidiaries' medium-term strategic planning at local level. These methodological materials are integrated into the group's training programs for the Executive Committees and expert working teams: **Sustainability Land** and **Credibility Land**, which aim to define a nutrition and health strategy for the subsidiaries based on in-depth analysis of its stakeholders (consumers, public agencies, NGOs, employees, etc).

4.16

Approaches to stakeholders engagement, including frequency of engagement by type and by stakeholder group

The Danone approach is to foster dialogue with stakeholders at subsidiary level to remain close to local issues.

This dialogue may take various forms in each subsidiary (regular "Advisory board" meetings on nutrition-health topics, for example), and the frequency depend on local situations. The group does not centrally consolidate all the actions carried out by its subsidiaries in this area.

However, at group level, regular meetings (5 times per year) are held with certain organizations such as representatives of the IUF (International Union of Food workers) on social issues or with "Advisory board" consisting of experts on environmental issues.

STAKEHOLDERS ENGAGEMENT

4.17

Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting

Listening to stakeholders is a key component of Danone's sustainable development strategy, in order to understand the expectations of its customers, consumers, employees, suppliers, scientists, the populations living near its sites, representatives of public authorities and non-governmental organizations. Taking into account stakeholders' expectations is a foundation of the Danone Way approach initiated in 2001, and is firmly anchored in Danone's culture and social policy approach.

The Danone approach is to foster dialogue with stakeholders at subsidiary level; the group does not centrally consolidate all the actions carried out by its subsidiaries in this area. However, at corporate level, listening to stakeholders' expectations also allows the company to progress in understanding key shared concerns and to launch initiatives in response.

- in 2011, for example, Danone signed an agreement with the IUF on health, safety, working conditions and stress (*see page 31 of the current report*); along these same lines, Danone also implements the Dan'Cares program that aims to improve healthcare cover (*see page 32 of the current report*);
- since 2010, Danone organized its Nature strategic thinking with an external expert panel, opinion leaders and NGO (Nature Stakeholders Board) to set a long time course. Organizations such as WWF, IUCN, Ramsar convention, Rainforest Alliance, UNEP, Greenpeace, Forum for the Future, Ethicity, etc, are associated to those consultations, at subsidiaries or group level. For example in 2012, the group paper/board packaging policy was co-developped with the benchmark NGO Rainforest Alliance.



PERFORMANCE

PERFORMANCE INDICATORS **ECONOMIC**

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ECONOMIC PERFORMANCE

EC1

Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments

For data pertaining to directly created economic value, distributed economic value and non-distributed economic value, see the *Registration Document, chapter 4*.

Regarding economic value created and distributed for employee compensation specifically, Danone adopted a bonus system that integrates social performance in 2008.

The social dimension is a powerful element to bring meaning and commitment to Danone's employees. For performance management, the criteria used to evaluate the performance of the company's 1,400 managing executives since 2008 are based on a three-part bonus system:

- one third for economic objectives;
- one third for social and environmental objectives;
- one third for individual performance objectives.

More specifically, in 2012, executive manager's short-term variable compensation was determined based on specific performance with regard to ten economic, social and management objectives and calculated using objective, measurable criteria and completed with the supervisor's assessment, in three areas:

The group's economic objectives and published market data:

- Net sales, Operating Income/Net sales, Operating Free Cash Flow (OFCF) for the manager's scope of responsibility;
- Free Cash Flow (FCF) for the Danone scope.

Danone's social objectives, which are divided into three areas:

- the Social Fundamentals : Safety at work including accident frequency rate and implementation of specific action plans for the subsidiaries identified by the group's Safety Committee ; or implementation of the Dan'Cares project aiming to improve welfare protection for Danone employees ; or any Health@Work project; or Diversity projects providing openings for different socio-cultural profiles in recruitment processes; or projects to develop closer managerial relationships through the "Danone Leadership College" and CODE initiatives ; or employability development projects with "Workers Academy";
- the New Danone strategic priorities:
 - for the Nature priority: reduction of greenhouse gas emissions;
 - for the People priority: talents development plans with "Country Talent Deal", specific development plan for high-growth areas such as "Fuel The Growth", or leadership development plan, and lastly the evaluation and introduction of actions in connection with the Danone Ecosystem Fund.

Specific individual objectives within the scope of each manager and consistent with the group's strategy.

Danone's specific approach in this area is based on the short-term variable compensation structure, which is reviewed every year to achieve optimal management of the group's economic and social strategy.

ECONOMIC PERFORMANCE**EC2****Financial implications and other risks and opportunities for the organization's activities due to climate change**

At December 31st 2012, 67% of the group's production sites (Production Sites Environment Scope) had been audited with and external GREEN audit. On these 110 sites, 50 underwent a follow-up audit in 2012, and more than two-thirds of them improved their score compared to their previous audit.

Environmental expenditures and investments

In 2012, investments targeting environmental protection amounted to some 51.9 million euros, or around 5% of the group's total capital investments (this represents a 11% increase over 2011).

The main investment categories are the following :

- environmental compliance : waste treatment, wastewater treatment, treatment plants, noise measurement, air quality, etc. These investments are 58% lower than in 2011, building on what had already been accomplished in this area in previous years;
- investments targeting reduction of CO₂ emissions (energy savings, renewable energy use, logistics, eco-design of packaging). These investments rose by 23%, as reducing Danone's carbon footprint is a priority goal for the group.

In addition, since its creation in 2010, the Green Capex approval process (investments for environmental protection) provides financing for projects with high environmental value, but with a return on investment below group standards that would prevent their acceptance under the usual investment approval process. This approach takes into account the number of tons of CO₂ reduction achieved by the projects.

Operating expenditures related to the environment amounted to around 107.7 million euros in 2012. They include 45.1 million euros for waste, water and air management, and for environmental taxes other than fees on packaging. This latter expenditure amounted to 51.7 million euros in 2012.

EC3**Coverage of the organization's defined benefits plan obligations**

Around 170 executives with the status of Director, and who were under the French pension system at December 31, 2003, are eligible under certain conditions, notably of seniority and presence, to benefit from a defined benefits pension plan.

This system involves the payment of a pension, provided the beneficiary is still with the group at the time of retirement, based on seniority and the most recent salaries. The amount is paid out after deduction of certain pensions (corresponding, for a first category of group Directors, to the full amount of pension points acquired over the course of their careers, and for a second category of group Directors, to the full amount of pension points acquired through supplemental retirement plans fully paid for by Danone) and amounting to a maximum of 65% of the last salaries. If the employee leaves the group before the age of 55, or dies before retiring, s/he loses all rights to this plan, with the caveat that in case of a layoff after age 55, the benefits from this plan are maintained as long as no further salaried employment is taken up. This retirement plan was closed to all new beneficiaries on December 31, 2003.

EC4**Significant financial assistance received from government**

This indicator is not centrally monitored by Danone.

MARKET PRESENCE

ADD EC5

Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation

Minimum salary/Minimum legal salary ratio

	2011 (like-for-like basis with 2012)		2012	
	Number of subsidiaries	Total % of employees	Number of subsidiaries	Total % of employees
Subsidiaries with a "subsidiary minimum wage"/"legal minimum wage" ratio greater than 1	123	89%	148	94%
Subsidiaries with a "subsidiary minimum wage"/"legal minimum wage" ratio equal to 1	16	6%	9	3%
Subsidiaries with a "subsidiary minimum wage"/"legal minimum wage" ratio below 1	0	0%	0	0%
Subsidiaries to which no legal minimum wage applies	17	5%	11	3%
Total reported	156	94%	168	95%
Total non-reported	27	6%	15	5%
Total Danone	183	100%	183	100%

The basic starting salary is higher than the local minimum salary for the large majority of subsidiaries (148), covering over 94% of the group's employees. It is equal to the legal minimum for 9 subsidiaries, i.e. less than 3% of employees. There is no legal minimum defined for 11 subsidiaries (3% of employees).

Compared with 2011, there has been an increase in the number of employees with a basic starting salary above the legal minimum, and a drop in the other categories (salary equal to the legal minimum and those working for a subsidiary with no legal minimum salary).

EC6

Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation

This indicator is not centrally monitored by Danone.

EC7

Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation

Danone is a local employer above all with 94.8% of its 16,452 managers and directors hired locally, a percentage down from 2011 owing, in particular, to strong growth in the total workforce as a result of business development in certain geographic areas.

Danone's aim is to achieve 80% of local managers in all Executive Committees. At end 2012, 71.9% of directors had been hired locally, representing a reduction compared with 2011 for the reasons explained above.

Au 31/12	2010	2011	2012
Total Workforce (Directors and Managers)	13,984	15,552	16,452
of which international staff	649	739	850
% international	4.6%	4.8%	5.2%
% local	95.4%	95.2%	94.8%
Management Committee Members (excluding Executives)	879	1,058	1,254
of which international staff	234	254	353
% international	26.6%	24.0%	28.1%
% local	73.4%	76.0%	71.9%

INDIRECT ECONOMIC IMPACT

EC08

Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement

Danone is involved into many actions to support common interest initiatives as part of its mission to “bring health through food to as many people as possible”.

In 2012, sustainable partnerships and initiatives have been maintained, delivering stronger results compared to 2011. The specificity of these initiatives is the high level of cooperation between Danone subsidiaries and local actors, either non-profit or institutional partners.

In Argentina, focus on food banks and the (Nutrition)² program

Food banks bonds in Argentina

In Argentina, **Danone and the Fundación Danone have developed, in almost ten years of actions, a strategic partnership with the Food Banks network** and particularly with the Buenos Aires Food bank, the country’s largest, willing to give a breakthrough from product donation towards the wider food access concept.

In 2012:

- the food banks delivered 6,800 tons of food;
- 1,324 social organizations benefited from the delivery;
- the effort reached 201,408 persons;
- 400 tons of the total amount of food collected are Danone products donations (from Fresh dairy products and Waters divisions).

In addition to donations, the alliance between Fundación Danone and the food banks continues to grow and develop. In 2012, Fundación Danone, together with a social investment consultant, elaborated and implemented a diagnosis that aims to identify needs and improvement opportunities of every food bank, as well as the Food Banks Networks itself. The diagnosis was held among the 18 food banks all over Argentina and are the basis for further actions to be put in place in 2013.

More info and key figures:

<http://redbancosdealimentos.org/>

<http://www.bancodealimentos.org.ar/>

<http://www.fundaciondanone.org.ar/>

(Nutrition)² - The healthy habit program in Argentina deployed by Danone Fundación

One of every four kids and adolescents is overweight or obese in Argentina. It has been now five years that Fundación Danone works through the (Nutrition)² program - the healthy habits program that aims to be part of the solution with an unbranded platform supported by subsidiaries.

(Nutrition)² is a program that innovates in the way to promote and create awareness on healthy lifestyles according to its mission: “Educating about health through food to as many people as possible”, building the local reference and frame on healthy habits, while integrating strategic actors.

The result and impact of the program is validated by the Center of Studies for Child Nutrition and developed by a social return on investment consultant. In 2012, after one year of existence, the program successfully reached 81,000 kids and adults.

In addition to this global achievement, here are several key results:

- 40 workshops and nutritional talks for parents, teachers and social reference at schools, DNC and community centers;
- 1,000 educational kits delivered;
- 20 activations for kids;
- 30,000 kids reached by the Musical “Super healthy in the Wonderful World of Food”;
- over 10,000 fans on Facebook, special videos produced for the YouTube channel;
- 5,200 visits per month to the blog;
- formal alliances with the top 9 nutrition references (Argentinean Society of Nutrition, Federation of Nutrition, etc), Ministry of Education official support, Ministry of Health co-manager in activations and in the development of a Physical Manual, member of the National initiative “Nutrición 10 Hambre Cero”;
- (Nutrition)² received 5 recognitions last year from Publicity Society, the Government of the city of Buenos Aires.

Further information is available:

www.fundaciondanone.org.ar

www.nutricionalcuadrado.com.ar

Juntos Ayudamos el Doble in Spain, in co-creation with the Spanish Federation of food banks

Juntos Ayudamos el Doble (Together we double help), is the social innovation program jointly developed by the Spanish Federation of food banks (FESBAL) and Danone Dairy Spain in which Danone commits itself to be a strategic partner helping the food banks with regular product donations. Beyond making occasional donations of surplus product, Danone Dairy Spain has analyzed together with the food bank, its cold storage capacity and distribution schedules, to match the donation with their needs treating the food bank as another client for the company. By doing so, it helps to prevent irregularities, the potential problems of food supply and uncertainty over how much food is available on weekly base to distribute to people most in need.

In 2012, the economic climate in Spain has led to an increase of poverty and about 30,000 families with hungry children are estimated in the country. Aware of this reality, the FESBAL launched a specific campaign called the “Great food collection” in November and December 2012.

Danone Dairy Spain involved its employees, suppliers and consumers to take part in this dedicated event to help collect food. Jointly 5,7 tons of food were donated by Danoners and from suppliers, and 50 volunteers have helped collecting food at the point of sales and classifying them afterwards. Danone Dairy Spain also made an extraordinary donation of 100 tons of products. Consumers could get involved as well through the online Gananones platform: they could donate “points” that were to be exchanged for yoghurt units that were destined for the food banks: over 2 million product units were given through this initiative.

"Eat Like a Champ" in the United Kingdom

"Eat Like A Champ" (ELAC) is a nutrition education programme managed by Danone Dairy UK for primary schools aimed at helping tackle the growing issue of poor nutrition and sedentary lifestyle amongst children.

Children's poor nutrition and obesity in the UK is an important topic with 1 child out of 3 children being overweight and 1 child out of 6 being obese.

The program was piloted in a few London schools in 2010, then optimised and rolled out in over 50 London classes in 2011. It has a “triple win” objective:

- make nutrition exciting for kids by inspiring them to adopt the healthy choices of famous champions they admire;
- maintain high employee engagement in Danone UK through a large volunteering scheme;
- build Danone Dairy UK's corporate reputation on health and nutrition in the UK.

INDIRECT ECONOMIC IMPACT

In 2012, the programme extended to over 500 classes all over the UK including England, Scotland, Wales and Northern Ireland, engaging 15,000 children. 50 London teachers were trained on nutrition, and academic research done in partnership with School Food Trust in 26 London schools showed positive and sustainable impact on children's diet, with shifts towards healthier food choices after having completed the "Eat Like A Champ" lessons.

The overall program, as well as its implementation, is built around key partnerships:

- with the **British Nutrition Foundation**, which helped to design 6 fun, engaging and interactive lessons that are linked to the primary school curriculum;
- with **Danone Dairy UK employees**: in 2012, 55% of Danoners volunteered in class to help teachers deliver the "Eat Like A Champ" lessons and activities;
- with **inspiring role models for the children**, in this case street dance sensation Diversity, who are the ambassadors of the campaign and were the winners of the TV show "Britain's Got Talent" in 2009.

"Eat Like A Champ" won the "Business in The Community" Big Tick (awarded by HRH Prince Charles), and was recognised as a best practice by the European Health Platform. The programme also supports the Ministry of Health campaign "Change 4" Life to tackle obesity issues in the country.

2013 ambitions are even grander, as Danone Dairy UK aims to reach 1,000 classes with "Eat Like A Champ", and has started linking this programme with the Danone Nations Cup, the interbational soccer competition dedicated to children organized by Danone. The ambition in the longer term is to roll-out "Eat Like A Champ" in one third of UK primary schools and maximise the amount of children both participating in "Eat Like A Champ" and playing in the Danone Nations Cup, to really inspire children to eat well and stay active.

"Restos du Cœur" in France: a real partnership for 4 years!

Since 2009, Danone has had a highly successful partnership with "Restos du Cœur" (in France) with three major focus areas.

The first is participation in meal collection: 1,250 "Danoners" took part in 2012, helping to collect 1.8 tons of food in Carrefour and Carrefour Market stores, or the equivalent of 1.8 million meals for "Restos du Cœur" (+8% compared with 2011).

One million additional meals were co-financed by Danone and Carrefour after a promotional operation in stores (on the basis of 4 products bought = 1 free meal for the "Restos du Cœur"). An accompanying social network campaign made it possible to donate an additional 28,000 meals to "Restos du Cœur", via the participation of web users (on Facebook, Twitter and other blogs).

Lastly, thanks to skills sponsorship, the partnership's third facet, 60 "Restos du Cœur" volunteers received nutrition training from Danone professionals in 2012.

EC9

Understanding and description of economic impacts

Danone has always taken numerous initiatives in its subsidiaries to **support the economic, social and environmental developments of the regions where the group has operations.**

Aiming to strike the right balance between social commitment and Danone's economic performance is part of its dual economic and social project and involves:

- knowing the local players and developing sustainable relationships with them through joint projects;
- participating in the economic and social development of labor markets, particularly through business relationships;
- addressing health and nutrition issues through eating habits.

For 3 years now, the group has been involved in an ambitious, innovative approach based on local projects which help to maximize its social impact through inclusive economy partnerships.

Within the framework defined by the Danone Ecosystem Fund, endowed with 100 million euros in 2009, 35 subsidiaries (representing 54% of the group's sales) are committed alongside 31 partners – primarily NGOs – in the co-development of one or more projects, both in “mature” countries (France, Spain, Ireland, the USA, Japan, etc) and “emerging” countries (Brazil, India, Indonesia, Mexico, etc).

These 43 projects represent an investment of 33.7 million euros and aim to create or consolidate over 51,000 jobs. The Fund's projects contribute to developing employment, employability and access to micro-entrepreneur status for people working with Danone across its entire value chain. Women's access to work is also one of the fund's goals.

In addition to employment issues, the impacts of fund-supported activities contribute to the development of sustainable farming practices, services to parents and the elderly, nutrition education for improved health and recycling. For example, programs in the dairy and fruit sectors contribute to the development of small farmers through improvement or acquisition of new skills, technical solutions, knowledge sharing, service between milk producers and access to credit. Support provided for waste pickers working in waste disposal sites is also essential: firstly, to define a recycling chain so that the created wealth is distributed, by organizing collection and sorting operations in healthier and safer conditions; and secondly, to offer fair compensation for this activity, which is essential to the supply of recyclable materials, while ensuring children are not involved in it.

Additional programs are developed with nursing aides and other professionals specializing in elderly patient and infant care. For example, a range of nutrition-based services contributes to elderly people's independence or to child development while creating a close relationship with consumers.

Lastly, adjustment to new regions and populations facing specific problems of accessibility and employability generates new local distribution models and channels for people with low buying power or living in areas difficult to reach via traditional channels. The sales teams sometimes come from very underprivileged or isolated communities and are supported via training programs tailored to these situations.

PERFORMANCE

PERFORMANCE INDICATORS ENVIRONMENTAL

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Chart of 2012 results

		2012 Performance	Cumulative Performance
CARBON			
	Reduce CO₂e intensity Intensity (g eq. CO ₂ /kg product) Baseline end 2007 Danone Direct Responsibility scope		35.2% reduction
	Reduce energy consumption in factories Intensity (kWh/T product) Baseline 2000	3.6% reduction	46.5% reduction
	Support Livelihoods Fund projects to restore ecosystems and fix carbon		6 projects (India, Indonesia, Kenya, Senegal)
WATER			
	Measure the water footprint	Quantis WFP tool development	
	Waste Water quality in factories COD/kg of product	19.6% reduction	
	Reduce water consumption in factories Process water intensity (M ³ /T product) Baseline 2000	3.1% reduction	43.1% reduction
	Protect natural Mineral Water catchment areas	SPRING tool (collaboration with RAMSAR)	100% of current sites
PACKAGING			
	Develop the use of recycled materials % rPET Waters division % rPaper	9% rPET Waters division 73% rPaper (2011 data)	
	Experiment with bio-sourced materials		Activia, Actimel, Volvic & Stonyfield in 7 countries
	Source 100% recycled paper or virgin paper from responsibly managed forests by 2020, with preference for FSC	73% Paper and Forest Footprint policy published	
AGRICULTURE			
	FaRM systemic audit of environmental practices, food safety and quality % coverage		85% coverage
	Build and implement a Sustainable Farming Evaluation Tool	Tool designed (RISE)	
	Source 100% Palm Oil to RSPO Standard by end 2014	40% certified palm oil Physically segregated RSPO standard	

The “2012 Performance” column describes the outputs of the actions that were implemented or initiated in 2012. The “Cumulative Performance” column describes the outputs of the actions lead since several years. Depending on the criteria, it is presented following the most relevant perspective(s).

Environmental indicator coverage rate

The table below provides information relative to Danone sites' environmental data coverage rate at December 31, 2011 and 2012 (marked "Production sites environment scope" for concerned indicators).

At 31/12	2011	2012
Total number of sites	163	194
Total number of sites reporting data	161	164
Coverage (% of sites)	99%	85%

The 2012 coverage rate is impacted by the fact that recently acquired companies (Unimilk, Wockhardt) were not included in the total number of sites in 2011, but are included in 2012 even though they did not report any data. For 2012 data, the coverage rate represents more than 92% of the group's net sales.

In the following tables, variations compared with 2011 are calculated on a like-for-like basis, in other words, the scope of production sites present during both financial years (excluding production sites acquired or launched in 2012 and production sites sold or shut down in 2012).

Number of ISO 14001 certified sites

Danone bases its environmental management policy on the international ISO 14001 standard. **ISO 14001 certification is a prerequisite set by the group for achieving the highest performance level in GREEN environmental risk assessment audits** (see following paragraph).

The following table provides data relative to Danone sites' ISO 14001 certification at December 31, 2011 and 2012 (Production sites environment scope):

At 31/12	2011	2012
Total number of sites reporting data in 2012	161	164
Total number of ISO 14001-certified sites	94	91
Percentage of ISO 14001-certified sites	58%	55%

2012 figures verified in the 2012 Registration Document.

GREEN Program (Global Risk Evaluation for Environment)

The group defined environmental production standards for its factories ("Green Plants Program") in 1995, and began using internal audits to check compliance with these standards in 1997.

In 2006 the group began worldwide deployment of its GREEN project, a tool for monitoring the main environmental risks relating to the production sites (accident risks, image risks and risks of non-compliance with environmental regulations).

As of December 31, 2012, 67% of the group's production sites (Production sites environment scope) had received an external GREEN audit. Of these 110 sites, 50 underwent a follow-up audit in 2012, and more than two-thirds of them improved their score compared to their previous audit.

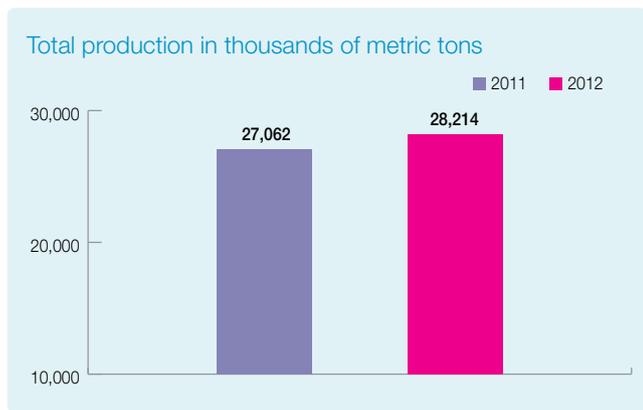
MATERIALS

EN1 Materials used by weight or volume

The table below presents data relative to Danone sites' production at December 31, 2011 and 2012 (Production sites environment scope):

Thousands of metric tons	2011	2012	2011-2012 variation on a like-for-like basis
Total production	27,062	✓ 28,214	3.4%

✓ 2012 figures verified in the 2012 Registration Document.



Total production in metric tons increased by 3.4% on a comparable basis in 2011/2012 due in particular to increased production by the Waters and Baby nutrition divisions.

The main materials used in Danone products are:

- water;
- liquid milk and milk powder;
- packaging materials (plastic, cardboard, etc.);
- sugar;
- fruit.

The amount of raw materials consumed per metric ton of finished product is one of the primary criteria for industrial performance, as raw materials represent a large share of group products' cost structure.

A number of measures are therefore taken to use them more efficiently:

- water: In the Waters division, the sites measure all water consumed for every use (production, cleaning, etc.) to identify the items generating losses and define appropriate action plans for reducing these losses. The sites have annual goals for reducing their water losses, and their performance and rankings are published quarterly by the division. More than 10 billion liters have been saved in this way since 2008 (equivalent to 10,000,000 metric tons);
- liquid milk, sugar, fruit: raw material losses in the Fresh dairy products division are monitored daily at the production sites, with results consolidated monthly at the level of the subsidiaries and the division for comparison with the monthly goals included in the budget process;
- packaging materials: Danone's packaging development complies with eco-design principles. The 2002 guidelines will be further strengthened in 2013 and rolled out to all divisions.

MATERIALS

ENERGY

EN2

Percentage of materials used that are recycled input materials

More than a third of the group's primary and secondary packaging is made of recycled materials, including 73% of boxes (2012 analysis on the basis of 2011 volumes).

Regarding plastic packaging specifically, the group aims to increase the proportion of recycled PET (polyethylene terephthalate) (rPET) used in its bottles. Several brands in the Waters division, including Volvic, Evian and Bonafont are already using rPET. At end-2012, the portion of rPET was 9% across the whole division. For Bonafont, the share of rPET used in 2012 was 50%.

Waters Division	2008	2009	2010	2011	2012
% rPET (g rPET/g PET)	4%	8%	10%	10%	9%

The percentage of rPET for the division decrease from 10% in 2011 to 9% in 2012. The reason is an unfavorable mix effect in the division: subsidiaries for which volumes have less progressed are the subsidiaries with a high percentage of rPET.

Despite limited availability of recycled PET due to the level of investment needed to create a reliable supply chain - which is being progressively implemented - Danone succeeded in maintaining its average rate of recycled PET use in 2012, with a long-term goal of achieving a rate of 25% for subsidiaries in the Waters division.

EN3

Direct energy consumption by primary energy source

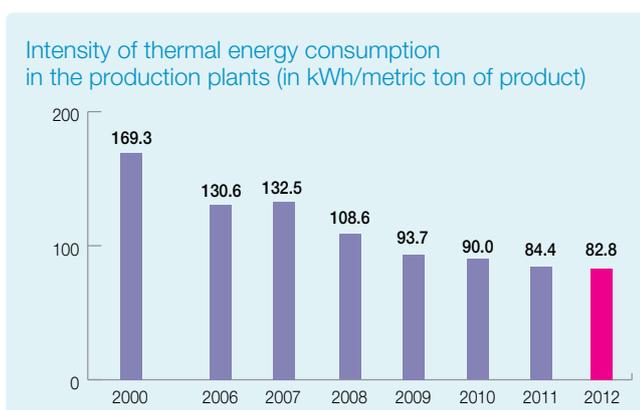
The table below presents data relative to Danone sites' thermal energy consumption at December 31, 2011 and 2012 (Production sites environment scope):

MWh	2011	2012
Natural gas	1,495,749	1,617,411
Fuel oil	232,340	114,025
Heating oil	143,990	129,008
Butane/propane	66,147	97,462
Coal	203,383	160,528
Other sources	0	9,704
Direct energy consumption	2,141,609	2,128,138
Renewable thermal energy (produced on site)	23,636	85,748
Purchased steam	118,327	123,046
Purchased cold	0	0
Thermal energy consumption (with steam)	2,283,572	2,336,932
Intensity of thermal energy consumption (in kWh/metric ton of product)	84.4	82.8

Total thermal energy consumption rose 2.3% whereas the group's total production increased 4.3%. **Thermal energy intensity therefore dropped from 84.4 kWh/metric ton of product in 2011 to 82.8 kWh/ton of product in 2012.**

Half of the increase in total thermal energy between 2011 and 2012 comes from renewable thermal energies. For example, after a year in operation, the biomass boiler installed at the Poços de Caldas plant in Brazil has generated over 68,000 MWh of thermal energy, with a corresponding reduction in the site's fossil energy (fuel oil) consumption. At the Wexford site in Ireland, a biomass boiler was also installed at the end of 2012 to reduce the site's fossil energy requirements (see indicator EN6).

The graph below shows changes to the intensity of thermal energy consumption at the production sites since 2000, for the reporting scope of each of the years concerned. Thermal energy consumption intensity dropped 51% over the 2000-2012 period.



EN4 Indirect energy consumption by primary source

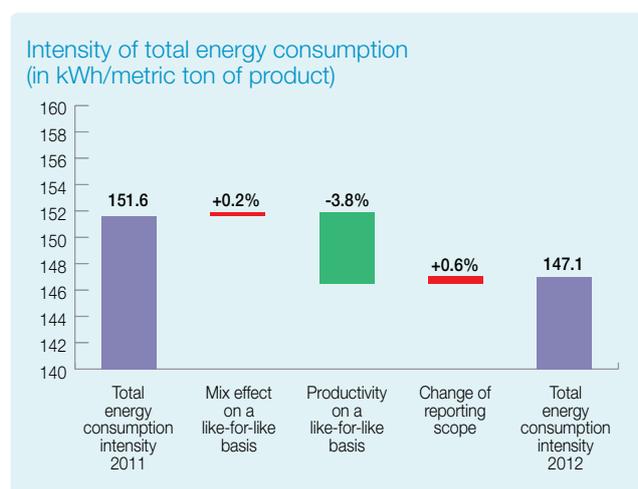
The table below presents the energy consumption of the group's production sites at December 31, 2011 and 2012 (Production sites environment scope):

MWh	2011	2012	2011-2012 variation on a like-for-like basis
Thermal energy consumption (with steam)	2,283,572	2,336,932	
Electricity	1,819,939	1,814,245	
including electricity specifically generated from 100% renewable sources	91,271	72,249	
Total energy	4,103,511	4,151,177	-0.4%
Intensity of energy consumption (in kWh/metric ton of product)	151.6	147.1	-3.6%

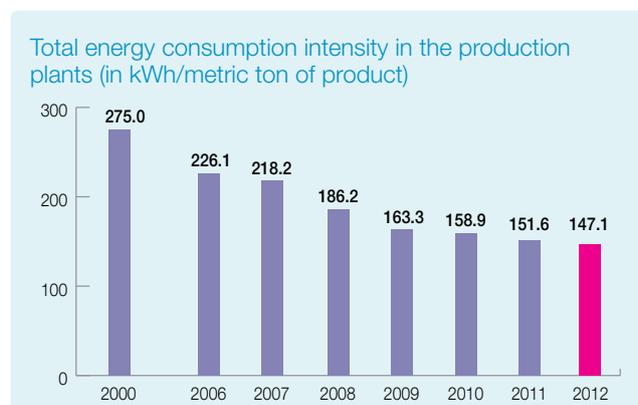
✓ 2012 figures verified in the 2012 Registration Document.

On a like-for-like basis, the intensity of energy consumption (energy consumption per ton of product) was reduced by 3.6% from 2011 to 2012. This improvement is primarily due to the deployment of energy management best practices in all the divisions (*see the ADD EN5 indicator for more details*) resulting in productivity gains for 3.8%, with a negative mix effect for 0.2% (increased production in the Baby nutrition division sites).

The graph below presents changes in the energy intensity between 2011 and 2012 at the production sites:



The graph below presents changes in the total energy consumption intensity at the production sites since 2000, for the reporting scope of each of the years concerned. Total energy consumption intensity dropped by 46.5% over the 2000-2012 period.



ENERGY

ADD EN5 Energy saved due to conservation and efficiency improvements

Two main approaches have served to improve energy management:

- **optimizing energy production at the plants.** For example, in the Fresh dairy products division, several sites have cogeneration facilities in order to produce electricity and heat from a single energy source, thus improving the plant's energy performance. With cogeneration, up to 90% of energy can be recovered, compared with 40% to 55% for traditional systems;
- **optimizing energy use.** For example, in March 2012, the Baby nutrition division installed a new spray dryer at its Macroom plant in Ireland. Thanks to a new air induction process and improved energy recovery, the dryer is more efficient than the previous one and is powered by natural gas rather than fuel oil. It cuts costs by 1.3 million euros per year and reduces annual CO₂ emissions by 23,500 metric tons.

Sharing best practices and fostering emulation between plants strengthened this improvement process in 2012.

In the Waters division, the WattWatcher tool deployed at all the sites helps to define performance objectives adapted to each plant. From 2008 to 2012, this tool reduced the division's energy intensity by 18%, saving 40 million euros on energy expenditures and preventing the emission of 250,000 tons of CO₂ over the period. The goal is to maintain this effort in the coming years.

In the Fresh dairy products division, **energy training courses known as "Energy Campuses" continue to bring energy experts into play to support implementation of best practices at all production sites.**

Seven one-week sessions were organized in 2012 in the various geographic regions where Fresh dairy products plants are located. At each meeting, the host site was audited and an action plan was developed. This process, applied in a spirit of collaboration and cross-fertilization, helped connect the best practices shared through the group network to concrete efforts for improvement on the ground.

ADD EN6

Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives

Cogeneration

Several sites chose to install cogeneration facilities in order to produce electricity and heat from a single energy source and improve plants' energy performance. **With cogeneration, up to 90% of energy can be recovered, compared with 40% to 55% for traditional systems.** At the Bierun plant in Poland (Fresh dairy products division), this practice prevents the emission of some 5,400 metric tons of CO₂ each year. The Ochsenfurt plant in Germany (Fresh dairy products division) reduced its annual CO₂ emissions by 7% with this technology.

Thermal energy from renewable sources

Danone is experimenting with projects for the production and use of renewable energies, in particular:

- in Indonesia, where geological conditions make it possible to capture natural geothermal energy. The Brastagi plant is now supplied by this renewable energy source, which prevents emission of some 13,000 metric tons equivalent of CO₂ each year;
- in Brazil at the Poços de Caldas plant, where a biomass boiler was launched in August 2011 to replace the fuel oil used in heat production. This project is based on renewable biomass available in large quantities. It uses natural "wood energy" resources that are certified sustainable, and should prevent emission of 18,300 metric tons of CO₂ each year. Thanks to this use of biomass, the thermal energy used by the plant comes almost exclusively from renewable sources;

- the Baby nutrition division site in Wexford, Ireland invested 3.8 million euros in a wbiomass boiler in 2012 that saves 9,500 metric tons of CO₂ each year and reduces annual fossil fuel costs by 750,000 euros. This project should also support the development of a local FSC (Forest Stewardship Council) certified wood industry and the creation of 65 indirect jobs in the upstream segment. It was supported by the Danone Ecosystem Fund and won the award for Best Nature Project in 2012.

Purchase of electricity specifically generated from 100% renewable sources

Every subsidiary is responsible for choosing its energy mix. In 2012, eight industrial sites purchased electricity from 100% renewable sources (wind power, hydro power, etc.). This represents 4% of the group's total electricity purchases.

ADD EN7

Initiatives to reduce indirect energy consumption and reductions achieved

See indicator EN6.

WATER

EN8 Total water withdrawal by source

The table below presents the water consumption of the group's production sites at December 31, 2011 and 2012 (Production sites environment scope):

Thousands of m ³	2011	2012
Total water withdrawn from the surrounding area	57,330	✓ 58,707
Well water	42,457	43,589
Municipal water	11,055	11,862
River water	3,818	3,256

✓ 2012 figures verified in the 2012 Registration Document.

Of the 58,707 thousands of cubic meters of water withdrawn, Danone uses:

- 22,996 thousands of cubic meters of water in the composition of its finished products, primarily at its bottling sites (compared with 21,978 thousands of cubic meters in 2011);
- 35,711 thousands of cubic meters of water for production processes (compared with 35,352 thousands of cubic meters in 2011).

The group's water consumption increased 2.4% between 2011 and 2012, which breaks down to +1.8% from rising quantities of water used for the composition of products, and +0.6% linked to greater quantities of water used in production processes.

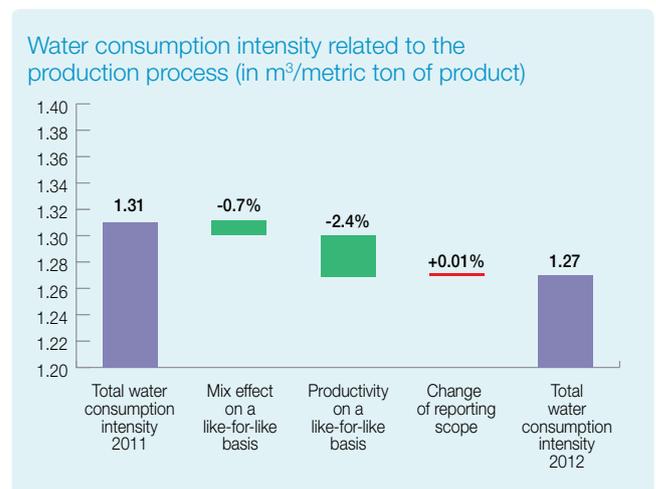
The table below presents water consumption related to production processes at the group's production sites at December 31, 2011 and 2012 (Production sites environment scope):

Thousands of m ³	2011	2012	2011-2012 variation on a like-for-like basis
Water consumption in the production process	35,352	✓ 35,711	0.1%
Intensity of water consumption related to the production process (in m ³ /metric ton of product)	1.31	1.27	-3.1%

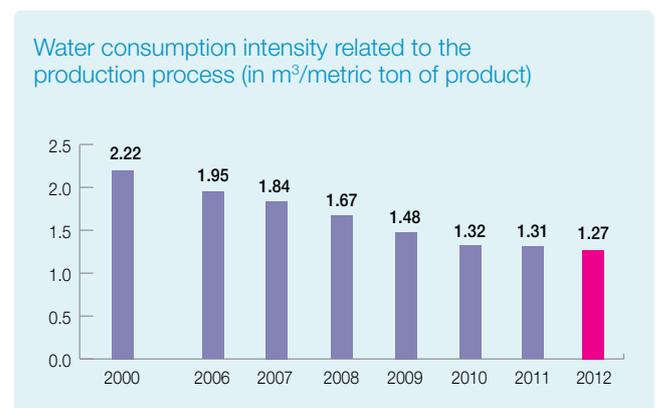
✓ 2012 figures verified in the 2012 Registration Document.

On a like-for-like basis, the intensity of water consumption related to the production process decreased by 3.1% between 2011 and 2012. This change is the result of a positive mix effect for 0.7% (increased production at Waters division sites), and of efforts to increase productivity for all divisions for 2.4%.

The graph below shows the variation in intensity of total water consumption related to the production process between 2011 and 2012:



The graph below indicates the variation in total water consumption intensity related to the group's production process since 2000, for the reporting scope of each of the years concerned. The intensity of water consumption decreased by 43.1% between 2000 and 2012.



Best practices in the Fresh dairy products division, in particular the use of water in cleaning cycles, are consolidated in the NEPTUNE tool and rolled out to all plants.

Within the Waters division, the sites use the WaterWatcher tool to measure all water consumed for every use (production, cleaning, etc.) to identify the items generating losses and define appropriate action plans for reducing these losses. The sites have annual goals for reducing their water losses, as their performance and rankings are published quarterly by the division. **More than 10 billion liters have been saved in this way since 2008.**

Danone continued its water footprint research in 2012, notably with its partner Quantis, as well as by contributing to the development of international (ISO) and European (ENVIFOOD protocol) standards.

This approach has served to establish a water footprint evaluation methodology that takes into account:

- the inventory of consumptions at each stage of a product's manufacture (ingredients, packaging, production, packing), and for transport, consumer use and end of life;
- local water stress factors (water stress is defined as a deficit of water of satisfactory quality to meet human and environmental needs);
- compensatory measures directly related to product formulation (protection policy or CSR program), which are evaluated in the form of water volume credits.

This evaluation methodology will be used to identify sensitive zones and methods for reducing impacts across the entire lifecycle of the group's products, in the Waters division in a first phase.

In addition, in 2012 the Fresh dairy products division worked with Quantis and the Livestock Institute to test a water footprint evaluation methodology for upstream agriculture in four group subsidiaries in various regions around the world.

WATER

ADD EN9

Water sources significantly affected by withdrawal of water

See indicator EN8 for the various sources of water used.

Of the 59 million cubic meters of water withdrawn, Danone uses some 23 million cubic meters in formulating its finished products (not including production processes), essentially sourced from the 89 bottling sites.

The group has set a goal of ensuring the protection of the source area (rainwater catchment), the transition zone (path taken by the water in the rock layers) and the emergence area (exit zone for the spring).

Additionally, every source area is operated in compliance with rules established by the group, in particular with regard to long-term sustainability of stored volumes.

Danone drafted a charter titled “**Groundwater protection policy**” signed by Franck Riboud in October 2004. This policy defines the group’s commitment to sustainable management of groundwater in terms of managing natural and heritage resources. It restates the core protection objectives and describes in detail the principles of their application by all group subsidiaries. These application principles are systematically assessed for each spring and give rise to specific action plans. Site evaluation is based on the SPRING tool (Sustainable Protection and Resources managING) which defines management standards for each source of spring water bottled by the group. This tool has been deployed in every Waters division site, which have established a national and regional availability map to identify pollution risks and risks of water scarcity, plus priority action zones. In 2012, the Ramsar convention (United Nations international convention for wetland protection), the IUCN (International Union for Conservation of Nature) and Danone launched a recognition process to give this tool benchmark status.

In 2011, a new scientific tool (Hydre) was implemented at the Danone Eaux France and Health sites (of the Danone Waters China subsidiary). **This tool helps to monitor and plan for changes in water quantity and quality throughout a drainage basin by analyzing geological and hydrogeological data.** In 2012, it was deployed at the sites in Poland and Argentina. The Indonesian subsidiary Danone Aqua will be included in the program in the course of 2013. This subsidiary is also continuing the partnership created between Paris VI University and the University of Gadjah Mada to improve training for hydrogeologists.

See the programs for protection of biodiversity zones under EN11.

ADD EN10

Percentage and total volume of water recycled and reused

Production plants use water for production line cooling circuits. This water is reused in almost all cases (open cooling circuits are the exception and not the norm). For example, in the Baby nutrition division, the Brive-la-Gaillarde plant reuses a portion of this water for cleaning the production lines, and another portion for sterilizing by steam, allowing the site to reduce its water consumption by around 50%.

The production plants also use water for production line cleaning cycles, which are optimized to reuse the most during the pre-cleaning cycles. Investments have been made at several plants to improve water recuperation, as was accomplished previously at the Bailleul site in France. Now, four plants in the Fresh dairy products division have dropped below the threshold of 2 cubic meters of water consumed per metric ton of product.

BIODIVERSITY

EN11

Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

The group's sites are located in very diverse ecosystems and climates. Among these sites, many benefit from an exceptional environment and specific protections; this is true in particular of the Waters division sites, whose **rainwater catchment areas are being carefully managed**. Projects initiated several years ago are still underway (APIEME initiatives in Evian, CEPV in Volvic and the Lanjaron association in Spain, etc.).

In France, Danone continues to implement measures to protect its springs in collaboration with local partners, based on a model developed in 1992 with the **Association for the Protection of rainwater catchment for Evian mineral waters** (APIEME). This program is now deployed on 100% of the group's mineral water sources.

In September 2008 the Evian spring was added to the list of wetlands covered by the Ramsar Convention (United Nations program), which aims to **ensure sustainable management of these regions that are key to maintaining biodiversity**. In Argentina, the Villavicencio site extends into a natural reserve of more than 70,000 hectares. Very close to the Andes, the site is home to a wealth of biodiversity and initiatives have been taken to ensure the sustainable management of the area and protection of water resources. Ecotourism and environmental awareness projects are developed in the reserve. **In 2011, Danone signed an agreement with the Wetland Foundation that aims to qualify the Villavicencio site in Argentina as a Ramsar site, similar to what was done for Evian.**

In France, one of the principal approaches is to work together with farmers to promote sustainable agriculture. **This involves avoiding the use of pesticides and fertilizers that might infiltrate the water table.**

In this context, APIEME will soon be installing a biomethanizer in the Evian catchment area, which will ultimately enable farming effluents in the Evian region to be treated to ensure the spread of natural fertilizers and serve both to protect biodiversity and produce renewable energy. In 2011 APIEME initiated a nature inventory program across the entire Evian region with the aim of improving knowledge of the region's biodiversity and developing a conservation action plan. Environmental experts and political partners are involved in this two-year diagnosis initiative. Following the first study phase in 2012, APIEME had detailed data of the species and natural environments and of the necessary steps to preserve and monitor them. APIEME also created a website: www.apieme-evian.com, to promote its action and raise awareness of water protection and biodiversity among local stakeholders.

The association "La Bulle Verte" (the Green Bubble) founded in 2010 and uniting the town of Saint-Galmier (where the Badoit spring is located) and its neighboring towns, is **dedicated to preserving natural spaces and biodiversity**. The partners, which include the Chamber of Agriculture, ARDAB (association of organic farmers of the Rhône and Loire) and the Loire Brittany water agency, will now support Bulle Verte in developing an action program to roll out agricultural methods that are respectful of water quality. For greater impact, the association has joined forces with the Bird Protection League (LPO) in a wildlife inventory program covering the 40 square kilometers of the catchment area.

BIODIVERSITY

The Association PEPS'S was also founded in 2012 to protect the catchment area of La Salvetat Mineral Water, covering the plant and the five towns in the area. An appropriate action program is being implemented to protect this region of more than 80 square kilometers.

Action taken in the Volvic catchment area by CEPIV is at the heart of a European project named Life-SEMEAU, which aims to develop a tool to simulate the role of forests in water resource quality and quantity. In cooperation with local players, **the tool is used to define farm and forest management plans for the areas concerned, based on protection of the water resource and local economic development.** It can be applied to highland drainage areas in Europe, many of which are covered with forest.

Danone AQUA has implemented sustainable water resource management in Klaten to ensure the natural balance. The project is including studies on ground and surface water, community economic development and environmental preservation.

Good management of natural aquifer resources requires in-depth knowledge of hydrologic and hydro-geologic functioning. In collaboration with Paris VI and Yogyakarta universities, Danone Aqua has conducted geological and hydro-geological studies and climate monitoring. Furthermore, **surface water protection has been implemented by piloting good practical farming at small scale area** (micro watershed level), monitoring comprehensively water characteristic such as infiltration, run off, etc.

In partnership with CIRAD, a local NGO (Bina Swadaya) and Danone Ecosystem Fund, Danone AQUA has also established Pusur Lestari cooperative which serves farmers in 36 villages along the Pusur watershed to help the community in improving their quality of life. They provide access to capital, training on agricultural skill and access to market. A tree planting program has been developed in 3 villages in recharge areas that has been self replicated by communities supported by local government of Boyolali sub-district.

In addition, rehabilitation program for irrigation infrastructure has been made to minimize the inefficient irrigation utilization. The partners have also actively conducted a campaign on system rice intensification for water efficiency.

In 2011, at the Longmen site (Guanghzou), in China, a pilot project was launched in collaboration with agronomical institutes, public authorities and communities in order to **reduce pesticides and fertilizers use by the mandarin farmers from the catchment area.** In 2012, a feasibility study on the four fundamental components (soil, biodiversity, governance and socio-economic impact) was carried out with the UICN expertise. This study aims at defining an action plan for the coming years. This study allows the creation of a new project supported by the Danone Ecosystem Fund.

Finally, in the Fresh dairy products division, the Molay plant in France was designated a Natura 2000 zone in 2009.

EN12

Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

In the Waters division, protection of biodiversity is one of the core elements of the strategy for protection of natural water resources

The operation of a spring is related to its intrinsic quality. The spring must offer excellent geological and natural protection. The Evian mineral spring, for example, is protected by a waterproof layer several dozen meters thick with an average renewal period of 20 years.

Each spring is subject to intensive geological research as well as environmental studies to identify risk factors in the area and implement measures to protect natural and rural resources. Danone relies on local and national legislation and on contract agreements to obtain operating rights, which may include restrictions (drilling prohibitions, regulation of polluting activities, etc.).

Water catchment takes place primarily through drilling within a closed perimeter inaccessible to unauthorized persons. Catchment facilities ensure the hygiene and consistency of operations and are adapted to the resource's hydrodynamics. Danone thus makes full use of experts to ensure the rational and sustainable operation of our springs. For each site under operation, replacement of the natural resource is the single essential criteria. The group never withdraw more than what the spring can naturally produce.

The water is checked for consistent composition through regular sampling by certified independent laboratories. Bottling is carried out under strict hygiene procedures, and water quality is verified daily.

In the areas of agriculture and milk supply, the Fresh dairy products division launched the FaRMS initiative with its farmer partners in 1997 (*see indicator EN26 concerning initiatives taken to promote sustainable agriculture*), to help improve and audit farms' environmental practices (energy and water consumption, use of fertilizer and manure, waste, animal well-being, etc.). This tool encourages farmers to leave hedges and grassy stretches on their land, particularly adjacent to streams, to protect biodiversity.

Danone also supports projects that foster rational use of pesticides and fertilizers, and more integrated (Bleu Blanc Cœur, etc.) or organic agricultural models («the two cows», Stonyfield farms, etc).

ADD EN13

Habitats protected or restored

See indicator EN11 concerning the groundwater protection program.

Livelihoods Fund initiatives

Based on its successful experience with carbon offset projects launched in partnership with IUCN and the Ramsar Convention on wetlands since 2008, Danone decided to invite other companies to join these initiatives by creating the Livelihoods Fund in 2011. Today, seven large companies participate alongside Danone in this carbon fund, which invests in major natural ecosystem restoration projects. These projects contribute to combating climate change by fixing large volumes of carbon. The target goal is seven million metric tons of carbon stored over 20 years, for a minimum investment of 30 million euros. Livelihoods has already invested in six projects covering three types of activity in Africa and Asia.

Mangrove restoration

Since 2008, together with the Ramsar Convention and IUCN, Danone and then the Livelihoods Fund has focused on the ecosystems of mangroves for two main reasons: they are among the world's most highly endangered ecosystems, which threatens vulnerable populations. They feature a wealth of biodiversity, at the interface between aquatic and land-based ecosystems. These ecosystems provide organic matter, guarantee the necessary biodiversity for the development of fishery resources, and protect associated crops. Lastly, being a considerable producer of biomass, a mangrove ecosystem has high potential for carbon capture.

Three projects are under way:

- **in Senegal**, where the NGO **Océanium** has developed the world's largest mangrove restoration project in Sine Saloum and in Casamance, covering over 10,000 hectares and involving some 450 villages. With support from the Livelihoods Fund, the key players in this successful project, Océanium and the local communities, pool their capabilities to maintain the local ecosystem and develop sustainable economic activity;

BIODIVERSITY

- **in India** with a project to restore 6,000 hectares of mangrove carried out in collaboration with the NGO **Nature Environment and Wildlife Society (NEWS)** and the local communities in the Sundarban region. This area extends close to villages and offers them natural protection against climatic events. The project also serves to maintain sediment surfaces enabling fish resources to redevelop. At the end of 2012, almost 3,000 hectares had been planted;
- **in Indonesia**, on the island of Sumatra, where the restoration project launched in 2011 with the NGO **Yagasu** aims to rebuild the mangrove by planting local species and to restore a functional ecosystem to foster local communities' economic activity (fish, crab, shrimp, honey, etc.). 500 hectares were planted in 2011 and another 1,500 hectares of mangrove should be planted by the end of February 2013 for a final target of 5,000 hectares.

Agroforestry

Agroforestry projects contribute to the regeneration of soil, pasture lands, forests and crop productions that have lost their organic matter content and their fertility. Different agronomic protocols are implemented to respond to local conditions, with the aim of restoring the fertility of land and boosting subsistence and market crop farming activities.

In the Araku Valley in India, **the Naandi Foundation has been working to support the region's farmers for ten years now**. Organized in a "Small Tribal Farmers' Cooperative," they have launched an initiative to replant shade trees for coffee crops, with Naandi's help. The project launched in 2010 with the Livelihoods Fund aims to plant some six million trees, including approximately 50% of shade trees for coffee crops. 6,000 hectares have been planted to date, and the shade trees should be planted between 2013 and 2014. The project involves ten thousand small coffee producers and impacts some 65,000 people. Sustainable tree upkeep methods will be applied and both crop yields and quality should improve. In addition, the capture of approximately 1.1 million tons of carbon is expected over the next 20 years.

Rural energy

Responding to basic needs for energy (heating and lighting) is a challenge in emerging countries, particularly in rural areas. Inefficient cooking methods generate both significant energy costs and risks of respiratory disease for the local populations. It is also a major cause of deforestation, creating significant pressure on forests and threatening their ecosystems and biodiversity. Optimization projects are based on simple, more efficient solutions. Improved cooking methods greatly reduce consumption of wood and therefore avoid emissions of CO₂, which can then be converted into carbon credits.

The Livelihoods Fund already invests extensively in agroforestry and ecosystem restoration projects. At the end of 2012, the Fund launched its first rural energy project in Kenya, in collaboration with **Climate Pal**. The project, named Hifadhi (meaning "keep" in the local language), comprises two complementary components:

- distributing 60,000 improved cooking stoves in three districts. These clay stoves set in metal reduce wood consumption by 60% compared with traditional stoves, which helps to protect the local forests (approximately 1,200 hectares of forest not burnt) and reduce CO₂ emissions (preventing emission of 1.5 million tons);
- simultaneously implementing an ambitious replanting project: 2.4 millions of trees will be planted with the communities. These trees will provide heating wood, fruit for both consumption and sale, and timber; the project will further help to restore degraded soil.

Livelihoods Day at the 11th Convention on biological diversity

The Livelihoods Fund's team and a dozen project managers attended the 11th Conference of the Parties to the United Nations Convention on biological diversity from October 8 to 20, in Hyderabad, India. The Livelihoods Day, initiated by the Livelihoods Fund, was organized in collaboration with the World Agroforestry Center (ICRAF), the International Union for Conservation of Nature (IUCN), the Ramsar Convention and the French Fund for the Global Environment (FFEM).

Danone's action through its brands

Zywiec Zdroj : „Po stronie natury” (“On nature's side”)

“On nature's side” is a program initiated in 2009 by the Zywiec Zdroj subsidiary, the Polish mineral water brand, in partnership with the **Fundacji Nasza Ziemia** (“Foundation for our Planet”) and the Regional Directorate of State Forests in Katowice. It has various focuses including:

- planting 3 million native trees in three years in the Beskides region (where the plant is located);
- a grant competition that benefitted 70 local environmental projects meeting community needs (in the areas of planting and protecting trees, protecting water resources, etc.) involving 187 local organizations;
- the organization of training sessions and national conferences attended by 350 educators, plus 60 educational workshops in which 1,200 children took part.

Danonino: “Plant a tree”

In nine countries where the group has operations, the Danonino brand (marketed in France as “Petit Gervais aux Fruits”) runs a “Plant a tree” campaign which aims at educate children to biodiversity. Launched in 2010 in Brazil, then in the United States, Mexico, Argentina and in four European countries in 2011, this campaign was implemented in 2012 in Russia with vegetable seeds. In Mexico, Brazil and Argentina, children can plant a virtual tree on the brand's website using a code marked on the packaging. For each code entered, the partner NGO agrees to plant a tree in an affected region. Over 43,000 trees had been planted by end-2012.

Villavicencio: “Deja tu Huella”

The Villavicencio site in Argentina supports the NGO **Banco de Bosques** in a campaign launched in 2011 for the creation of the “Fidelidad” nature park, a 250,000-hectare area in the Chaco region. With a large subtropical forest and a wealth of biodiversity, the region is representative of different types of forest, woodlands, grasslands and wetlands. The area is also home to endangered species of jaguar and tapir and is under threat from overexploitation and deforestation. In 2012 the Villavicencio brand launched

an innovative partnership with Banco de Bosques for the “Déjà tu Huella” (“Leave your mark”) operation which invites consumers to contribute to the creation of the new nature reserve: for each bottle purchased in May and June, Villavicencio promised to protect 1m² of the park. Actions are also taken to inform the public of the dangers of deforestation and the importance of biodiversity in the local ecosystem. The results are conclusive with almost 2,200 hectares protected, active public participation in the project and increased consumer preference for the Villavicencio brand.

ADD EN14

Strategies, current actions, and future plans for managing impacts on biodiversity

In 2012, Danone commissioned a study from Bio Intelligence Service to estimate the overall soil use related directly and indirectly to its activities. This study indicated that indirect activities (upstream agriculture) represent more than 98% of the estimated surface area (3 million hectares).

As the impact of Danone's activity on biodiversity is primarily related to upstream agriculture (soil and water), a pilot product lifecycle analysis study was launched in 2012 by the Danone Brazil subsidiary in the Fresh dairy products division, with NGO partners IPE (Instituto de Pesquisas Ecologicas) and IUCN (International Union for Conservation of Nature), to develop a methodology for evaluating issues relating to biodiversity in Danone's value chain.

Sustainable agriculture

See indicator EN26 concerning initiatives to reduce environmental impacts of products and services, and their effects.

Water and biodiversity

See indicator EN11 concerning the groundwater protection program.

BIODIVERSITY

The group's Forest Footprint policy

Conscious of the critical importance of preserving the planet's forests (in particular the tropical forests in Indonesia and the Congo and Amazon basins), Danone is committed to a strategy of eliminating the deforestation impacts of its supply chain, and to a reforestation program, between now and 2020.

For this purpose, Danone has created a Forest Footprint policy that aims to:

- evaluate deforestation risks related to the raw materials used directly or indirectly for the group's activities;
- propose specific policies;
- implement prioritized actions based on risks and associated impacts. 6 major commodities have been prioritized: paper and cardboard packaging, palm oil, soy for animal feed, wood energy, sugar cane, and bio-sourced raw materials for packaging.

This policy has been extended to two categories: a specific palm oil policy and a specific paper/cardboard packaging policy co-developed with a benchmark NGO (Rainforest Alliance).

Danone makes these policies publicly available on its website.

<http://www.danone.com/en/nos-politiques/positions/our-policies-positions.html>

ADD EN15

Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

The group has no production plants within protected zones where species on the IUCN red list are found.

Certain regions outside the plants but still necessary to the group's business are subject to increased protection.

This is true for rainwater catchment areas needed by the Waters division, as many springs are located in nature zones whose preservation is a primary goal. In partnership with the Bird Protection League (LPO), Volvic takes part in a program to protect the Red Kite and several species of bat in the Massif Central in France. A dozen nature-loving employees volunteer to devote some of their work time to the observation, study and monitoring of nesting populations in connection with the "National Red Kite Action Plan". Volvic received the first Skills Sponsorship award from the French Ministry of Ecology for this commitment in 2010.

The international CITES report inventories the forest species threatened by deforestation in fragile tropical forests around the world. Under the group's paper and cardboard packaging procurement policy, all suppliers must strictly comply with international legislation and not include these species in the paper pulp they use.

EMISSIONS, EFFLUENTS AND WASTE

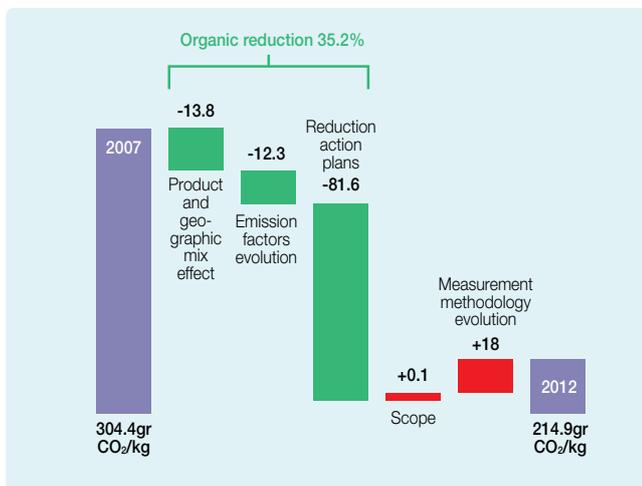
EN16 Total direct and indirect greenhouse gas emissions by weight (teq CO₂)

Greenhouse gas emissions through product lifecycle analysis

Danone had set the goal in 2008 of reducing its carbon footprint by 30% over the 2008-2012 period wherever the group exercises direct responsibility (production sites, packaging and end of life, transport and storage – excluding upstream agriculture). The reduction achieved is 35.2% (Greenhouse gas scope – Danprint):

Kg eq CO ₂ /kg of product in Danone's scope of responsibility	Goal 2008-2012	Cumulative 2008-2012
Groupe Danone	-30%	-35.2% ^(*)

^(*) On a like-for-like basis, excluding effects of change of scope and measuring methodology.



Carbon footprint measurement has been carried out since 2008 using the Danprint tool developed for the subsidiaries and which has now been deployed throughout the group. With this lifecycle analysis based tool, one can assess the progress in reducing greenhouse gas emissions against goals defined in the Nature Plan for all activities in Danone's direct scope of responsibility (production plants, transport, packaging and packaging end of life).

In 2012 the teams particularly focused on deploying the module co-developed with SAP for measuring the carbon footprint based on lifecycle analysis rules established previously for Danprint. This rollout aims to integrate footprint calculation into subsidiaries' enterprise resource planning systems (ERP), and is leading to extensive automation of data collection. At end 2012 it was deployed in 25 subsidiaries representing approximately 43% of net sales.

In 2012 Danone entered the Carbon Disclosure Leadership Index for the first time since the group began participating in the Carbon Disclosure Project (CDP).

The CDP provides an evaluation tool for institutional investors and other stakeholders. In 2012 the index included 51 firms selected for the quality of data disclosed and performance in actions taken to reduce climate change. The highest scorers enter the Carbon Disclosure Leadership Index (CDLI). Danone's high score (97/100) illustrates the group's good internal data management and its understanding of climate change issues relevant to it. The score also rewards Danone's high degree of transparency in its responses.

Greenhouse gas emissions by organization

They are calculated using the methodology described in the GHG Protocol Corporate Standard (*see methodology note*).

The approach chosen by Danone is to integrate all emission sources over which the company has operational control into its carbon footprint. All sites are included: production plants, distribution centers, offices, Research and Development centers, etc., as well as vehicles.

Direct emissions (scope 1) are emissions arising from consumption of fuels at the sites (natural gas, heating oil, coal, etc.), vehicle fuel consumption, and refrigerant leaks.

EMISSIONS, EFFLUENTS AND WASTE

Indirect emissions (scope 2) are emissions arising from the production of electricity, steam, heat or cold purchased by the group.

The table below presents the group's total greenhouse gas emissions (scopes 1 and 2) at December 31, 2012 (Greenhouse gas scope – GHG):

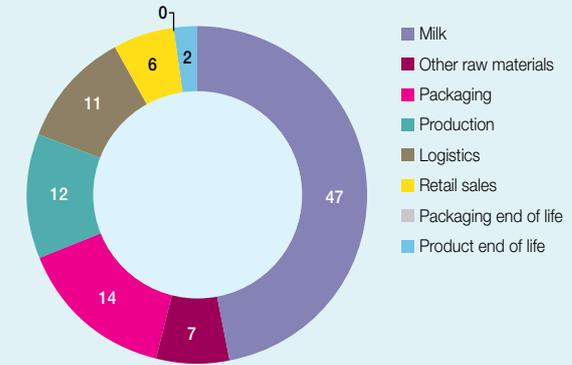
Total emissions of greenhouse gases in T CO ₂ e	2012
Emissions scope 1 in T CO ₂ e	894,206 ^(*)
Emissions scope 2 in T CO ₂ e	847,529
Total emissions in T CO ₂ e	✓ 1,741,735

✓ 2012 figures verified in the 2012 Registration Document.
 (*) Of which vehicle emissions in T CO₂e: 371,277

EN17 Other relevant indirect greenhouse gas emissions by weight (teq CO₂)

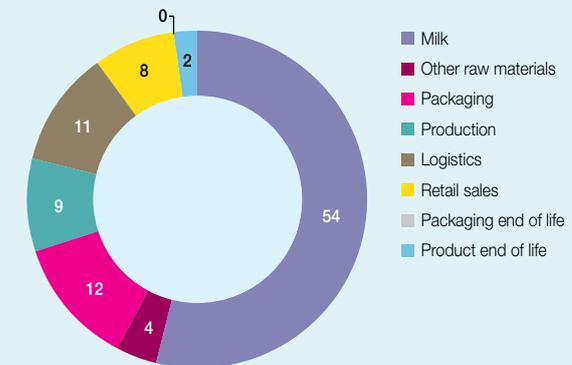
The group's total emissions in 2012 (including upstream agriculture) are estimated at 17 million metric tons equivalent CO₂. We obtain the following estimates in grams equivalent CO₂ per kg of product for the group and by division, across the entire lifecycle analysis (direct and indirect emissions).

Carbon footprint at group level (in %)



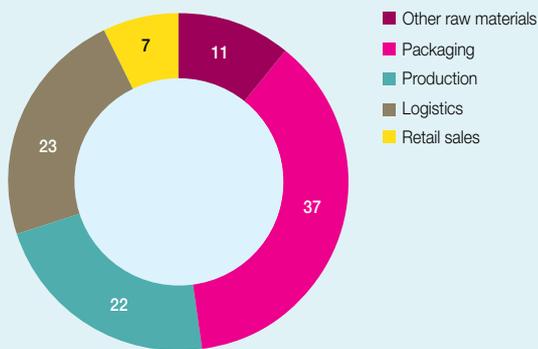
Total scope: 548g eq. CO₂/kg product
Danone's scope of direct responsibility:
 215g eq. CO₂/kg product

Carbon footprint of the Fresh dairy products division (in %)



Total scope: 1,636g eq. CO₂/kg product
Danone's scope of direct responsibility:
 567g eq. CO₂/kg product

Carbon footprint of the Waters division (in %)



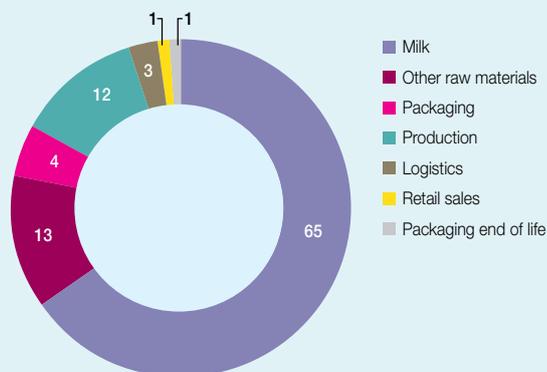
Total scope: 116g eq. CO₂/kg product
Danone's scope of direct responsibility:
 95g eq. CO₂/kg product

Carbon footprint of the Medical nutrition division (in %)



Total scope: 2,408g eq. CO₂/kg product
Danone's scope of direct responsibility:
 795g eq. CO₂/kg product

Carbon footprint of the Baby nutrition division (in %)



Total scope: 8,605g eq. CO₂/kg product
Danone's scope of direct responsibility:
 1,802g eq. CO₂/kg product

EMISSIONS, EFFLUENTS AND WASTE

ADD EN18

Initiatives to reduce greenhouse gas emissions and reductions achieved

Reduction in Danone's scope of direct responsibility

The actions that contribute most strongly to reducing emissions are reducing energy consumption in the production plants, reducing packaging, and optimizing supply logistics flows.

	Plants	Packaging	Logistics
End 2007 - end 2012	-30.1%	-38.2%	-35.3%

Reduction in the scope of indirect responsibility

Beyond its scope of direct responsibility, Danone works together with its suppliers to reduce the carbon footprint throughout the value chain by forming Carbon Pacts which include a reduction commitment and an action plan over three years. These pacts serve as a tool for suppliers who want to commit to better managing their emissions with a view to reducing them. This initiative has been deployed in the four divisions, with the long-term aim of working with all strategic suppliers. In 2012 the Fresh dairy products and Baby nutrition divisions decided to work in synergy with the largest suppliers common to the two divisions. They therefore reviewed the Carbon Pacts jointly with the supplier and prioritized actions on the basis of volumes where necessary. The aim is to share and exchange best practices between divisions and with the supplier whenever possible.

Example of a Carbon Pact: Agrana

A Danone Carbon Pact was signed with Agrana Fruit 3 years ago. The scope chosen was the carbon footprint reduction of the fruit preparation for the American and French affiliates, now widened to all the fruit preparation sites worldwide. As a reminder, the fruit part represents in average 6% of the yogurt carbon footprint. Agrana Fruit concentrated their actions on several streams: logistic, gas and electricity consumption on the production sites.

In the meantime, a high attention has been drawn towards the calculations accuracy: by developing their own internal calculations tool (in line with Danone's) and sharpening the scope of the concerned impacts year after year, Agrana Fruit came up with an estimate of 670 kg eq. CO₂ per ton of fruit preparation, for a scope of 19 production sites worldwide.

Despite integrating each year more sources of GHG emissions in the calculations (eg: waste water, sugar & sweeteners logistic), Agrana's American and French production sites reached a CFP reduction of 3% between 2009 and 2012.

EN19

Emissions of ozone-depleting substances, by weight

The table below indicates emissions of ozone-depleting substances by the group's sites at December 31, 2011 and 2012 (Production sites environment scope):

Téq. CFC	2011	2012
CFC	0	0
HCFC	0.46	0.45

Emissions arising from the use of refrigerants that deplete the ozone layer decreased in 2012. This reduction was achieved through the progressive replacement of the refrigerants used. Certain refrigerants have otherwise a significant impact on the greenhouse gases emissions, particularly HFCs. In the framework of the Consumer Goods Forum, Danone has committed to stop buying HFC refrigerants for its own fleet by the end of 2015. Under a policy known as the BCool initiative, Danone began updating its proprietary refrigerator fleet at points of sale in 2010 to ensure that only natural refrigerants based on CH or CO₂ technologies are in use. By also selecting refrigerators with better energy performance and ensuring their end-of-life recycling, Danone achieves both reduced energy consumption and a reduction in ozone-depleting emissions.

EN20 NO, SO and other significant air emissions, by type and weight

The table below presents the NO_x and SO_x emissions of the group's sites at December 31, 2011 and 2012 (Production sites environment scope):

Téq. NO _x SO _x	2011	2012
Consumption of NO _x	1,051	1,024
Consumption of SO _x	2,447	1,466

EN21 Total water discharge by quality and destination

The table below presents the quantities of COD discharged after treatment by the group's production sites at December 31, 2011 and 2012 (Production sites environment scope):

Tons	2011	2012	Variation on a like-for-like basis
Final discharge of chemical oxygen demand (COD)	4,881	✓ 4,085	-16.8%
Net COD ratio (kg/metric ton of product)	0.18	0.14	-19.6%

✓ 2012 figures verified in the 2012 Registration Document

The net COD ratio (i.e. after treatment) continued to decrease significantly for a total drop of 19.6% on a like-for-like basis from 2011 to 2012. This decrease is the result of improved measurement at several production sites (inclusion of the successive processes performed, change in the sampling methodology), as well as initiatives to reduce materials loss during production (reduction in rinsing water levels) or to improve performance of on-site wastewater treatment or pre-treatment stations.

EN22 Total weight of waste by type and disposal method

The table below presents the quantities of waste generated by the group's production sites at December 31, 2011 and 2012 (Production sites environment scope):

Tons	2011	2012	Variation on a comparable scope
Total quantity of waste generated (excluding sludge from treatment facilities)	284,102	271,068	-4.9%
Ratio of total quantity of waste generated (excluding sludge from treatment facilities) per metric ton of product	10.5	9.6	-8.0%
Total quantity of waste eliminated by a specific process	248,433	✓ 238,339	
Proportion of waste recovered by a specific process	87.4%	✓ 87.9%	

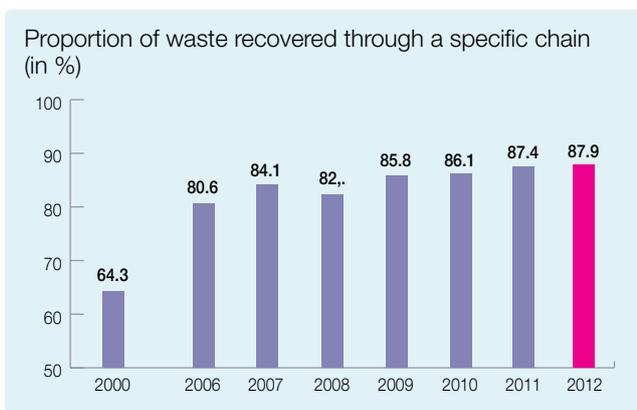
✓ 2012 figures verified in the 2012 Registration Document

The group consolidates the quantities of waste generated by the production sites in four categories: packaging waste, food waste, other conventional waste and hazardous waste (whey, inert waste and treatment facility sludge are not included); the percentage of waste that is recovered is also monitored.

Recovery takes place through recycling, reuse of waste, composting and waste-to-energy transformation.

EMISSIONS, EFFLUENTS AND WASTE

On a like-for-like basis, the ratio of waste generated per metric ton of product decreased by 8% between 2011 and 2012 primarily because of a better consideration of the reporting scope and an evolution in the estimation methods for certain waste categories. The proportion of waste recovered increases slightly to reach 87.9%. The table below presents the change in the proportion of waste recovered at production sites level since 2000, for the reporting scope of each of the years concerned.



ADD EN25

Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff

See indicators EN9, EN11 and EN14 concerning water supply sources and protecting biodiversity.

EN23

Total number and volume of significant spills

No significant accidental spill occurred in 2012.

ADD EN24

Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII and percentage of transported waste shipped internationally

This indicator does not concern Danone.



PRODUCTS AND SERVICES

EN26

Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

Danone's initiatives for reducing the impact of its packaging

Ever lighter bottles

Danone continued efforts to reduce the weight of its bottles in 2012. The initiative launched by the Polish subsidiary Zywiec Zdroj is representative of the group's policy to work on reducing the weight of its packaging. New bottles have been developed for the brand's four main formats.

Format	Weight before operation (g)	Weight after operation (g)	Variation
1.75l	33	31.5	-4%
1.5l	31.6	28.9	-8.5%
0.7l	26	20	-23%
0.5l	16.5	14	-15%

This operation reduces PET quantities used by over 1,000 metric tons per year and cuts annual CO₂ emissions by 2,600 teq CO₂. Consumers have also been receptive to the commitment made by the Zywiec Zdroj brand.

Use of recycled materials

Developing the use of recycled materials has been a major strategic objective for the group for several years, whether through improved collection or optimized packaging end of life. More than a third of the group's primary and secondary packaging is made of recycled materials. The group is strongly committed to a responsible circular "from the bottle to the bottle" approach and aims to increase the proportion of recycled PET (rPET) used in its bottles. Several brands in the Waters division, including Volvic, Evian and Bonafont are already using rPET. The average rate of rPET incorporation in the Waters division was 9% in 2011.

Packaging end of life: turning waste into resources

Danone seeks to expand collection and recycling of its packaging and aims to:

- continue to support efforts to increase collection and recovery rates for recycling in the countries where waste collection is already organized by environmental agencies;
- where this activity is not organized, contribute to the collection of materials used in the packaging of Danone products and explore new collection systems.

Through its Danone Ecosystem Fund, Danone supports four projects (in Indonesia, Mexico, Argentina and Brazil) that encourage recycling, and in particular rPET which has a positive impact on local economies. These projects combine social and environmental goals and allow Danone to increase its use of rPET while also improving working conditions and compensation for waste pickers.

The teams from Evian and Badoit also launched a new initiative in 2012 to step up efforts to recycle glass. A partnership was set up to collect empty glass bottles from client restaurants and the bottles are then stored and transferred to glass treatment plants for recycling. The project allows Danone to offer a streamlined bottle recycling process through an innovative partnership and strengthen its relationships with clients. Twenty client restaurants are already involved and the figure is expected to reach around a hundred in 2013.

Plant-derived materials

Three years of experimentation with plant-based plastics (from sugar cane, sugar cane waste and corn) launched by four brands (Volvic, Actimel, Activia and Stonyfield) have allowed Danone to further its knowledge of environmental implications (thanks to the lifecycle analysis approach), compliance with Danone's sustainability criteria (competition with food, end of life, etc.), business issues and consumer perception.

PRODUCTS AND SERVICES

The group continues its many collaborative initiatives with experts and stakeholders to improve impact measurement and allow the emergence of third-generation renewable materials, that is, materials that are not in direct competition with foodstuffs. For instance, Danone contributes to the “Bio-Plastics Feedstocks Alliance” with WWF to develop a “sustainability” standard for bio-packaging materials.

Initiatives taken by Danone to support farmers in developing sustainable agricultural practices that respect the environment

Although Danone does not generally control its upstream segment and accounts for less than 1% of the global milk collection, the group has long been committed to reducing its environmental impact: Danone joined the Forum pour l’Agriculture Raisonnée et Respectueuse de l’Environnement (FARRE – forum for sustainable agriculture respectful of the environment) since 1999 and co-founded SAI (Sustainable Agriculture Initiative) in 2002.

In 2012 Danone launched a Sustainable Agriculture taskforce to redefine its Sustainable Farming strategy, involving both internal and external stakeholders (Danone Ecosystem Fund, panel of experts, etc.) right from the start of the process. In an initial phase, a farm sustainability evaluation tool (based on RISE method developed by the University of Bern) was selected from a complete benchmark (100 tools assessed) taking into account the four dimensions Health, Economy, Nature and Social. In a second phase, the taskforce transposed the vision into an operational approach that will be applied through concrete projects in six pilot countries in 2013 covering all dairy farming production models (from subsistence to large-scale farms). The initiative aims to foster the adoption of sustainable farming practices in close collaboration with producers and other dairy sector stakeholders, on a local scale.

The FaRMS program

The FaRMS program (Farmers Relationship Management Software) was expanded during 2012 in the Fresh dairy products division to include the Chilean subsidiary. In 2012, 3,285 farms were visited (out of 6,273) in 15 countries, representing coverage of 52%. This program supports producers in implementing best practices that are respectful of the environment, and ensures systematic monitoring of farms on nine key environmental criteria such as waste management, use of crop protection products, and energy and water consumption.

EN27

Percentage of products sold and their packaging materials that are reclaimed by category

See indicator EN2 on the use of recycled PET.



EN28

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

Danone paid a total of 93,000 euros in the form of penalties and fines for environmental issues in 2012, involving three sites.

ADD EN 29

Significant environmental impacts from transport of products, other merchandise and materials used by the organization for its business, and from transport of personnel

Transport is a major source of greenhouse gas emissions. The share of logistics in products' carbon footprint varies by Division:

	Group	Fresh dairy products division	Waters division	Baby nutrition division	Medical nutrition division
Share of logistics in the carbon footprint	11%	11%	23%	3%	6%

In 2008 Danone announced the ambitious goal of reducing its carbon footprint by 30% over four years. In 2012 that reduction reached 35.2%. **Transport accounts for almost 11% of the group's carbon footprint and therefore plays an important role in achieving that goal.**

While raw milk collection is by nature a local activity (within a radius of 79km on average around production sites in France), Danone seeks to develop optimal solutions with its transporters for all of its activities. Transport is largely contracted out, but Danone applies numerous best practices to make it more efficient and reduce its energy intensity.

In the Fresh dairy products division, logistics environmental best practices have been communicated since 2011 via the publication of *Green Supply Chain Books*, now also shared with the Baby nutrition division. In 2012 the Waters division published its first *Green Supply Chain Book*.



TRANSPORT

These best practice guide books allow the subsidiaries to share their most effective measures and therefore facilitate their deployment at new sites. Initiatives proposed in this way by the Waters and Fresh dairy products divisions aim to improve the subsidiaries' environmental and operational performance for a variety of activities including storage, waste management, and upstream and downstream transport. For each activity, the subsidiaries are encouraged to reflect on three key focus areas to reduce impact from transport:

- reducing energy intensity (alternative energy sources, lower consumption, etc.);
- optimizing resources (optimizing travel distances and times, streamlining the frequency of trips, etc.);
- the quality of achievements and the various players' involvement (from the supplier through to the customer).

Rail transport

Mass rail transport is a major strategic focus for the Waters division. In 2012 the "rail/road" ratio out of Evian and Volvic plants rose by two points to 56%. This performance is the result of various improvements, including:

- the success of Project Quicksilver from the Volvic plant to Germany, which increased the "rail/road" ratio from 32% in 2010 to 55% in 2011 and then 80% in 2012. This flagship project, supported by two grants from the European Marco Polo program (initiatives for environmental improvements to transport), goes beyond the commitments made to the European Commission with more than ten weekly trains carrying 1,000 metric tons of water leave Volvic for the three German "rail link area" platforms.
- the achievements of the Aguas Danone Argentina and Aguas Font Vella y Lanjaron (Spain) subsidiaries which implement intermodal transport programs and considerably reduce road traffic on certain major routes.

In the Fresh dairy products division, products' lifetime is shorter and use of rail transport is not always possible. Nonetheless, several countries have successfully implemented intermodal projects, such as in the United Kingdom with a return synergy to Blédina in France. In Canada, 60% of transport to the west coast is done by rail. The Dannon Company and Stonyfield subsidiaries in the United States have begun supplying their warehouses by train.

Road transport

Raw milk collection by the Fresh dairy products division has improved thanks to route optimization software programs now used in Russia, Brazil, Ukraine and Turkey to reduce transport distances. A new transport management software program reduces trip times and distances in the United States. Danone continues its co-logistics projects throughout the world to pool transport resources with other companies and improve truck loading rates: in the US with Walmart, in the United Kingdom with Arla Foods, in Canada with Saputo, in Russia with Ferrero, etc.

New initiatives were taken in the Waters division to reduce greenhouse gas emissions caused by road transport. In Mexico and Argentina, the installation of new distribution centers in certain remote areas significantly reduces truck transport distances.

Constantly streamlining and seeking new solutions

Danone's teams seek to implement innovative solutions to reduce carbon emissions relating to transport while improving logistics organization.

In the Fresh dairy products division, several initiatives are emerging. Back-hauling actions, for example, continue in several subsidiaries to avoid empty truck returns. In Chile, a back-hauling partnership created with Walmart allows Danone to use this customer's trucks on certain routes. In Mexico, the frequency of truck deliveries is reviewed throughout the year to adjust it to the actual level of sales. During low seasons, the number of deliveries can therefore be optimized while significantly reducing costs (17,000 euros per month).

In the Waters Division, ongoing reflection seeking dual economic and environmental gains leads to introducing specific modes of transport adapted to each line, with the aim of reducing the number of kilometers traveled and of switching from road transport to more environmentally-friendly methods. For example:

- Evian transport towards Russia has shifted from road transport to a rail/shipping/road method via the Antwerp platform;
- in China, Danone Waters China has introduced a new road/sea transport mix for long-distance product deliveries. The initiative has generated conclusive environmental and economic benefits with a reduction in emissions by almost 950 teq CO₂ and a decrease in costs of approximately 400,000 euros per year. Longer product delivery times have been negotiated with customers;
- the innovative concept of upstream consolidation shared warehouse in the Miramas Carrefour warehouse was perpetuated in 2012. This concept allows a full train supply and then a redistribution to the 123 Carrefour stores in the South East of France and other distributors warehouses;

- Otherwise, in 2012, Danone Eaux France developed actions for finished products pallets optimization after the new French legislation about transport, allowing 44 tons trucks (versus 40 tons before). For example, the number of layers of the Salvetat pallets increased from 4 to 5, allowing to avoid 15% of trucks on the roads.

Joint carbon performance promotion with transport providers

Environmental performance is regularly promoted with transport providers, and is reflected in improvements in their own emissions. Innovative actions taken with various partners include the modernization of road transport providers' truck fleets, continued reduction in emissions by marine transport providers (modernization of their ships, significant reduction in speeds, etc.), while maintaining the best balance between CO₂ emissions and delivery rates. A number of new initiatives emerged in 2012:

- In the United Kingdom, the Waters Division subsidiary worked in partnership with DB Schenker to equip the plant-warehouse line with electric locomotives: this achieves a 25% reduction in carbon emissions compared with diesel locomotives;
- In the USA, under an agreement signed by the Stonyfield subsidiary with a supplier, a portion of the bio-diesel used by trucks is derived from waste oil discarded by various restaurants.

OVERALL

ADD EN30 Total environmental protection expenditures and investments by type

In thousands of Euros	2011	2012	2011/2012 variation on a like-for-like basis
ENVIRONMENTAL EXPENDITURE			
Fees paid for packaging collection/recycling	54,496	51,658	
Cost of industrial treatment: waste, water, atmospheric emissions	25,895	31,233	
Taxes and duties	6,348	8,194	
Other environmental costs (studies, certifications, audits, etc.)	5,663	5,890	
Costs for managing the CO ₂ emissions reduction plan	3,761	2,563	
Fines and penalties	138	93	
Third-party damages	3	8	
Subsidies received	- 109	- 63	
Environmental expenditures before depreciation	96,195	99,576	
Depreciation	8,966	8,218	
Total environmental expenditures	105,161	107,742	10%
ENVIRONMENTAL INVESTMENTS			
Investments allowing a reduction in CO ₂ emissions ^(*)	26,469	37,348	
Investments for environmental compliance: wastewater, waste, air pollution, soil pollution ^(*)	8,297	4,832	
Green CapEx	10,289	4,102	
Investments in improving water quality ^(*)	Nb	997	
Investments in reducing water consumption ^(*)	1,749	920	
Total environmental investments	46,804	48,199	1%

(*) Green CapEx excluded

NB : Indicator "Investments in improving water quality" was added in 2012.

In 2012 investments targeting environmental protection amounted to some 48.2 million euros, or around 5% of the group's total capital investments. They are stable compared with 2011.

The two primary investment categories are the following:

- **environmental compliance:** waste, wastewater, air pollution and soil pollution (waste treatment, wastewater treatment, treatment plants, noise measurement, air quality, etc.). These investments are 58% lower than in 2011 as a result of efforts already made in this area.
- **investments targeting reduction of CO₂ emissions** (energy savings, renewable energy use, logistics, eco-design of packaging, etc.). These investments rose by 26%, reflecting ongoing efforts to achieve the group's carbon footprint reduction objectives.

In addition, since its creation in 2010, the Green CapEx approval process provides financing for projects with high environmental value, but with a return on investment that would prevent their acceptance under the usual investment approval process.

The process takes into account a theoretical savings derived from applying a value to metric tons of CO₂ reduction resulting from these projects. Some 4.1 million euros were invested in 2012 under this process, representing 9% of the group's total environmental investments. In addition to the initiatives implemented through this system, some 10.3 million euros were committed in 2011, or 22% of the group's total environmental investments.

Operating expenditures related to the environment amounted to around 107.7 million euros in 2012.

They include 45.1 million euros for waste, water and air management and for environmental taxes other than tax on packaging. This latter expenditure amounted to 51.7 million euros in 2012.

GOVERNANCE

Working to connect Nature and Business

To achieve its goals, Danone has adopted the following organization:

- a Nature sponsor on the group Executive Board;
- a Nature department reporting directly to the group Executive Board and comprising a Nature Finance Director;
- a Group Nature committee meeting 4 or 5 times per year and comprising 7 CEOs or Vice-Presidents representing the group's different entities;
- since 2010 Danone has organized strategic think tanks with a panel of external experts (the "Board" of Nature stakeholders);
- an Environment Director in each division;
- a Nature committee in each division, which establishes the connection with the business strategy;
- a network of more than a hundred environmental correspondents in its subsidiaries. "Carbon Masters" are in charge of the "Carbon Plan" for each subsidiary, measuring greenhouse gas emissions twice annually, defining and implementing action plans to reduce these emissions, and communicating with the divisions and the group.

Responsible environmental communication

In 2011, in collaboration with the British "anti-greenwashing" agency Futerra, Danone introduced and distributed to all subsidiaries communicating on Nature topics a Guide to Environmental Claims to provide them with all the elements needed to organize responsible communication around their environmental initiatives. This Nature Claim Management approach, which includes an internal approval process for claims, aims to ensure that the group's environmental communication respects strict guidelines for conduct in all strategic areas: climate change, water, packaging, agriculture and biodiversity.

The group is working on a second edition of this guide that will be even easier for subsidiary marketing and communication teams to use. The new version of the Environmental Claims Guide should be rolled out in 2013.



PERFORMANCE

PERFORMANCE INDICATORS **SOCIAL**

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EMPLOYMENT



LA1

Total workforce by employment type, employment contract, and region

At December 31, 2012, the group had a total workforce of 102,401 employees (long- and short-term contracts).

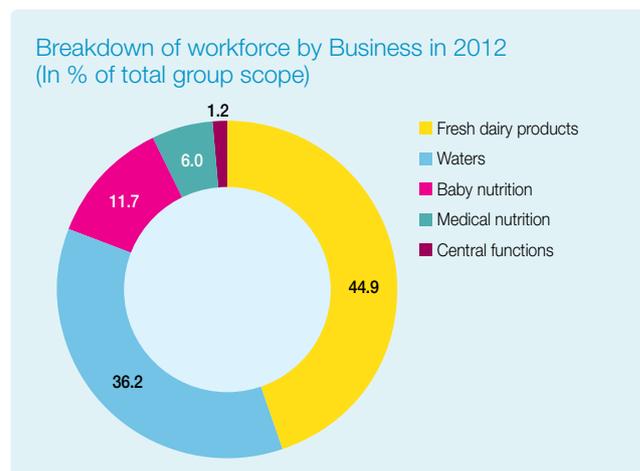
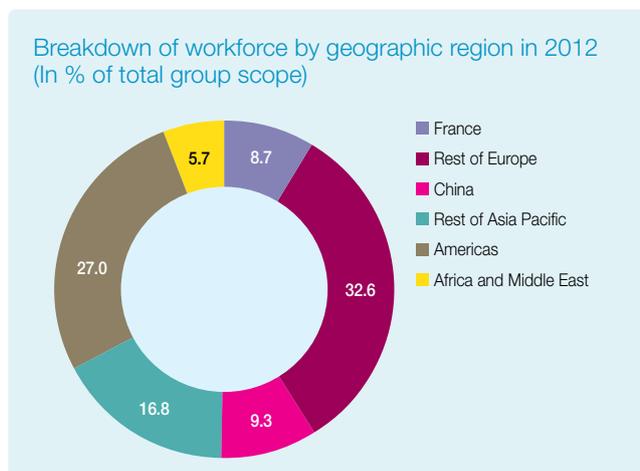
The table below indicates the breakdown by geographic region and business division, with a comparison for the years 2010 to 2012.

Total workforce	At December 31 Social Indicators scope			At December 31 Total group scope	
	2010 ^(*)	2011 ^(*)	2012	2011 ^(*)	2012
Total number of employees (excluding temporary workers)	85,073	87,164	86,555 <input checked="" type="checkbox"/>	101,885	102,401
of which managers in %	16%	17%	18%	16%	16%
By geographic region					
France	10.3%	10.1%	10.2%	8.7%	8.7%
Rest of Europe	25.1%	24.7%	21.4%	35.6%	32.6%
China	10.8%	10.2%	11.0%	8.8%	9.3%
Rest of Asia Pacific	18.2%	18.1%	19.2%	15.4%	16.8%
Americas	29.6%	30.9%	32.0%	26.4%	27.0%
Africa and Middle East	6.0%	6.0%	6.2%	5.1%	5.7%
Total	100%	100%	100%	100%	100%
By business division					
Fresh dairy products	38.5%	38.1%	36.1%	47.0%	44.9%
Waters	41.6%	41.4%	42.2%	35.4%	36.2%
Baby nutrition	13.1%	13.1%	13.8%	11.2%	11.7%
Medical nutrition	5.3%	6.0%	6.4%	5.2%	6.0%
Central functions	1.5%	1.4%	1.5%	1.2%	1.2%
Total	100%	100%	100%	100%	100%

(*) Historical data.

2012 figures verified in the 2012 Registration Document.

EMPLOYMENT



Breakdown of workforce by long-term, short-term and temporary contract

Long-term employees are under contract without an end date with a Danone subsidiary; short-term employees are those with a contract with a Danone subsidiary comprising an end date. Temporary employees refer to individuals without contract with a Danone company but under

Danone's direct management. This breakdown between long-term and short-term workforce was calculated based on average workforce (the average workforce is calculated by adding together the average total workforce at the end of each month of the year, then dividing this total by 12 months).

Average workforce	2011 ^(*)		2012	
	Long-term employees	Short-term employees ^(**)	Long-term employees	Short-term employees ^(**)
Total	82%	18%	85%	15%
Europe	87%	13%	87%	13%
Asia	78%	22%	83%	17%
Rest of the world	82%	18%	84%	16%
By geographic zone				
Africa and Middle East	73%	27%	77%	23%
Asia Pacific	78%	22%	83%	17%
Eastern Europe	86%	14%	87%	13%
Western Europe	88%	12%	88%	12%
Latin America	82%	18%	84%	16%
North America	94%	6%	95%	5%
By business division				
Fresh dairy products	79%	21%	81%	19%
Waters	85%	15%	89%	11%
Baby nutrition	78%	22%	77%	23%
Medical nutrition	92%	8%	92%	8%
Central functions	94%	6%	94%	6%

(*) 2011 data on a like-for-like basis
(**) Short-term and temporary employees.

Long-term, short-term and temporary contracts

Average workforce	2012 ^(*)		
	Long-term employees ^(**)	Short-term employees ^(**)	Temporary employees
Total	84%	6%	10%
Europe	88%	6%	6%
Asia	84%	4%	12%
Rest of the world	83%	3%	14%
By geographic region			
Africa and Middle East	73%	11%	17%
Asia Pacific	84%	4%	12%
Eastern Europe	86%	6%	7%
Western Europe	89%	6%	5%
Latin America	84%	1%	15%
North America	96%	3%	1%
By business division			
Fresh dairy products	81%	3%	16%
Waters	89%	5%	6%
Baby nutrition	77%	5%	18%
Medical nutrition	93%	4%	3%
Central functions	93%	6%	1%

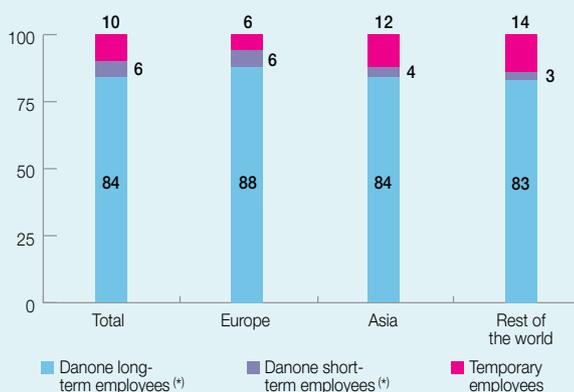
(*) Social indicators scope.

(**) Under contract with a Danone subsidiary.

Net job creation

At December 31, 2012, on a like-for-like basis, 516 net jobs had been created (Total group scope). The group's highest net job creation is in Asia.

Breakdown of workforce by long-term, short-term and temporary contract



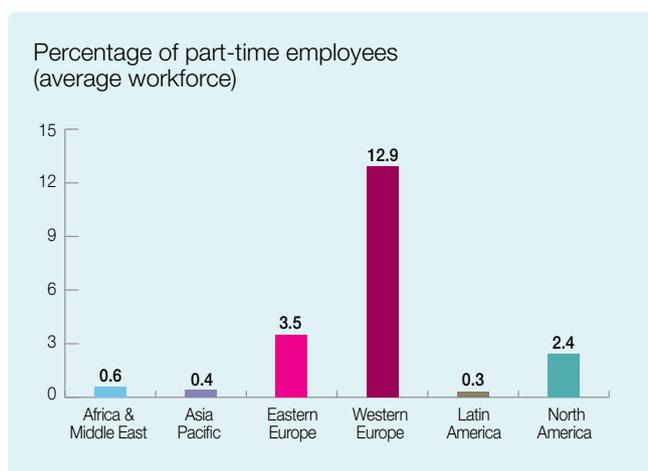
(*) Under contract with a Danone subsidiary.

EMPLOYMENT

Full time/part time

	2011		2012 (*)	
	Long-term Danone employees	Short-term Danone employees	Long-term Danone employees	Short-term Danone employees
Total	97.0%	3.0%	96.8%	3.2%
Europe	91.5%	8.5%	90.9%	9.1%
Asia	99.9%	0.1%	99.6%	0.4%
Rest of the world	99.5%	0.5%	99.5%	0.5%
By geographic zone				
Africa and Middle East	99.6%	0.4%	99.4%	0.6%
Asia Pacific	99.9%	0.1%	99.6%	0.4%
Eastern Europe	96.9%	3.1%	96.5%	3.5%
Western Europe	87.8%	12.2%	87.1%	12.9%
Latin America	99.7%	0.3%	99.7%	0.3%
North America	97.4%	2.6%	97.6%	2.4%
By business division				
Fresh dairy products	97.5%	2.5%	97.5%	2.5%
Waters	98.1%	1.9%	97.9%	2.1%
Baby nutrition	95.8%	4.2%	95.1%	4.9%
Medical nutrition	90.1%	9.9%	90.7%	9.3%
Central functions	92.6%	7.4%	92.9%	7.1%

(*) Social Indicators scope.



This breakdown is calculated by reference to workforce at December 31, 2012, by geographic region.

Part-time work is mainly used in Western Europe, and to a lesser degree in Eastern Europe and North America.

LA2

Total number and rate of employee turnover by age group, gender, and region

The annual turnover rate for 2012 is 18%. Conditions are extremely varied by region: from 7% in Western Europe to 28% in Latin America. Regions with a high turnover rate reflect the strong demand for qualified employees.

On a like-for-like basis, the turnover rate decreased slightly from 2011 to 2012.

Turnover rate ^(**)	2011	2012
Total	19%	18%
By geographic region		
Africa and Middle East	19%	20%
Asia Pacific	16%	16%
Eastern Europe	16%	17%
Western Europe	7%	7%
Latin America	30%	28%
North America	15%	17%
By category		
Staff, Supervisors & Workers	19%	19%
Managers	15%	15%

% of departures ^(*)	2011	2012
By gender		
Women	16%	15%
Men	17%	17%
By category		
Staff, Supervisors & Workers		
- of which women	17%	16%
- of which men	18%	17%
Managers		
- of which women	14%	14%
- of which men	15%	15%

(*) This indicator is calculated as per Danone/IUF agreement, by taking into account external recruitments and departures.

(**) Social indicators scope.

ADD LA3

Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations

This indicator is not consolidated at group level.

LABOR/MANAGEMENT RELATIONS

LA4

Percentage of employees covered by collective bargaining agreements

The tables below provide data on the percentage of subsidiaries and 2.3% employees covered by a collective bargaining agreement.

Subsidiaries covered by a collective bargaining agreement ^(*)		
	2011	2012
% of subsidiaries	72%	72%

Employees covered by collective bargaining agreements ^(*)		
	2011	2012
% of employees	88%	88%

(*) Social indicators scope.

The number of employees covered by a collective bargaining agreement remained stable from 2011 to 2012.

LA5

Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements

Danone has signed a global agreement with the IUF specifically regarding consultation of employee representatives in case of operational changes with consequences for employment (May 1997). It stipulates a minimum three-month notice period and was revised in 2005.

ADD LA6

Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs

In 2011, Danone strengthened its commitment to systematically introduce Management–Employee committees to define, assess, implement and monitor workplace health and safety policies and programs.

The global agreement signed in September 2011 with the IUF with regard to health, safety, working conditions and stress clearly specifies Danone is particularly committed to creating a dedicated system for coordinating health and safety at work and working conditions for every site in all of Danone’s consolidated subsidiaries (including headquarters).

This agreement is implemented in all group subsidiaries via the Danone Way policy, whose “Health, safety and working conditions” key practice was updated in 2012 to include expectations with regard to its application: communication of the agreement to staff representatives and self-assessment by subsidiaries of their practices to date, concerning the agreement’s principles.

LA7

Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region

Danone has been committed to a worldwide program known as WISE since 2004, with the goal of developing a safety culture at all group sites to significantly reduce the number of workplace accidents. This program is rolled out in all divisions around the world, in plants and logistic centers and in distribution. It also applies to subcontractors working at Danone sites.

The management of health and safety as well as the WISE program are coordinated by the group Human Resources Department with the support of designated managers at every level of the company’s organization.

The frequency rate 1 of workplace accidents is the ratio of the number of accidents involving at least one day of medical absence to the millions of hours worked; it includes accidents involving short-term, long-term and temporary employees.

In 2012, frequency rate 1 remained constant for the group as a whole.

While results continued to improve in the Medical nutrition and Waters divisions, their stagnation at group level can be attributed in particular to:

- certain countries in the Fresh dairy products division where the safety culture is less developed;
- France, where the situation deteriorated in the industrial subsidiaries : issues related to physical strain are gaining importance, leading to a strong rise in accidents generating work absences and to a significant reduction in adapted light duty jobs (accidents without a work absence but resulting in the adaptation of the job to allow the employee to return to work the day after the accident).

OCCUPATIONAL HEALTH AND SAFETY

While frequency rate 1 is stagnating, the group’s efforts to develop a “safety culture” continued to expand in 2012, in particular by:

- strengthening WISE audit requirements (70% of sites audited at the end of the year);
- supporting the rollout of the “Driving” standard with a substantial training program addressing preventive driving and vehicle equipment;
- transposing an excellence approach, supported by safety at work, to other operational areas such as quality, operating efficiency, customer service and environmental protection;
- extending the “safety” culture to encompass a culture of health in the workplace, through training in ergonomics, workstation design, etc;
- defining a new safety standard for the group whereby operators take part in analyzing risks at their own workstations.

This effort is also expressed in the “Health, safety, working conditions and stress” agreement signed by Danone and IUF and managed through the Danone Way approach.

The table below indicates the breakdown of work-related fatalities, accidents engendering at least one day of work absence, and frequency rate 1 (FR1) by geographic region and by division at December 31, 2011 and 2012.

Note: the number of fatalities only includes Danone employees in consolidated subsidiaries and excludes subcontractors.

	2011			2012		
	Number of fatalities	Number of accidents with at least 1 day of leave	Frequency rate 1 (FR1)	Number of fatalities	Number of accidents with at least 1 day of leave	Frequency rate 1 (FR1)
By geographic region						
Africa and Middle East	4	29	1.8	4	46	2.9
Asia Pacific	0	26	0.5	0	28	0.5
Eastern Europe	0	39	1.9	1	29	2.5
Western Europe	0	182	5.5	0	189	5.7
Latin America	0	138	2.1	0	128	1.9
North America	0	15	2.8	0	8	1.6
Total	4	429	2.2	5	428	2.2 
By business division						
Fresh dairy products	3	206	2.8	5	220	3.3
Waters	0	134	1.5	0	119	1.4
Baby nutrition	0	36	1.5	0	41	1.6
Medical nutrition	1	19	2.2	0	17	1.7
Other	0	34	8.4	0	31	0.7
Total	4	429	2.2	5	428	2.2 

 2012 figures verified in the 2012 Registration Document.

In 2012, Danone decided to expand safety performance monitoring to accidents without work leave, and monitor its frequency rate 2 (FR2) as well as count the number of lost working days.

This information will be disclosed when the data is reliably consolidated at group level.

The absenteeism rate is 2.3% in 2012, which is a decrease compared to 2011 (2.4%).

Information concerning work-related illnesses is not yet consolidated at group level.

LA8

Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases

With its Dan'Cares program, Danone aims to provide its 100,000 employees with a medical coverage for basic healthcare, including hospitalization and surgery, prenatal and maternal care, medical visits and pharmacy.

Dan'Cares was launched in 2010, beginning with an audit in the group's 15 main countries in terms of workforce size. In 2011, eight countries (China, Spain, Indonesia, Mexico, Brazil, Poland, Russia and Saudi Arabia) began introducing action plans in the framework of Dan'Cares.

In 2012, new audit carried out in all Danone subsidiaries established a mapping of the systems offered locally to 98% of employees in 41 countries.

To date, 51,600 "Danoners" receive healthcare coverage consistent with the standards defined by Dan'Cares, of which 24,000 are benefiting from action plans launched since the start of the project.

The group's goal is that 16,000 additional employees participate in the Dan'Cares program by the end of 2013.

OCCUPATIONAL HEALTH AND SAFETY

ADD LA9

Health and safety topics covered in formal agreements with trade unions

On September 29th 2011, Danone signed a worldwide agreement on health, safety, working conditions and stress with the IUF (International Union of Food workers). This agreement follows on from the agreement signed in 2010 with trade unions in France.

The agreement declares that health and safety at work, working conditions, and preventing stress in the workplace are complex and closely interwoven issues that require shared preventive measures.

The Danone–IUF agreement restates each party’s responsibilities. The company is responsible for the health and safety of its workers and of all individuals working at the locations for which it is accountable.

Among other things, the agreement asserts the following principles:

- it is imperative to take into account the human consequences of change, in advance of major organizational changes;
- preserving a balance between personal and professional life must be encouraged, among other things by planning work schedules, break times and vacations as far in advance as possible;
- involving employees as close to the ground as possible to identify ways to simplify their work makes it possible not only to find new efficiency levers, but also to improve employee well-being;
- employees safety requires their participation in safety-related preventive measures, but also their right to withdraw from a hazardous situation;
- medical monitoring must be systematically introduced in all subsidiaries and locations.

This agreement is implemented in all group subsidiaries via the Danone Way program, whose “Health, Safety and Working Conditions” key practice was updated in 2012 to include expectations with regard to its application: communication of the agreement to staff representatives and self-assessment by subsidiaries of their practices to date concerning the agreement’s principles.

TRAINING AND EDUCATION

LA10 Average hours of training per year per employee by employee category

Indicators regarding training were stable from 2011 to 2012, which reflects Danone's ongoing training efforts in all geographic regions.

In 2012:

- the average number of training hours per employee was 31;
- the number of employees receiving training continues to rise, to 86,879 (compared with 81,838 in 2011).

Average number of training hours ^(*)	2011 ^(**)	2012
Total	31	31
WETS ^(****)	28	29
Managers	42	41

Number of employees trained ^(*)	2011 ^(**)	2012
Total employees trained	81,838	86,879 <input checked="" type="checkbox"/>
WETS ^(****)	67,226	71,732
Managers	14,612	15,147

Percentage of employees trained ^{(*)(**)}	2011 ^(**)	2012
Total employees trained	99%	100%
WETS ^(****)	98%	100%
Managers	100%	98%

Number training hours ^(*)	2011 ^(**)	2012
Total training hours	2,532,097	2,682,705 <input checked="" type="checkbox"/>
WETS ^(****)	1,924,433	2,044,915
Managers	607,664	637,790

Average number of training hours ^(*)	2011 ^(**)	2012
By region		
Africa and Middle East	16	19
Asia Pacific	30	32
Eastern Europe	33	31
Western Europe	30	29
Latin America	32	32
North America	51	37

Number of employees trained ^(*)	2011 ^(**)	2012
By region		
Africa and Middle East	3,186	4,416
Asia Pacific	25,814	27,395
Eastern Europe	10,338	11,336
Western Europe	15,181	14,335
Latin America	24,761	26,793
North America	2,558	2,604

% of employees trained ^{(*)(**)}	2011 ^(**)	2012
By region		
Africa and Middle East	60%	82%
Asia Pacific	100%	100%
Eastern Europe	99%	100%
Western Europe	92%	89%
Latin America	100%	100%
North America	96%	96%

(*) Social indicators scope.

(**) 2011 figures in a like-for-like basis.

(***) Percentage, where the base is the average workforce for the category.

(****) WETS: Workers, Employees, Technicians and Supervisors.

2012 figures verified in the 2012 Registration Document.

TRAINING AND EDUCATION

ADD LA11

Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

For several years, Danone subsidiaries impacted by the aging of the working population (primarily in Western Europe and particularly in France) have either signed agreements or adopted action plans that aim to plan for this aging and support continued professional activity to a more advanced age. Measures implemented include:

- training (ergonomics, skills transmission, preparation for retirement, leadership);
- mid-career reviews;
- job adaptations to relieve physical and mental stress.

Two initiatives currently promote greater coordination and more systematic local initiatives in terms of lifelong skills development and training programs designed to ensure employability:

- the implementation of legal obligations by the French subsidiaries in the area of preventing physically straining work. Two prevention topics dictated by law involve the development of skills and qualifications, and end-of-career management, and should lead to joint agreements or action plans.
- the deployment of “CODE Leadership” at operational staff level. Efforts have been made to adapt Danone Leadership College (DLC) courses and firmly establish them into day-to-day operational workplace routines, particularly in the framework of the DaMaWay policy⁽¹⁾. This deployment aims to increase the autonomy of operators and teams in the workplace, and to foster the acquisition of transferrable skills.

ADD LA12

Percentage of employees receiving regular performance and career development reviews

The Individual Development Plan (IDP) that allows every individual to look towards the future and define training initiatives beyond the annual performance reviews, continues to apply to a large portion of group employees. In 2012, 81% of managers and 58% of WETS (Workers, Employees, Technicians and Supervisors) benefited from an IDP (a three-point decrease for WETS compared with 2011, and stable for managers).

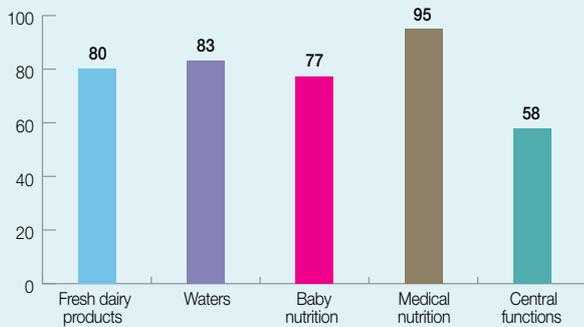
In the WETS categories, in 2012 as in 2011, Asia and the Medical nutrition division are ahead of the other regions and divisions.

In 2012, 81% of the group managers had an annual performance review (PDR), three-point decrease vs 2011. North America, Eastern Europe and Medical nutrition are ahead of the other regions and divisions for this indicator.

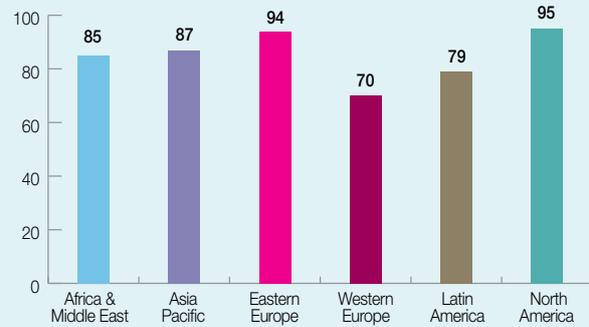
These figures are provided for the Social indicators scope at December 31, 2012.

(1) DaMaWay is Danone's industrial performance management system that applies to all production sites in all divisions. This system supports all operators of every age and qualification level with training and initiatives to allow them to develop their autonomy and teamwork and share expertise in industrial performance.

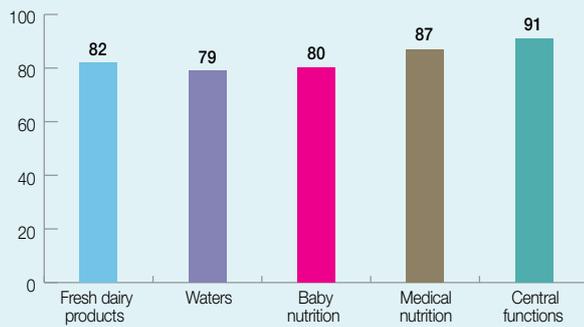
% of managers who had a PDR^(*) in 2012 by business activity



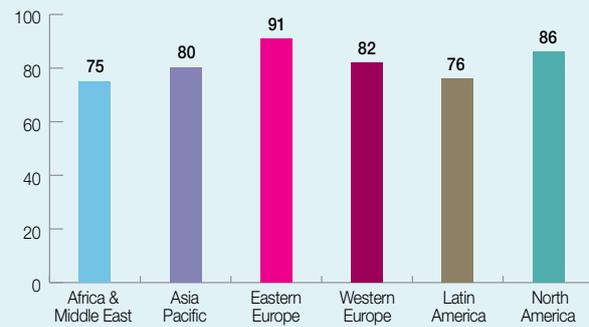
% of managers who had a RDP in 2012 by geographic region



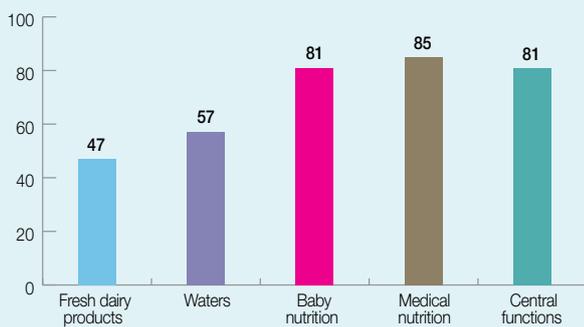
% of managers who had a IPD^(**) in 2012 by business activity



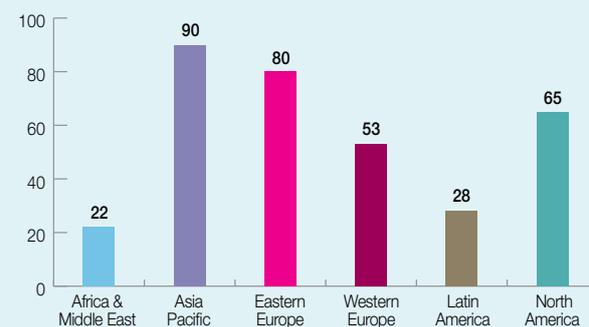
% of manager who had an IDP in 2012 by geographic region



% of WETS^(***) who had a IPD or equivalent in 2012 for at least 2 years by business activity



% of WETS who had an IPD or equivalent in 2012 for at least 2 years by geographic region



(*) PDR: Performance and Development Review.

(**) IDP: Individual Development Plan.

(***) WETS: Workers, Employees, Technicians, Supervisors.

Concerning the career paths of “Danoners”, in addition to the IDP and PDR policies, the group has launched the “Growth commitment” program to establish connections between the professional lives and personal aspirations of Danone’s employees. It involves a mutual commitment between the employee and the company around a

professional and/or personal project over a medium to long-term period (three to five years), and related to the group’s current and future business. This project is gradually being implemented in the group’s subsidiaries through several pilot programs for various categories of people and jobs.

DIVERSITY AND EQUAL OPPORTUNITIES

LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity

Gender diversity

The share of women within the management population remained stable in 2012, at the manager, director and executive levels.

	2011		2012	
	Women	Men	Women	Men
Total managers^(*)	44%	56%	44%	56%
of which Directors and Executives	28%	72%	31%	69%
of which Executives	12%	88%	12%	88%
of which other managers	46%	54%	46%	54%

(*) Social indicators scope.

These results are derived in particular from the Women Plan introduced in 2009 and rolled out in every subsidiary around the world, which applies two main approaches:

Organizational

- monitoring the number of women at each hierarchical level and by subsidiary with regard to three key factors: internal promotion, external hiring and retention of women within the group;
- measures in support of maternity leave;
- wage equality.

Individual

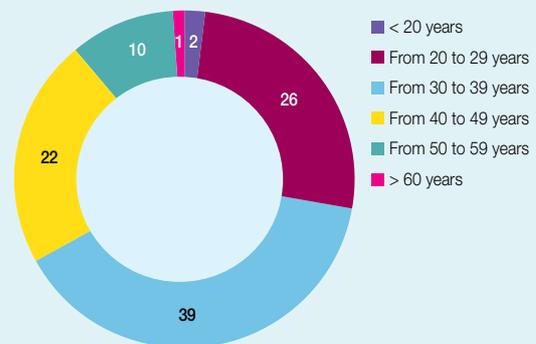
- support for women (training, networking and mentoring) and men (awareness training);
- creation of “female leadership” modules for women ranging from young managers to chief executives.

Age

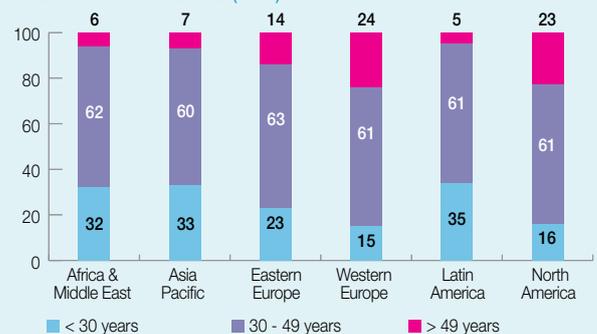
67% of Danone employees are under 40 years old. In Western Europe the share of employees under 30 is only 12%, while this figure ranges from 25 to 35% of the workforce in all other regions (except North America).

These figures are provided for the Social indicators scope at December 31, 2012.

Breakdown by age 2012 (in %)



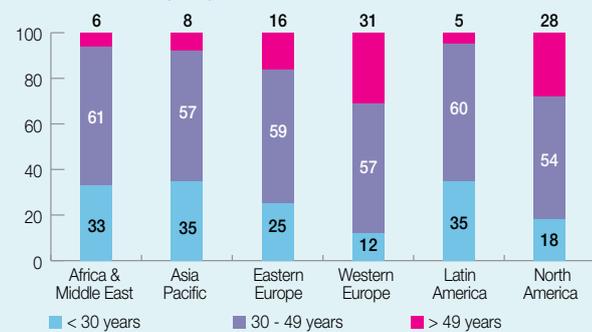
Breakdown by age group by region
All Danoners in 2012 (in%)



Breakdown by age group by region
Managers in 2012 (in%)



Breakdown by age group by region
WETS in 2012 (in%)



Among the WETS population (Workers, Employees, Technicians and Supervisors) there are significant differences between Western Europe and the other geographic regions, with a higher number of older workers (31% older than 49) and only 12% of workers less than 30 years old. The stability of the workforce in this Western European region, due to low turnover and limited growth, generates more specific issues (physically straining at work, career management, etc).

Danone has also been working for several years to address issues of professional integration for young people. Initiatives in the French subsidiaries address both employment for younger generations and the origin of candidates for hire. These projects include:

- “Initiative 500”, through which 225 young people with no employment qualifications have entered these subsidiaries since 2010 with a pre-qualification contract giving them access to vocational training or studies certificates recognized by French government;
- “Sales School”, which recruits 64 young people each year in a work-study program ranging from a two-year university degree to a Master 2 in sales professions.

The group also launched two major initiatives in favour of intergenerational relations in 2012:

- the “Octave” seminar was initiated by Danone as an extension of the EVE seminar (created with various partner companies with the goal of raising awareness and personal development in the area of female leadership), based on the notion that older and younger professionals all have something to contribute to the

company, and that overall performance benefits when generations interact with one another. The first Octave seminar took place in April 2012, and was attended by 120 people from five partner companies.;

- the “Gen D” program launched by the group in 2012 aims to share the Danone culture with its junior employees (under the age of 30) and to increase their contact with group executive management.

Disabilities

In France, the integration rate for people with disabilities in the group’s French subsidiaries rose from 3.1% in 2007 to 4.2% in 2008, 4.9% in 2009, 5% at end 2010, 5.22% in 2011, and 5.29% in 2012.

Integrating people with disabilities into headquarters is the most difficult, given the gap between training levels and required qualifications. Many subsidiaries have signed specific three-year agreements with trade unions to support a longer-term approach to this issue.

At global level, the number of employees with disabilities rose from 757 people in 2011 to 792 in 2012. 68 subsidiaries (compared with 58 in 2010) employ at least one disabled worker. In these 68 subsidiaries, the percentage of disabled people represents 1.3% of their overall workforce, a figure that remains stable compared with the previous year. This average percentage covers a variety of situations in terms of degree of advancement and integration policy for employees with disabilities, notably depending on whether or not they are subject to demanding legislative requirements.

DIVERSITY AND EQUAL OPPORTUNITIES

LA14

Ratio of basic salary of men to women by employee category

Managers and Directors categories

The data is provided by the “HIRIS” information system for Human Resources management indicators.

The basis chosen for comparison, i.e. the “compa-ratio”, is the total wages received by the individual compared to the median wages established each year for all managerial and executive categories organized by grade.

There are ten grades (excluding Danone Executive Board members) in all 60 countries where the group does business. The compa-ratio indicates this wage gap independently of the currency and country of reference.

Examples:

- a compa-ratio of 1.0 means that the individual is paid exactly the median wage for his or her grade;
- a compa-ratio of 1.10 means that he or she is paid 10% more than the median.

The tables below provide an overview of the gender gaps by level.

Directors excluding general managers:
internal Danone grades 6b to 5 (equivalent to grades 20 to 22 of the Hay system)

Compa-ratio					
Grade	Women	Men	Total	2012 gap	vs. 2011 gap
5	1.05	1.05	1.05	0.00	0.00
6A	1.04	1.02	1.03	0.02	-0.02
6B	0.93	0.94	0.94	-0.01	-0.02
Total Directors	0.98	0.99	0.98	-0.01	-0.02

Average age			
Grade	Women	Men	Total
5	45.0	46.1	45.9
6A	43.8	44.3	44.2
6B	42.4	43.4	43.0
Total Directors	43.1	44.3	43.9

Total workforce of 1,254 directors of which 31.3% women and 68.7% men. These figures include all directors in the group.

There is a slight overall gap of 1% across the entire population, with a reduction in the gap identified in 2011 for the 6A and 6B directors.

Managers category:
internal Danone grades 9.9 to 7 (equivalent to grades 15 to 18 of the Hay system)

Compa-ratio					
Grade	Women	Men	Total	2012 gap	vs. 2011 gap
7	0.90	0.94	0.92	-0.04	0.01
8	0.89	0.90	0.89	-0.01	-0.02
9	0.87	0.85	0.86	0.02	0.00
9.9	0.90	0.89	0.90	0.01	-0.03
Total Managers	0.88	0.88	0.88	0.00	-0.01

Average age			
Grade	Women	Men	Total
7	39.9	41.2	40.7
8	37.1	39.5	38.3
9	34.7	37.5	36.2
9.9	27.6	29.0	28.2
Total Managers	35.1	38.0	36.7

Total workforce of 15,004 managers, of which 47.2% women and 52.8% men. These figures include all managers in the group.

For the entire manager population of more than 15,000 people, no gender gap is apparent for wages.

Overall, the compensation review procedures, guided by group policies and including a comparison of compensation for men and women, continue to direct attention to this issue where gaps are small but real.

Workers, employees, technicians and supervisors categories

As the group does not have a single classification system for these categories, and deployment of the information system does not yet cover all these job categories, data is collected from the internal Magnitude reporting system.

The male-female comparison is made using the median annual men-women wage ratios.

Figures are calculated based on the median ratios for men's and women's annual wages on a comparable basis between 2011 and 2012, so that subsidiaries that exited or entered the scope between 2011 and 2012 are not included, in particular the subsidiaries resulting from Danone's merger with the former Unimilk group in Russia.

This reporting covers 97% of this population, and 84.5% of the whole group.

	Supervisors, ETS ^(*)	Workers
2011 Sustainability Report	1.03	1.04
2011 comparable basis with 2012	1.03	1.04
2012	1.00	1.06
Gap	-0.03	0.02
% of total employees 2012	97%	97%

(*) ETS: Employees, Technicians and Supervisors.

The results can be read as follows: 50% of subsidiaries pay their male and female "Employees, Technicians and Supervisors" at the same level on average, for all levels and all positions; and 50% of subsidiaries pay their male "Workers" an average of 6% more than their female counterparts.

A 3% improvement of the ratio can be noted compared with 2011, for Supervisors and ETS, and a 2% increase in the gap for Workers.

PERFORMANCE

PERFORMANCE INDICATORS **HUMAN RIGHTS**

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HR1

Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening

Danone's commitment to comply with and promote human rights principles has been defined, deployed and promoted to employees and suppliers through a variety of means and in several phases:

- Danone joined the United Nations Global Compact in 2003, and reaffirmed its commitment in 2009;
- in 2005, the Seven Fundamental Principles (see below) defined by International Labor Organization conventions were addressed in an agreement between Danone and the IUF, and were the subject of joint audits of 42 of the group's subsidiaries from 2009 to 2012;

- the group implements them via the Danone Way approach, which applies to 89% of the group sales and includes 16 key practices relating to Social and Environmental Responsibility, including a specific Human Rights dimension (see page 41 of this report);
- the 7 Fundamental Principles are the basis for the RESPECT program launched in 2005 (see page 46 of this report) which aims among other things at ensuring the application of these principles by the group's suppliers.

The Seven Fundamental Social Principles are:

1. Child labor

The company does not employ children aged under 15. If the law sets a higher minimum working age or compulsory schooling is to a higher age, it is this limit that applies. Educational programmes and training are not included in this limitation.

2. Forced labor

The company does not use forced or compulsory labor, meaning any work or service performed under threat or that is not consented to by the person concerned.

3. Non-discrimination

With due regard for applicable law, the company refuses to engage in any discriminatory practices. Discrimination means any distinction, exclusion or preference limiting equality of opportunity or treatment. It may be based on race, colour, sex, sexual orientation, religion, political opinion, age, nationality, family obligations or other considerations.

4. Freedom of association and right to collective bargaining

The company recognises and respects employees' freedom of association and their right to freely choose their representatives. The company also recognises employees' right to collective bargaining. The company ensures that employee representatives do not suffer any discrimination.

5. Health and safety at work

The company ensures that the workplace and its environment do not endanger the integrity or health of employees. Action to reduce the causes of accidents and improve working conditions is the object of ongoing programmes. Sanitary equipment, canteens and housing provided to employees are built and maintained in accordance with applicable legal requirements. As a minimum, the company must provide employees with drinking water, clean toilets in adequate numbers, adequate ventilation, emergency exits, proper lighting and access to medical treatment.

6. Work hours

The company must ensure that applicable legal restrictions on working hours are complied with. The normal working week is 48 hours at most. Overtime is on a voluntary basis. Employees have at least one day off each week, except in exceptional circumstances and for a limited period.

7. Pay

The company ensures that:

- no wage is lower than the applicable legal minimum;
- all employees receive a pay slip;
- employees receive a decent wage relative to country;
- wage rates for overtime are in all cases higher than for normal hours.

INVESTMENT AND PROCUREMENT PRACTICES

In the framework of the RESPECT program, to ensure that all suppliers comply with these fundamental social principles, Danone has integrated a specific “**Fundamental Social Principles**” clause into its General Terms of Procurement. This clause is included in all contracts and is compulsory for all suppliers. By signing the contract, the supplier undertakes to:

- comply with the Fundamental Social Principles;
- promote respect for these principles among their own suppliers, subcontractors and partners;
- give Danone the right to verify the application of these principles, in particular through audits;
- if non-compliance by a supplier is identified during an audit, draft a corrective action plan targeting all identified non-compliance issues for approval by Danone;
- if a supplier refuses to draft a corrective action plan, or if recurring non-compliance issues are raised in several audits, recognize Danone’s right to terminate the contract with this supplier.

Since 2009 the scope of supplier responsibility has been expanded to include the Environment and Business Ethics, and the contractual clause has been amended accordingly.

The 7 Fundamental Social Principles on human rights are thus integrated into all agreements involving significant investments, encompassing:

- 70% of sales agreements with customers;
- 90% of purchasing contracts with major suppliers;
- 100% of acquisitions of majority interests in external companies;
- 100% of agreements concerning local community development, in particular with NGOs in the framework of Danone Ecosystem Fund projects.

HR2

Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken

In the framework of the RESPECT approach (*see page 46*), 2,361 suppliers have completed self-evaluations using the SEDEX platform. This represents nearly 70% of the 3,500 suppliers targeted by this approach around the world, chosen for their strong interdependency with the group in terms of CSR, and the nature of their products and/or services: raw materials (except milk), packaging, logistics, promotional products and other services. Among these 2,361 suppliers, 260 external SMETA audits have been carried out by external agencies, with non-compliance issues broken down into the following categories.

Health, safety and hygiene	62%
Working hours	14%
Environment	7%
Wages	6%
Management systems	5%
Work contract	4%
Freedom of association	1%
Child labor	1%
Housing conditions	< 1%
Forced labor	< 1%
Ethical practices	< 1%

This table shows the breakdown of instances of non-conformities identified in 104 audits of Danone suppliers carried out in 2012, the results of which were made available on the SEDEX platform. They primarily concern audits completed in China, Brazil and Indonesia.

Four items continue to account for the great majority (89%) of non-conformity cases : Health, safety and hygiene, Working hours, Environment and Wages. Occurrences of this latter item are on the decline compared with 2011, while non-compliance in the area of Environment is proportionally on the rise. Items relating to child labor and forced labor, priorities for the group, remain at very low levels. It should be noted that any cause for concern regarding either of these two topics leads to an immediate demand for corrective action by the supplier as soon as it is flagged in the SEDEX self-evaluation, independent of the subsequent audit.

ADD HR3

Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

Employees' awareness of human rights practices is raised through two approaches:

- The Danone Way program (*see page 41 of this report*)
Every Danone employee has received a Danone Inside Pack that describes the Danone Way approach and its 16 key practices. These materials provide information on human rights, particularly with regard to the ban on child labor and forced labor, diversity and equal opportunity, and safety at work. Among the approach's 16 key practices, eight relate specifically to "Human Rights" and "Human Relationships".
- The RESPECT program (*see page 46 of this report*)
The Procurement departments manage supplier compliance with regard to social responsibility, and in particular respect for human rights. A communication guide about the RESPECT approach including the Fundamental Social Principles was broadly distributed to the procurement function in 2010. In this area, 100% of purchasers have been informed.

Beyond this, the number of hours of training and/or information is not consolidated at group level.

HR4

Total number of incidents of discrimination and actions taken

An agreement was signed with the IUF concerning anti-discrimination measures and promotion of diversity. Every year since 2009, a Danone representative and an IUF representative visit several countries and sites together in order to promote these framework agreements and concretely verify if they are applied on the ground. These joint visits have been carried out in 42 subsidiaries. No case of discrimination was identified during these visits.

Aside from these joint visits, information about cases of discrimination may be communicated via various channels:

- reporting to the human resources department of each group subsidiary;
- reporting to staff representatives in the subsidiaries where they are present;
- “local ethics” lines implemented in certain subsidiaries, such as in Indonesia, Mexico and the USA.

The Danone Way program also includes prevention of discrimination, particularly through the implementation of on-site specific procedures and measures to identify and eliminate possible discriminatory actions.

HR5

Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

An agreement concerning the right to union organization has been signed with the IUF. Every year since 2009, a Danone representative and an IUF representative visit several countries and sites together in order to promote these framework agreements and international employee dialogue, and to concretely verify on the ground that the agreements have been implemented and adapted to local conditions. These joint visits have been carried out in 42 subsidiaries. In addition, the IUF notifies central management if it is informed of failure to respect freedom of association.

Freedom of association is also one of the key practices monitored in all subsidiaries by the Danone Way approach (*see page 41 of this report*), including a key practice on Social Dialogue that promotes employee dialogue in every group subsidiary.

The Danone Way program thus encourages subsidiaries to:

- implement the necessary conditions for electing staff representatives, whether unionized or not, in compliance with local legislation;
- guarantee staff representatives’ independence with regard to management teams and political parties through the organization of ad hoc elections;
- hold economic and social information meetings between staff representatives and management of each site, and with all employees;
- confirm agreements between staff representatives and management by signing negotiated agreements.

CHILD LABOR

FORCED AND COMPULSORY LABOR

HR6

Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor

Respect for this principle is verified through the Danone Way program (*see page 41 of this report*), for which the abolition of child labor is a prerequisite. All subsidiaries are required to put in place the necessary procedures and resources to ensure that there is no child labor at their sites. All the subsidiaries that completed the Danone Way assessment in 2012 were in compliance with this fundamental, and no non-compliance incidents were identified.

HR7

Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor

This aspect is dealt with in the same way as the indicator for child labor (HR6).

SECURITY PRACTICES

INDIGENOUS RIGHTS

ADD HR8

Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations

Service providers in the security sector commit to comply with the RESPECT program's Fundamental Social Principles, and are screened by the group manager in charge of life and property safety.

ADD HR9

Total number of incidents of violations involving rights of indigenous people and actions taken

This criteria does not apply to Danone activities.

PERFORMANCE

PERFORMANCE INDICATORS **SOCIETY**

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ANTI-COMPETITIVE BEHAVIOR	164
COMPLIANCE	165



S01 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting

The aim shared by all Danone's social innovation initiatives is to strengthen teams' skills around the following challenges:

- understanding social issues and stakeholders;
- measuring social impact;
- co-development and co-management, in particular with NGOs;
- the commitment of Danone employees to various programs;
- internal and external communication about those initiatives.

Integration of sustainable development issues into local strategies: towards greater autonomy for subsidiaries

To manage these innovative projects, Danone's teams need to develop new skills and attitudes. Cooperation with partners from the nonprofit sector, measuring the impact of projects implemented, new governance and business models: all this is knowledge that must be consolidated and made available to the teams through training efforts, notably through the Danone Ecosystem Fund.

Three major initiatives were launched in this framework in 2012:

- **the creation of a training program dedicated to "co-development" fundamentals and social innovation project management.** An initial pilot was launched in Ukraine, with a second planned for 2013;

- **the creation of an exploratory on the ground program,** prior to every new project. The main goal being to assess the hypotheses for adapting a project to a different environment, and to understand the barriers and opportunities for implementing any given project. A pilot project implemented in the Irish subsidiary of the Medical nutrition division was able to be replicated in Spain;
- **the creation of a guide to co-development,** based on feedback from project teams on the ground (subsidiaries and partners) to efficiently equip future project teams to build their own partnerships⁽¹⁾.

Measuring the social impact of projects launched

The **Danone Ecosystem Fund** has oriented its regard to monitor the projects it supports and to measure their social impact. The overall goal of a social impact measure study is to objectively evaluate, qualitatively and/or quantitatively, what the projects supported by the fund and co-developed by Danone subsidiaries and their partners have changed in social and economic terms in the lives of the programs' beneficiaries.

Measuring social impact allows to:

- identify any gaps in the programs as well as learnings that were crucial to the project's success, as part of a continuous improvement;
- objectively assess the return on investment of these programs in terms of economic and social value creation;
- contribute to the progress of research in this area by using the fund's projects as laboratories.

(1) For more information, refer to the guide available at: http://ecosysteme.danone.com/guide_cocreation

LOCAL COMMUNITIES

Two important initiatives took place in 2012:

- The **Progress Monitoring Grid** (an internal tool for monitoring the fund’s projects) was adapted to enhance the environmental dimension of the projects in addition to the three already addressed areas (economic, social and health).

For example, the “environment” component of a Micro-distribution project might include the following indicators in the area of “packaging recycling”:



- **Global Impact Measurement has expanded.**

The Danone Ecosystem Fund has adopted a global approach to measure the impact of its projects (social, environmental and economic impact). This approach is based on a benchmark of all existing impact measurement methods and on interviews with international experts. The goal is to apply recognized impact measurement methods to key projects of the fund in the four of the five areas it addresses (Supply, Recycling, Services to individuals and Micro-distribution), with a combination of qualitative and quantitative approaches.

In addition to the indicators specific teach project, broader based elements define the scope of measurement:

- creation of economic and social value;
- robustness and longevity of the capacity created after fund financing ends;
- potential for replication on a larger scale;
- empowerment of women, where this action is relevant.

Two projects supported by the fund in 2011 were used to test both the quantitative and qualitative impact measurement methodologies (see the 2011 Sustainable Development Report, page 209, for initial results).

These two studies will continue in 2012/2013, and the fund has also launched two social impact measurement studies in Mexico for the Pепенadores and Semilla projects. Studies in the Micro-distribution and Recycling clusters will continue in 2013 in partnership with the William Davidson Institute at the University of Michigan and the ESSEC’s SROI (Social Return on Investment) network.

A project linked to the measurement of business and transformational impact is also underway with HEC business school, the first pilot will take place in 2013 in the Danone Dairy France subsidiary.

CORRUPTION

Danone's **Business Conduct Policy** (BCP) was revised in 2009. It includes founding texts such as the Universal Human Rights Declaration, a list of Danone's commitments to the United Nations Global Compact, OECD guidelines and the Sustainable Development Principles, which include in particular the Fundamental Social Principles and Business Ethics Principles, directly referring to prevention of corruption.

The latest 2009 version of the Business Conduct Policy was distributed to all directors and managers (and even more broadly in certain subsidiaries) by the Human Resource Departments of the subsidiaries, and supported with special initiatives to inform employees. This topic is included in the Danone Way self-assessment, in the evaluation of the subsidiary control system (known as DANgo), in the internal semi-annual opinion survey, as well as in the internal audit program each time an audit in the subsidiaries addresses these subjects. The 2006 BCP Questions & Answers document updated in 2011.

Since 2006, **directors and managers sign a specific clause in their employment contracts** indicating that they are familiar with the Business Conduct Policy (BCP) and commit to compliance by themselves and their teams. Various tools have been provided to support effective application of these principles (presentations, posters, Q&A booklets, etc.). A specific program to prevent fraud was also developed in 2006 and has been expanded every year since then.

An **information booklet** was updated in 2011 and distributed once again to the Executive Committees of each subsidiary, recommending that each subsidiary implements an annual fraud and corruption risk assessment.

There is also a mid-year reporting of allegations and proven cases of fraud, in which corruption incidents are classified as "significant fraud," whatever the amounts involved, in order to collect complete information on this type of occurrence.

Since 2005 the **DIALERT** whistleblowing system has been implemented to allow all employees to report to Danone management directly and in confidence of any breach of:

- the group's principles and procedures for internal control;
- accounting and finance rules that could affect the truthfulness of accounts and the financial situation of the employee's company or of another Danone subsidiary;
- anti-corruption rules.

The visibility of this whistleblowing system is verified during every subsidiary audit. There is an internal control item (part of DANgo guidelines) that deals with this topic and for which each subsidiary must run an annual self-evaluation.

Since 2008, the **DIALERT** system has been extended to Danone suppliers (letter from the subsidiaries to every major supplier and systematic inclusion in call for tender documents) to allow them to report in confidence any breach of the BCP rules with regard to themselves (in particular possible cases of corruption). The DIALERT system was extended in 2011 to include the WHO Code for Baby nutrition products. In addition to DIALERT, some councils have implemented local whistleblowing systems.

This channel produced a total of 60 valid ethics notifications in 2012. Around ten cases of confirmed fraud related to internal control led to appropriate sanctions.

A training tool available on the web, as well as a questionnaire (COMPLY) were rolled out to raise awareness of corruption risks in the subsidiaries.

CORRUPTION

S02

Percentage and total number of business units analyzed for risks related to corruption

Within the group's four divisions, every consolidated subsidiary (integrated into Danone financial accounts) is covered by the group's seven-point anti-fraud and anti-corruption program. More particularly, the first element in this program is an annual evaluation by each subsidiary of internal and external fraud risk.

S03

Percentage of employees trained in the organization's anti-corruption policies and procedures

All Danone employees were informed of the 2009 revision of the group Business Conduct Policy. This was achieved through information meetings, presentations and question-and-answer sessions, and distribution of documents with or without formal acknowledgement of receipt. Managers, and in particular subsidiaries Executive Committees members, received more extensive training and information. Since 2009, an induction document has been drafted and sent to the subsidiaries for transmission to each new hire upon arrival. Titled "**Danone Inside Pack**," it contains several pages covering the Business Conduct Policy. It was also distributed for the first time in 2009 to employees working in the subsidiaries.

The **business conduct survey** first launched in 2010 in more than 160 group subsidiaries was repeated in 2011, and supplemented by an analysis of the distribution of communication material on these topics (BCP, Danone Inside Pack, etc.).

The overall results attest a significant improvement in terms of familiarity and distribution of these documents, and best practices related to professional and business ethics. Discussions were also able to raise new awareness of this topic among employees on the ground; a summary of results was examined at the highest levels of Danone's organization. Action plans were defined and are underway.

S04

Actions taken in response to incidents of corruption

Danone strongly condemns all corrupt practices, as highlighted in its Business Conduct Policy, distributed to all managers and to many employees in all the group's subsidiaries. The sixth point of the anti-fraud program concerns the corrective and disciplinary measures to be applied within each entity. For major cases, a cross-disciplinary committee (risks, internal audit, HR, safety, etc.) meets monthly to examine the investigations quality, fairness of decision and relevance of disciplinary measures.

Mid-yearly reporting on internal fraud has been in place for six years, with the participation of 175 subsidiaries, or almost every entity of the group. There were 170 cases of suspected fraud registered in 2012, of which 120 proved to be actual fraud, a majority of which were minor (products or materials stolen, minor misappropriations). None of these cases of fraud had a significant impact on Danone's accounts in 2012. In the huge majority of cases identified, the employees implicated were dismissed following the fraud investigations.

Monthly meetings for monitoring cases of fraud are held at group headquarters to verify their effective follow-up and appropriate management in terms of ethics and internal control.

S05

Public policy positions and participation in public policy development and lobbying

Danone considers lobbying as a positive action aimed at giving politicians and legislators the information they need to deal with current issues and define an appropriate legislative and regulatory framework adapted to an increasingly complex environment. Danone has therefore reorganized its corporate teams in charge of public policy and lobbying. The goal is to better distinguish policy development from factors related to the application and monitoring of regulations. The resources needed to extend these activities to the subsidiaries have also been defined.

In 2011, Danone created a Public Affairs kit and the Public Affairs Policy, which were presented to the subsidiaries in January 2012. These tools are used to define action areas and initiatives to be implemented by the subsidiaries. The deployment process has also been formally defined as a Public Affairs best practice (DOM) in the DANgo internal governance system to ensure that this policy is actively implemented and monitored every year in the group's subsidiaries.

Danone also takes active part in the efforts of industry associations working together to contribute to formalization of a public policy at both national and international levels.

The group and its subsidiaries also maintain direct relations with the national authorities in the countries in which they do business. These relations are maintained in compliance with Danone Business Conduct Policy.

ADD S06

Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country

As indicated in Danone Business Conduct Policy, the use of funds or other group assets, either directly or indirectly, to benefit organizations of a political nature may only take place in the framework of the laws and regulations in effect in each country, and must be applied with complete transparency. This use is only possible with formal management approval. This rule became more restrictive in the new 2009 version of the Business Conduct Policy. However, Danone encourages its employees to be involved in their local community. These principles were further reinforced in the Public Affairs policy communicated to Danone subsidiaries in January 2012.

ANTI-COMPETITIVE BEHAVIOR

Danone Business Conduct Policy includes the prohibition of anti-competitive practices. Danone expects its employees to observe applicable fair competition rules. No agreement or arrangement that serves to reduce free competition may be made with competitors. The Business Conduct Policy is distributed to all directors and managers (and more broadly in certain subsidiaries) by the subsidiary Human Resource Departments, that also support this communication with appropriate initiatives to ensure that all employees are informed.

Since 2006, not only directors but also all managers sign a specific clause in their employment contract indicating that they are familiar with the Business Conduct Policy and commit to compliance by themselves and by their teams. Specific awareness of these issues is raised among buyers through the regular distribution of a specific and more detailed **Code of Conduct for Procurement**, and among key account managers working directly with the mass retail sector. Regular training programs are also organized for Purchasing managers and members of the Management Committees. A **Code of Conduct for functions in contact with customers** was also rolled out in the subsidiaries in every country in 2011.

ADD S07

Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes

No legal proceedings are currently underway.

S08

Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations

At Danone corporate level, no significant fines or non-monetary disciplinary actions have been registered for non-compliance with laws and regulations.

PERFORMANCE

PERFORMANCE INDICATORS **PRODUCT RESPONSIBILITY**

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PR1

Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures

Consumer health

Prior to the product design process, Danone analyzes local nutrition situations and nutrition patterns

In 2012 Danone continued to pursue the **Nutriplanet** program which involves collecting key data about local nutrition and health situations and eating habits. Data was updated for some countries (France, Netherlands) and new data obtained for others (Italy, Russia, Algeria, Argentina, Belgium and Ireland).

In Russia, in addition to the Nutriplanet program already completed, the **Nutrilife** project provided precise quantitative information about dietary intake in 2,050 infants aged between 6 and 36 months, in 20 different Russian cities. Results showed that iron intake was deficient for 75% of the children, confirming the positioning of Malyuta, iron-enriched follow-on milk suited to the nutritional needs of infants at this age. Danone's survey of eating patterns launched in 2011 in Algeria also gained speed. Three studies were completed in France, India and Indonesia in 2012.

In total, at end 2012 the Nutriplanet program **covers 45 countries**: 24 countries for the Fresh dairy products division representing 85% of its net sales, and 25 countries for the Baby nutrition division, or 70% of its net sales. 13 surveys cover the entire population (adults, children, babies and their mothers); 20 surveys target the babies and their mothers; 11 focus on adults and children over 3 years old; and nine have a specific component for the elderly.

Danone takes defined nutrition goals into account in product design and measures them against competing products

For new product launches, the **Nutrition check** included in projects verifies the products' nutritional positioning before they are launched. For example, Danimals Crunchers, a children's snack with cookies, was launched in 2012 in the United States with only 11g of sugar and 100 kilocalories per 100g cup serving; the Danimals flavored yogurt, designed for schools, was developed with 13g of sugar and 80 kilocalories per 113g serving. Both products therefore already meet the criteria of the Children Food & Beverage Initiative Pledge on advertising to children, signed by the Danone subsidiaries Dannon Company subsidiary and due to apply in 2014.

Danone regularly evaluates the nutritional quality of its products following their market launch

In 2012 the **NutriProgress** program for nutritional quality verification and improvement covered 20 subsidiaries in the Fresh dairy products division (1,526 Danone recipes evaluated), six subsidiaries in the Waters division (58 Danone beverage recipes and 473 competing recipes; mineral waters are not included in this scope) and 13 subsidiaries in the Baby nutrition division.

The subsidiaries develop action plans based on those evaluations. In 2012, Dannon Company thus reduced the sugar content of Activia fruits by 8%. In addition, Activia light with fruit now has no added sugar, corresponding to an 11% reduction in the product's total sugar content and 60 kilocalories per serving.

In 2012 a total of **26% of sales corresponds to products improved between 2010 and 2012⁽¹⁾**. At end 2012, **66% of products complies with demanding internal goals for nutritional content**.

(1) 2012 Scorecard results, Fresh dairy products, Waters, and Baby nutrition divisions.

CONSUMER HEALTH AND SAFETY

Nutrition services and nutrition education programs for consumers increasingly undergo scientific evaluations to measure their impact

Here are two examples:

The Blédina France subsidiary is a stakeholder in the Malin⁽²⁾ program targeting low-income families. The program aims to promote healthy eating habits for children aged 0 to 3. Developed from 2009 to 2011 by ten public and private sector partners, including the French Red Cross, it is built on three pillars: nutrition education for mothers, starting from pregnancy, promotion of breastfeeding, and the distribution of vouchers for access to fresh fruit and vegetables and baby food products. A scientific study of the program will run from 2013 to 2016 and monitor 752 families.

Danone Spain is continuing its Danone Sport Schools program to encourage a healthy lifestyle and promote good social integration in 6- to 12-year-olds living in underprivileged areas. Launched in 2004, the program is now sufficiently advanced to undergo a scientific impact study. Four times per year, all 5,000 children taking part in the program answer a questionnaire enabling 59 indicators to be measured. The Spanish Ministry of Health has honored the program as part of the NAOS Strategy for the prevention of obesity⁽³⁾.

Consumer safety

Danone implements a Quality and Food Safety policy developed to focus its attention on consumers. The system is based on a set of criteria to ensure product quality and safety and **compliance with Danone specifications at each stage in the distribution chain**, from product design to consumption, everywhere and all the time.

To bring all group operations into line with a recognized food safety standard, wherever they are based, **Danone has chosen the FSSC 22000 standard.**

The percentage of plants in each division having ISO 22000 certification is given in the table below:

	% of ISO 22000-certified plants
Fresh dairy products	96%
Waters	72%
Baby nutrition	86%
Medical nutrition	100%

At group level, the Quality department defines the quality policy and ensures its implementation: defining standards, systems and performance indicators consistent across the different divisions and monitoring their implementation. This policy is based on scientific aspects, best practices published by WHO (World Health Organization), the CODEX and on Danone's own expertise in its products and manufacturing processes.

Danone's four divisions adapt this policy to the specificities of their business lines (manufacturing processes, number of ingredients, supply sourcing, etc.).

Each subsidiary is responsible for policy implementation in compliance with local legislation and for integration of consumer expectations into the product development process.

(2) <http://programme-malin.com/>

(3) http://www.esade.edu/newsletter/eng/nepa/120416_danone?ID_FOTO=22035

The performance indicators relating to consumer needs are monitored daily at the production sites. The indicators below are analyzed at division level by the Quality departments and at a central level for overall governance:

- Food Safety Index, to guarantee product safety based on seven indicators (good hygiene practices, good manufacturing practices, HACCP, control and monitoring plans, biovigilance and traceability);
- product compliance, to assess that the group delivers products in line with expectations, in every country where it does business;
- feedback from consumers, to evaluate their level of satisfaction.

These Quality indicators follow a positive trend overall.

In 2011 all the divisions focused their efforts on improving prerequisite programs and complying with good manufacturing practices.

2012 saw a new turning point with the development of a Quality culture “in hearts and minds”. The divisions launched various initiatives to roll out this approach (FOQUAL in the Baby nutrition division, “I Love Danone Yogurt” in the Fresh dairy products division, etc.). As a result, **product safety and compliance indicators rose by 2% on average in all the divisions** and customer complaints dropped by 20% in the Fresh dairy products division, 25% in the Medical Nutrition division and around 2% in the Waters division. Despite a slight rise in the number of customer complaints received by the Baby nutrition division (marketing- and supply-related claims), indicators progressed for complaints concerning the industrial process thanks to improvements made in defective products and packaging and the absence of foreign objects.

In addition, to ensure that safe and healthy products are delivered to consumers, **Danone’s Food Safety Center evaluates and manages potential and actual risks.** Any risk likely to be carried by products at any stage in the lifecycle (from design to production) can be managed.

Scientific monitoring, with the assistance of international experts (Nebraska and Wageningen Universities, the Tokyo National Institute of Health Sciences, etc.), **allows emerging hazards to be identified and characterized as early as possible and developments in linked scientific knowledge to be assimilated.** The divisions’ Quality Directors define the objectives and measures to be taken to keep these risks under control. The subsidiaries adopt the control plans and reinforce them if necessary to adapt to their specific activity and their local environment.

CONSUMER HEALTH AND SAFETY

Lastly, food safety is a responsibility shared throughout the distribution chain, «from farm to fork». To ensure the harmonization of food safety management systems and to coordinate management of the various stakeholders' expectations, **Danone participates in active international forums such as the GFSI** (Global Food Safety Initiative) which involves all players in the food chain. This organization aims to create a shared platform where players can each report their specific features and requirements, in accordance with local regulations and the CODEX stipulations.

This shared platform also allows Danone to standardize and coordinate supplier management in line with their regular standards as well as the group specific requirements.

ADD PR2

Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes

In the classification used by Danone, the concept of «incident» concerns the subsidiaries. Being of limited scope, as they do not lead to formal litigation or sanctions of any type, they are not consolidated. «Crises» however, as defined by Danone, can extend beyond the subsidiary's scope of responsibility and have repercussions for the entire group; they are thus consolidated at group level.

17 food safety crises were recorded in 2012. Danone's crisis management procedure includes blocking, withdrawing or even recalling products in some cases, in collaboration with the relevant institutions, where there is a serious or direct risk for consumer health.

In all cases, and even if the incidents are classified as a «crisis» under Danone's crisis management process, in-depth verifications and enquiries are systematically carried out into the complaints to establish whether or not the group is responsible.

PRODUCT AND SERVICE LABELING

PR3

Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

Danone's products feature a nutrition label complying with regulations. Fresh dairy products and beverages (except mineral waters) also include a detailed information label, as defined in Danone's own Nutrition Information Scheme Charter. The Charter is consistent with the nutrition labeling system defined by the FDE association (Food and Drink Europe), based on GDAs (Guideline Daily Amounts, or recommended daily intake)⁽⁴⁾ and applied by many food industry firms. Outside Europe, group's subsidiaries apply the Charter where it is compatible with local regulations and sufficiently easy for consumers to understand.

In 2012 **nutrition information was listed directly** on the packaging of **94% of sales**⁽⁵⁾, either voluntarily or in response to regulatory requirements.

In particular, **41% of products contained Front Of Pack-type nutrition information**, by means of a «GDA for energy» icon in Europe and any other locally recognized system (such as a «healthy logo»)⁽⁶⁾ outside Europe.

Similarly, **indications of serving size on packaging were provided for 81% of sales**⁽⁷⁾.

The nutrition information listed on packaging is often conveyed via the subsidiaries' consumer relations departments and/or websites: **nutrition information communicated in this way in 2012 represented 90% of sales**⁽⁸⁾.

In addition to labeling, many Danone subsidiaries have created information and education programs for consumers: **168 programs of this kind were active around the world in 2012** including several programs at a national scale in the concerned countries. **Globally, around 180 million people have access to those programs**⁽⁹⁾. This does not include nation-wide programs in the USA, reaching an additional 350 million people.

ADD PR4

Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes

In the classification used by Danone, the concept of «incident» concerns the subsidiaries. Being of limited scope, as they do not lead to formal litigation or sanctions of any type, they are not consolidated. «Crises» however, as defined by Danone, can extend beyond the subsidiary's scope of responsibility and have repercussions for the entire group; they are thus consolidated at group level.

In 2012, 2 crises were recorded in connection with non-compliant labeling. Where there is a serious or direct risk for consumer health, Danone's crisis management procedure includes blocking, withdrawing or even recalling products in some cases, in collaboration with the relevant institutions.

In all cases, and even if the incidents are classified as a «crisis» under Danone's crisis management process, in-depth verifications and enquiries are systematically carried out into the complaints to establish whether or not the group is responsible.

(4) http://www.fooddrinkeurope.eu/uploads/publications_documents/GDAs_-_Guideline_Daily_Amounts.pdf
<http://www.fooddrinkeurope.eu/news/press-release/fooddrinkeurope-commits-to-new-efforts-on-voluntary-gda-nutrition-lab/>
(5) 2012 Scorecard results, for the four divisions.
(6) 2012 Scorecard results, Fresh dairy products and Waters divisions.
(7) 2012 Scorecard results, Fresh dairy products, Waters, and Baby nutrition divisions.
(8) 2012 Scorecard results, for the four divisions.
(9) 2012 Scorecard results, Fresh dairy products, Waters and Baby nutrition divisions.

PRODUCT AND SERVICE LABELING

PR5

Practices related to consumer satisfaction, including results of surveys measuring consumer satisfaction

Maintaining relations with consumers through consumer focus and local community based service

The primary mission of Danone's Consumer Services Center is to develop and maintain relationships with customers. This Center allows the company to offer advice as well as information. Viewed as a local community based service, it also helps gather consumers' comments, suggestions and reactions.

The Consumer Services Center's objective is to rapidly respond to demands from consumers and to create added value for the brands. The Center answers all kinds of questions about the products and brands, and more generally questions about dietetics and nutrition. It also deals with claims linked to product quality. **The Consumer Services Center can be contacted 24/7**, on the internet, or by phone (as the number is on the packaging). The mailing addresses of the Danone subsidiaries' Consumer Services Centers are also printed on packaging.

In France, for example, Danone's Consumer Services Center processes around **50,000 contacts per year** by phone, traditional mail and email. Its scope of responsibility covers all Danone products sold on the French market.

Danone collects and efficiently processes feedback from consumers to ensure they are satisfied with the products offered to them

Today, Danone obtains consumer feedback via most global communication channels, including social networks, using a specially designed computer tool capable of processing each consumer request and turning it into concrete action.

Over 70 % of Danone's sales, including its flagship products, are screened via this tool in regions with differing cultures and languages in order to respond to consumer expectations on a daily basis.



MARKETING COMMUNICATION

PR6

Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship

Danone's efforts focusing on responsible communication take several forms.

In 2002 **Danone introduced a procedure to ensure that the health and nutrition claims contained in communications are consistent, credible and scientifically valid.** Inspired by European regulations, this procedure applies to all group subsidiaries, except in countries where more stringent local regulations are in force. It covers all commercial communications that contain health or nutrition claims directed at the general public, consumers and health professionals. It includes industry advertising and promotional campaigns in which reference is made to a Danone brand, registered trademarks and other trade names that may be interpreted as health or nutrition claims, packaging, labeling, TV and radio commercials, brochures, vouchers, infomercials or advertorials, press documents, content posted online, and generally any communication that will be seen by the public.

This is a multi-step validation procedure involving all of the company's main functions (Research and Development, Regulatory Affairs, Legal, Marketing, Sales, Medical Affairs and Public Relations).

In 2012 **48% of sales had a nutrition claim and 20% had a health claim**⁽¹⁰⁾.

Most of Danone's advertising investments are dedicated to the healthiest products. For example, in 2012 **68% of advertising expenditures on Fresh dairy products served to promote products complying with internal daily consumption nutrition standards.**

Danone has committed to complying with the ICC or "International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication"⁽¹¹⁾. The code bans, for example, all advertising displaying or promoting behavior that conflicts with a healthy lifestyle, in particular lack of physical exercise and excessive eating and drinking. In total, in the **Fresh dairy products and Waters divisions, ICC Code compliance is 94%**⁽¹²⁾.

Danone is committed to limiting advertising targeting children between the ages of 3 and 12 to products adapted to their nutritional requirements, in line with public health priorities.

Danone has therefore joined several local and regional pledges. This commitment was first made in Europe⁽¹³⁾ in 2007, followed by the USA⁽¹⁴⁾ in 2009, Brazil⁽¹⁵⁾ and South Africa⁽¹⁶⁾ in 2010, and Canada⁽¹⁷⁾ and Switzerland⁽¹⁸⁾ in 2012. In most countries, subsidiaries' compliance with these pledges is verified by an independent auditor and the audit results are published.

(10) 2012 Scorecard results, Fresh dairy products, Waters, and Baby nutrition divisions.

(11) <http://www.iccwbo.org/Advocacy-Codes-and-Rules/Document-centre/2012/Framework-for-Responsible-Food-and-Beverage-Marketing-Communications-2012/>

(12) 2012 Scorecard results, on 25 subsidiaries of the Fresh dairy products and Water divisions.

(13) Europe: <http://www.eu-pledge.eu/>

(14) USA: <http://www.bbb.org/us/childrens-food-and-beverage-advertising-initiative>

(15) Brazil: <https://www.ifballiance.org/sites/default/files/Combined%20Pledge.pdf>

(16) South Africa: http://www.cgcsa.co.za/index.php?option=com_content&view=article&id=48:the-south-african-pledge-on-marketing-to-children&catid=1:latest-news&Itemid=50

(17) Canada: <http://www.adstandards.com/en/ChildrensInitiative/default.htm>

(18) Switzerland: <http://www.swiss-pledge.ch/fr/>

MARKETING COMMUNICATION

Alongside the other European Pledge member companies, in 2012 Danone participated in defining common nutritional criteria⁽¹⁹⁾ to identify products eligible for advertising to children. In Europe, these criteria will replace those previously defined by each company, starting in 2015. In the Fresh dairy products and Waters divisions, **68% of expenditure on advertising** directly targeting children under 12 **concerned products complying with internal daily consumption nutrition standards**.

With regard to Baby nutrition, Danone acknowledges the importance of the WHO Code (“International Code of Marketing of Breastmilk Substitutes”)⁽²⁰⁾.

Danone is committed to apply all laws and regulations on marketing and promotion of breastmilk substitutes, and respects the mission of Public Health authorities to develop health policies that are adapted to social and legal context and to their development objectives.

Danone is committed to follow all national regulations in relation to the marketing and promotion of breastmilk substitutes.

Further to legal requirements, in 2012, **the Baby nutrition division has implemented its own internal policy and significantly reinforced its governance tools and processes** in that matter, with one person in the Legal & Regulatory Affairs Department fully dedicated to it.

The policy is accompanied by ambitious objectives in terms of ethical marketing practices by the subsidiaries, at a 4-year horizon. The policy will be made public in 2013.

A Steering Committee has been established, comprising the functional VPs of the Baby nutrition division (Marketing, Medical Marketing, Sales, and Legal) and a regional VP.

External audits, done by independent auditors, have been systematized in all the subsidiaries. It evaluates the effective compliance with the policy.

The 4-year objectives and all these upgraded governance tools, have been widely shared throughout the company, and appropriated by all senior executives of Marketing and Medical marketing functions. The topic is at the agenda of each of the regular meetings involving Marketing, Medical Marketing and Sales Departments, and the progress made will be reported yearly at the Executive Committees of Baby nutrition division and of the group.

(19) http://www.eu-pledge.eu/sites/eu-pledge.eu/files/releases/EU_Pledge_Nutrition_White_Paper_Nov_2012.pdf

(20) http://www.who.int/nutrition/publications/code_english.pdf

ADD PR7

Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes

Compliance with the European Pledge

Danone's commitment to limit advertising towards children under 12 in the EU countries is audited annually by external auditors in various European countries as part of the "EU pledge on advertising to children".

In 2012 the audit covered Germany, Hungary, Italy, Poland and Portugal. The 2012 audit report indicates a **98.3% of compliance with commitments** by all committed players, as regards TV commercials.

For Danone, the rate of compliance of TV commercials was 94.7% in Hungary, 95.7% in Poland, 99.8% in Germany and 100% in Portugal and Italy.

Corrective action was taken to handle all cases of non-compliance. It should be noted that none of these cases of non-compliance detected by the audits gave rise to consumer complaints or to objections by the public authorities.

Crisis management

In 2012 the group recorded 2 marketing communication incidents stemming from consumer complaints or objections by a public authority; they were managed in the framework of the crisis management procedure. In all cases, and even if the incidents are classified as a "crisis" under Danone's procedures, in-depth verifications and enquiries are systematically carried out into the complaints to establish whether or not the group is responsible..

CONSUMER PRIVACY

ADD PR8

Total number of substantiated complaints regarding breaches of consumer privacy and losses of consumer data

This indicator is not consolidated at group level.

PR9

Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

At corporate level, no significant fines have been registered for non-compliance with the laws and regulations concerning supply and use of its products.

This **Sustainability Report** has been prepared with design, coordination and editing services provided by the Department of Organisations Development and Social Dynamics. This report is also the product of an on-going dialogue with Danone's stakeholders.

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Self-evaluation of the application of GRI according to version 3.0 guidelines for the GRI with approval by KPMG Audit.