



DANONE
ONE PLANET. ONE HEALTH

Danone
**MISSION
COMMITTEE**
REPORT

APRIL 2021



*In June of last year, Danone shareholders approved a proposal for Danone company to adopt the *Entreprise à Mission* status with overwhelming support. Since then, the Mission Committee has been actively working with Danone to bring this legal status to fruition. Though we are still in the formative phase, I am happy to share on behalf of the Mission Committee our inaugural report.*

*You may imagine that the recent changes in the governance of Danone company have generated many questions from the Mission Committee Members as well as from the media and the public about the continuation of Danone ESG journey. The newly appointed non-executive Chairman of Danone, Gilles Schnepf, issued a clear message confirming the determination of the Board to continue steering the company according to the model of *Entreprise à Mission*. However, we have asked to be provided with further and more detailed reassurance, beyond those general statements. As Mission Committee Members, it is our duty to make sure we can contribute to support Danone Company progress towards its Mission, with the right means, governance and ambition, so as to fulfill our monitoring and surveillance responsibilities vis a vis you, the shareholders. Your trust is not a given, we must deserve it and we are determined to act with this in mind.*

*Let me also underline that this report does not represent a final model for assessing the company's fulfillment of its Mission, as much remains to be defined. It does provide, however, valuable information about the progress of setting up the groundwork and a view on what is yet to come, which is particularly important in the current context the company is going through. More than ever before, the need to find new, sustainable models of business that work for a broad array of stakeholders is urgent. The intellectual and policy spheres have undertaken analyses and created valuable conceptual models, but it is up to companies like Danone to put these ideas into practice, to refine them successfully, and scale them up. This is why Danone's endeavor as an *Entreprise à Mission* is worthy of not only attention and support but also solid and unbiased reporting.*

The Mission Committee, which I have the privilege to chair, does the important work of monitoring the process of accomplishing Danone's Mission. In doing so, we must ensure that Danone's KPIs are strategic, ambitious, understandable and robust, allowing for accurate monitoring and the ability of us to inform you about progress. Over the last 9 months, the Mission Committee has worked with Danone to define a primary set of indicators, beginning with a review of Danone's stated "Mission" intentions: to improve health, the environment, and social inclusion. We chose, after due deliberation, what we believe are the most useful KPIs from an existing pool, trying to properly combine precision and measurability in order to verify Danone's accomplishments during this first year.

Moving forward, the Mission Committee will ensure that the process evolves to become more impact oriented. The future indicators will have to reflect not only the way Danone changes its processes but also whether it creates the broader impact and outcomes it intends. The Mission Committee is looking forward to diving deeper into how Danone operates. It may intervene more, beyond simple verification, recommending ways Danone's "Mission" could be achieved more ambitiously, working closely with Danone Management teams, and making sure that going beyond profitability as it is traditionally measured is a purpose that is shared at all levels of the company's governance. An exciting journey ahead, in a context which is clearly more challenging than a year ago. Until that time, I offer you on behalf of the Mission Committee our first shareholder report.

PASCAL LAMY

A stylized, handwritten signature in white ink, consisting of a vertical stroke on the left and a horizontal stroke extending to the right, ending in a small hook.

TABLE OF CONTENTS



#1 A NEW LEGAL STATUS IN THE FRENCH LAW 03

#2 DANONE COMPANY JOURNEY

Purpose and objectives	04
The Mission Committee	05
The independent third party	07

#3 A LOOK AT THE ACTIVITY OF THE 1ST YEAR

Induction program	08
Meetings of the Mission Committee	09
Key Performance Indicators and targets for the first year	11

#4 UPCOMING VERIFICATIONS 14

#1

A NEW LEGAL STATUS IN THE FRENCH LAW

The French “société à mission” status is defined by Article L.210-10 of the French Commercial Code, introduced by the May 22nd, 2019 Law, commonly known as the “PACTE” Law. It requires that a company adopting the status:

- define a purpose (“raison d’être”) and write it into the company’s by-laws;
- include social and environmental objectives aligned with that purpose in its by-laws as well;
- create a Mission Committee responsible for monitoring progress made towards achieving these objectives;
- appoint an independent third party to verify that the mission is carried out.



#2

DANONE COMPANY JOURNEY

In June 2020, Danone became the first publicly listed company to adopt the French “Entreprise à Mission” status, with the support of more than 99% of shareholders at its Annual General Meeting. The status was officially embedded in Danone’s Articles of Association and registered in July 2020. Both events confirmed Danone’s long-standing dual socio-economic project and commitment to sustainable development, as well as signaling a step forward in the pursuit of a model of sustainable value creation for all its stakeholders.

PURPOSE AND OBJECTIVES

Danone defined ‘Bringing health through food to as many people as possible’ as its purpose in 2005, followed by setting the global B Corp ambition in 2015, and defined the ‘One Planet. One Health’ framework of action in 2017. The social and environmental objectives that Danone adopted as an “Entreprise à Mission” (called the “Mission”) are aligned with the United Nations’ Sustainable Development Goals, and cover 4 dimensions:

- Impact people’s health locally with a portfolio of healthier products, with brands encouraging better nutritional choices, and by promoting better dietary habits.
- Preserve and renew the planet’s resources by supporting regenerative agriculture, protecting the water cycle, and strengthening the circular economy of packaging, across its entire ecosystem in order to contribute to the fight against climate change.
- Entrust Danone’s people to create new futures: building on a unique social innovation heritage, give each employee the opportunity to impact the decisions of the Company, both locally and globally.
- Foster inclusive growth by ensuring equal opportunities within the Company, supporting the most vulnerable partners in its ecosystem, and developing everyday products accessible to as many people as possible.

THE MISSION COMMITTEE

Danone's Board of Directors appointed the members of the Mission Committee on June 25th, 2020, with a first operating mandate to run through the end of the Annual General Meeting (AGM) in 2021. The Committee membership in its initial form includes highly respected independent global experts in sustainable development, governance,

the environment, health, and social topics that represent diverse experiences and geographic regions (Sharan Burrow, Ngozi Okonjo-Iweala, Pascal Lamy, Rose Marcario, Hiromichi Mizuno, David Nabarro, Gabriela Ilian Ramos, Rajiv Shah), one independent Director (Guido Barilla), and one employee (Emna Lahmer).



PASCAL LAMY

Former Director General of the WTO
Chair of the Mission Committee

FRANCE



GABRIELA ILIAN RAMOS

Assistance Director General, Social &
Human Sciences at UNESCO*

MEXICO



HIROMICHI MIZUNO

Board Member of PRI & Advisor
to the Government

JAPAN



RAJIV SHAH

President of the Rockefeller
Foundation

USA



DAVID NABARRO

Former Advisor to the UN on
the 2030 SDGs

UK



EMNA LAHMER

Danone employee

FRANCE



JEAN-MICHEL SEVERINO

Board Member of Danone

FRANCE

In October 2020, Rose Marcario stepped down from the Mission Committee for personal reasons and Pascal Lamy took on the role of Committee Chair. In December 2020, Jean Michel Severino replaced Guido Barilla as a Mission Committee member. In the context of the recent changes communicated by the Board of Directors, Sharan Burrow

decided to step out. Finally, due to her recent nomination in February 2021 as head of the WTO, Ngozi Okonjo-Iweala will not be able to continue serving as a Mission Committee member. New nominations will occur in the near future to ensure continuity of Danone journey.



The Mission Committee is responsible for monitoring the implementation of the social and environmental objectives that Danone adopted as “Entreprise à Mission” by:

- assessing the effectiveness of the actions carried out by Danone within the context of the roadmap defined by the Company to accomplish the Mission;
- examining the relevance of the actions and key performance indicators (KPIs) of the roadmap to accomplish the Mission, in particular with regard to the impacts on the various stakeholders and changes in the Company’s ecosystem;
- presenting an annual report, attached to the Management Report submitted to the Shareholders’ Meeting called to approve the Company’s financial statements, on the monitoring of the Company’s execution of social and environmental objectives.

The Mission Committee may share best practices that could be implemented by Danone, propose additional actions, or provide comments or suggestions on the key performance indicators.

It also monitors the implementation of the duties of the independent third party, and hears it at least once a year in order to be informed of the delivery of its duties, the conclusion of its work, its approach to verifying objectives and any difficulties encountered during the performance of its mission.



“Promoting ESG investment is my personal and professional mission. I was very excited, therefore, to hear that Danone is transforming itself into an “Entreprise à Mission”, which is legally structured and creates a contractual mandate with shareholders to pursue ESG integration at the business. When it comes to Danone, it was not a surprise. But changing its by-laws to integrate a Mission is nevertheless a significant and bold experiment. If Danone succeeds, it will become a role model.”

HIROMICHI MIZUNO



“Since 2015, I have sought out those who really want to take the SDG agenda seriously. I am particularly interested in enterprises that want to organize their agenda not only around making profit and benefiting their shareholders, but also around contributing to the world we want for the future, as encompassed in the SDGs. That’s why Danone’s shift to become an “Entreprise à Mission”, is so valuable, even more so because the Mission of Danone so closely aligns with the Sustainable Development Agenda.”

DAVID NABARRO

THE INDEPENDENT THIRD PARTY

Under the conditions provided for in Article L. 210-10 of the French Commercial Code, the performance of the social, societal, and environment objectives of a company that adopts the “Entreprise à Mission” status needs to be verified by an independent third party.

PricewaterhouseCoopers (PwC) has been selected to verify Danone’s progress toward its Mission. PwC has been one of the statutory auditors of Danone since 1992 and has overseen the legal verification of the non-financial statement included in the Management Report for almost 10 years. The firm also provides additional voluntary sustainability performance assurance on Danone’s Annual Integrated Report and Nutrition Leaflet.



“The world is stuck on the old way of doing things, despite knowing that it is not sustainable. Danone pursuing the “Entreprise à Mission” model is sending the right message that change is possible. We, as Mission Committee members, have a great responsibility to accompany Danone in delivering this, and therefore we need to be demanding. It is not about us, it is about charting the path towards a more inclusive and sustainable growth model. If we achieve our objectives, others will move too, and many are watching. There is no room to fail.”

GABRIELA ILIAN RAMOS



#3

A LOOK AT THE ACTIVITY OF THE 1ST YEAR

The activities undertaken during the first 9 months focused on establishing the works of the Mission Committee, Committee members gaining a deeper understanding of Danone and key topics relevant for its Mission, and on defining key performance indicators and targets that will be used by the Mission Committee to track Danone's progress.

These actions were implemented in the context of a limited regulatory framework of existing standards that would define and guide the obligations and processes a company must follow following an adoption of the "Entreprise à Mission" status. The Mission Committee and the independent third party provided opinion and advice to Danone to guide its actions during these first defining months.

The Mission Committee recognizes some limitations to the organization of work caused by the Covid-19 crisis. The international travel restrictions, limitations on meetings and gatherings, and second lockdown, which many countries around the world implemented during the last quarter of 2020, caused the Mission Committee and Danone's work to be carried out almost entirely online, with all meetings, consultations, and working sessions held virtually.

INDUCTION PROGRAM

The Mission Committee members participated in an induction program organized by Danone. The objective of the induction program was to equip each member with knowledge and understanding of the Company, its business context, the history of its commitment to sustainable development, the key 'One Planet. One Health' programs, and its current performance in the environmental, social, governance, and health fields.

The program was delivered by Danone topic experts via informative virtual presentations, pre-recorded thematic videos, and a question-and-answer session during which Committee members had the opportunity to discuss topics of interest with Danone representatives.

Via the induction program, the Mission Committee members were exposed to the following subjects:

- a brief on history, business, and governance;
- Danone's 'One Planet. One Health' vision and Company Goals
 - An overview of the Company's objectives and outlook for 2025-2030 goal setting
 - A deep dive into the 4 goals related to Danone's "Entreprise à Mission" status;
- an overview of Danone Funds (the Ecosystem Fund, Danone Communities, Livelihoods);
- overview of 'One Planet. One Health' performance
 - Extra-financial ratings and rankings
 - The most material sustainability issues for Danone
 - The Danone Way program
 - Danone B Corp Certification journey;
- coalitions and key partnerships
 - Business for Inclusive Growth and One Planet Business for Biodiversity
 - Consumer Goods Forum;
- Danone Growth Philosophy and Manifesto Brands model.

MEETINGS OF THE MISSION COMMITTEE

Between June 2020 and March 2021, the Mission Committee held three formal meetings and one informal meeting: an inaugural meeting in July, a working session exclusively for the Mission Committee members (excluding Danone representatives) to prepare for their review of Danone's proposal for the key performance indicators and targets, and 2 formal working meetings, which occurred in November 2020 and February 2021.

The inaugural meeting of the Mission Committee took place on the 27th of July 2020. The purpose of this meeting was to introduce and connect the Mission Committee members with one another, for the members to get a foundational overview of Danone and its 'One Planet. One Health' agenda, and to come to an agreement on the Committee's method of working in 2020.

The key messages, topics, and outcomes covered during the meeting were:

- the Mission Committee members recognized the adoption of the "Entreprise à Mission" status by Danone as a pioneering move in France and globally;
- the Mission Committee members received key information about Danone, enabling them to commence their mission: Danone's approach to health, planet and social issues; 2030 Company Goals with a focus on the 4 objectives (the Mission); overview of the key performance indicators selection and audit process; performance and progress in health, planet, and social topics portrayed by the Danone Way program; extra-financial performance and key metrics; and the B Corp Certification journey. Danone also shared key updates regarding its Covid-19 response;
- the Mission Committee members expressed strong support for Danone's 'One Planet. One Health' journey.

The second formal meeting of the Mission Committee took place in November 2020. The key objectives were to establish a connection between the Mission Committee members and the independent third party, for the Committee to plan for the first verification of progress (to be performed within 18 months of the adoption of the status by Danone), and to review Danone's work on defining key performance indicators and targets.

During the meeting the following discussions took place:

- The Mission Committee was informed about Danone's challenging business situation, which has led the company to enter an adaptation phase that includes a reorganization of its leadership team and shifting decision-making to the local level. It was emphasized that Danone's 'One Planet. One Health' vision and actions are an essential part of a resilient recovery;



- the Committee heard from the independent third party about the regulatory context and the due diligence the party will undertake according to professional standards to verify the respect of Danone's objectives as an "Entreprise à Mission";
- the Committee and the independent third party agreed to a plan for the timeline of and collaboration during the first verification process;
- the Committee reviewed and shared feedback to the proposal of key performance indicators. This discussion was prepared during a working session held a few days earlier exclusively for the Mission Committee members, who discussed the short term key performance indicators for each objective and expectations of how these indicators would evolve later on;
- additionally, the Committee heard two thematic updates about Danone's work on the FutureSkills program and Danone's progress and position on breast milk substitutes, which were identified as topics of interest for the Committee members.

The third formal Mission Committee meeting took place in February 2021 with the objectives to align on the final key performance indicators set for Danone to track and report on in 2021 and review the upcoming regulatory engagements of the Mission Committee, including the first report submitted for the Annual General Meeting and the plan for the first verification by the independent third party.

During the meeting, Mission Committee members accepted Danone's revised proposal for the 13 key performance indicators, discussing each one in detail as well as the measurement methodology, historic performance, and the targets set for 2021. The Committee was also informed about Danone's plan to carry out 2 independent verifications of progress in 2021: the first one focusing on the 2020 results for each indicator to serve as a baseline reference, and the second one focusing on 2021 achievements. The Committee also discussed the contents and finalization of its first report ahead of the Annual General Meeting.



KEY PERFORMANCE INDICATORS AND TARGETS FOR THE FIRST YEAR

Following the adoption of the “Entreprise à Mission” status, the Mission Committee worked with Danone to define performance indicators in order to track progress towards achieving the 4 strategic objectives. For this first year, the objective of the Mission Committee was to select a short set of the most relevant key performance indicators – strategic indicators that Danone already monitors, with the majority being “input indicators” (meaning that they measure the contributions necessary to enable an objective or framework to be implemented), and that are either already verified by the independent third party or easily verifiable. This

will enable the Mission Committee to monitor Danone’s performance from the first calendar year of its functioning as an “Entreprise à Mission.”

Starting in 2022, indicators will evolve as necessary and according to the views of the Mission Committee to reflect Danone’s mid-term targets and new ambitions aligned with its strategic plan. **The Committee’s intention is that the revised indicators will include more “impact” and “outcome” ones** (meaning that they measure whether the implementation of objectives or frameworks is achieving the expected effects or changes in the short, intermediate, and long term) and bring in new dimensions to better track Danone’s progress towards accomplishing its Mission.

JAN 2021

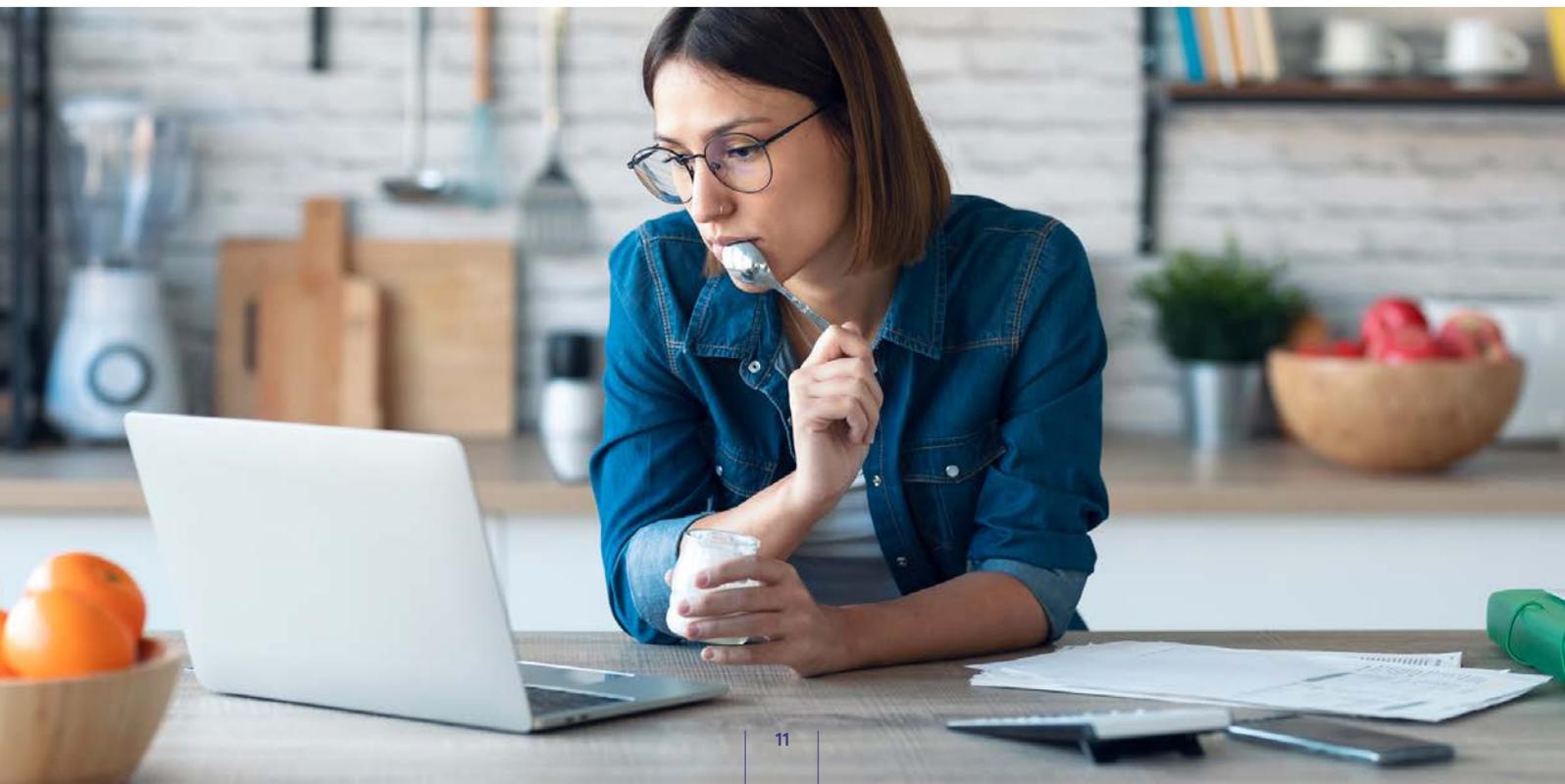
→ FROM 2022

THE YEAR 1 KPI SET IS ABOUT:

- Strategic but existing KPIs already tracked
- Mostly “input” KPIs
- Already audited or easily auditable

AFTER 2022, KPIs WILL REFLECT:

- Evolved mid term targets aligned with Danone Strategic Plan
- More “impact” vs “input”
- Differentiating new dimensions to define in collaboration with the Mission Committee





The process of defining the first set of indicators has been deployed in collaboration with Danone's experts on the topics of health, the planet, social issues, inclusiveness, strategy, and performance measurement functions. Expert working sessions were held for each of the 4 objectives with full mapping of key material topics for each of them, analysis of all qualitative and quantitative indicators monitored by Danone, and discussions to select the most relevant indicators considering historic performance, needs, trends and stakes ahead. The process solicited the opinion of the independent third party in order to meet regulatory obligations and good standards of practice. The Mission Committee members shared several rounds of insights and feedback during the process. Finally, the selected performance indicators and targets were shared with Executive Committee members in January 2021 and validated during the February Mission Committee meeting.



“To be effective in the contribution to the Sustainable Development Goals, there is a need to focus on impact. We all understand that assessing impact is not easy. During the Mission Committee meetings and discussion, I have enjoyed the willingness to explore shifting from indicators that are associated with input to ones that reflect outcomes and impact on societies and the environment. It's a huge shift, one which I expect will further materialize in 2021. This is especially important when business operations are going through the difficulties of the Covid-pandemic. It is audacious of Danone to do this.”

DAVID NABARRO

KPIs are essential to ensure progress. During this first year, I was inclined to endorse what was proposed by the management. In the coming year, I look forward to seeing what kind of KPIs can represent material ESG issues for this business to serve a wider array of stakeholders. The Mission Committee needs to make sure that Danone is on the right track to achieve its Mission and that investors appreciate that. I foresee the Mission Committee getting more involved in discussing the long-term KPIs in detail.”

HIROMICHI MIZUNO



The following key performance indicators will be used by the Mission Committee to track progress towards accomplishing the mission during Year 1:

2021 KPIS SELECTION OVERVIEW

	Landing 2019	Landing 2020	Target 2021
→ Volume of healthy categories (=can be consumed daily) (%)	90%	90%	90%
→ Volumes sold without added sugar (%)	82%	82%	80%*
→ Volumes sold with Front of Pack Labeling (%)	68%	96%	>96%
→ Volumes compliant with internal sugar target (%)	85%	93%	95%
→ Climate change : CO2 volume reduction full scope like for like vs. previous year (%)	-10.8%	-4.6%	-3%
→ Regenerative Agriculture : volume of key ingredients directly sourced having started the transition towards Regenerative Agriculture (%)	-	10%	15%
→ Circular economy : packaging reusable, recyclable or compostable (%)	81.3%	81%	84%
→ Sustainable engagement level of Danone's people above peers (One Voice/DPS consultation)	A B O V E P E E R S		
→ Inclusive transformation :			
• Gender pay gap (in point)	3.4pt	3.2pt	<3pt
• FutureSkills program deployment (% of CBUs with eligible people that have proposed the program)	NA	NA	100%
→ Access to safe drinking water : Nb of people daily reached in millions	5.7M	9M	10M
→ Responsible Sourcing & Supply chain due diligence and Human Rights : Supplier registration and Self Assessment (%)	96%	93%	98%
→ Be certified as a B Corp Company (% of net sales covered by B Corp certification)	36%	49%	60%

*We anticipate a 2 points decrease due to a change in the weight of product category, notably lower weight of natural mineral waters.



Selecting KPIs is not an easy task, as they must translate the mission and vision of sustainable business into practical deliverables. It was thus essential to define KPIs that are robust, actionable, and measurable. I believe that we struck the right balance and project a good level of ambition while remaining grounded in the solid expertise of what Danone is trying to achieve. This will give us confidence in our ability to measure impact and monitor the trajectory of change.”

GABRIELA ILIAN RAMOS

#4

UPCOMING
VERIFICATIONS

Pursuant to Article L.210-10 4° of French Commercial Code, a company which adopts the “Entreprise à Mission” status must carry out a verification of its progress towards accomplishing its Mission, conducted by an independent third party within 18 months of its adoption of the status.

With respect to this stipulation, PwC is expected to carry out the first verification of Danone’s performance in 2021. The first verification will focus on the organization of **the Mission Committee’s works, the process and outcomes of the selection of the key performance indicators and**

targets that will be used to track Danone’s progress towards accomplishing its Mission, and the baseline for each of the selected indicators (based on 2020 achievements when available).

The Mission Committee acknowledges that Danone intends to commission the independent third party to carry out the second verification just a few months later, focusing on the 2021 achievements. The outcomes of this second verification will be included in the Mission Committee’s report to the Annual General Meeting in 2022.



“I am happy and impatient to help Danone walk the talk of its social and environmental commitments, and I will do so keeping in mind the independence and attention to impact I try to display in my other deontological or environmental endeavors.”

PASCAL LAMY

Learn more:
www.danone.com



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ONE PLANET. ONE HEALTH