

**INTRODUCTION**

In March 2018, Danone announced the successful launch of a €300 million bond to finance and refinance projects that include positive social impacts. This innovative Social Bond is the first to be issued by a multinational aligned with the new Social Bond Principles, as set out in June 2017 by the International Capital Market Association.

This pioneering bond issuance continues to support Danone's long-term ambition to lead the way in creating and sharing sustainable value. It attracted significant appetite from investors focused on ESG and was subscribed at attractive market conditions.

Proceeds are allocated to projects promoting positive social impact on Danone's stakeholders, including:

- Research and Innovation for Advanced Medical Nutrition,
- Social inclusiveness,
- Responsible farming and agriculture,
- Entrepreneurship financing,
- Quality healthcare and parental support.

The bond issue consists of a €300 million euro-denominated senior note with a 7-year maturity and offering a 1.00% coupon, due March 2025. The settlement took place on March 26, 2018 and the bond is listed on Euronext Paris.

Vigeo Eiris, an ESG rating agency, has delivered an independent second opinion on the sustainability credentials and management of this social bond ([available here](#)).

For more information on our social bond, refer to [Danone Social Bond Framework](#)

<b>Issuer</b>	Danone
<b>Rating</b>	Baa1/BBB+ (Moody's / S&P)
<b>Size</b>	€300,000,000
<b>Currency</b>	€
<b>Maturity</b>	26 <sup>th</sup> March 2025
<b>Launch date</b>	19 <sup>th</sup> March 2018
<b>Settlement date</b>	26 <sup>th</sup> March 2018
<b>Coupon</b>	1.000%
<b>Reoffer price</b>	99.805%
<b>Reoffer yield</b>	1.029%
<b>Documentation</b>	EMTN

## ALLOCATION REPORT

The selected projects and the allocation process are overseen by Danone’s Sustainability Integration Committee which gathers representatives of environmental, social, health and nutrition issues and representatives from each Business. Allocation of the proceeds will be annually audited until completed.

The allocation of Social Bond proceeds to Eligible Projects before the bond issuance (2015-2017) and in 2018 was €200 million and €37m respectively. Net proceeds of €300m from the Social bond issuance in March 2018 were allocated at 79% as of 31/12/2018. The detailed allocation is set out in the table below.

Eligible Project Category	Danone Initiatives	Allocated Amount (in €m)		
		Before 2018	In 2018	Total
Research & Innovation for Advanced Medical Nutrition	Utrecht R&I Center	84,8	22,9	107,7
	Danone Ecosystem Fund	41,4	-	41,4
Social inclusiveness	Livelihoods Fund for Family Farming	2,8	1,2	4,0
	Livelihoods Carbon funds	2,8	0,7	3,5
	Danone Communities	18,5	-	18,5
Responsible farming and agriculture	CPM Milk Supply	14,0	-	14,0
	Danone US Pledge - non GMO Project	15,0	10,2	25,2
Entrepreneurship financing	Health for Life Capital	11,6	-	11,6
	Danone Manifesto Ventures	9,3	-	9,3
Quality healthcare and parental support	Dan’ Cares	-	0,4	0,4
	Danone Global Parental Policy	-	1,4	1,4
<b>Total (in €m)</b>		<b>200</b>	<b>37</b>	<b>237</b>

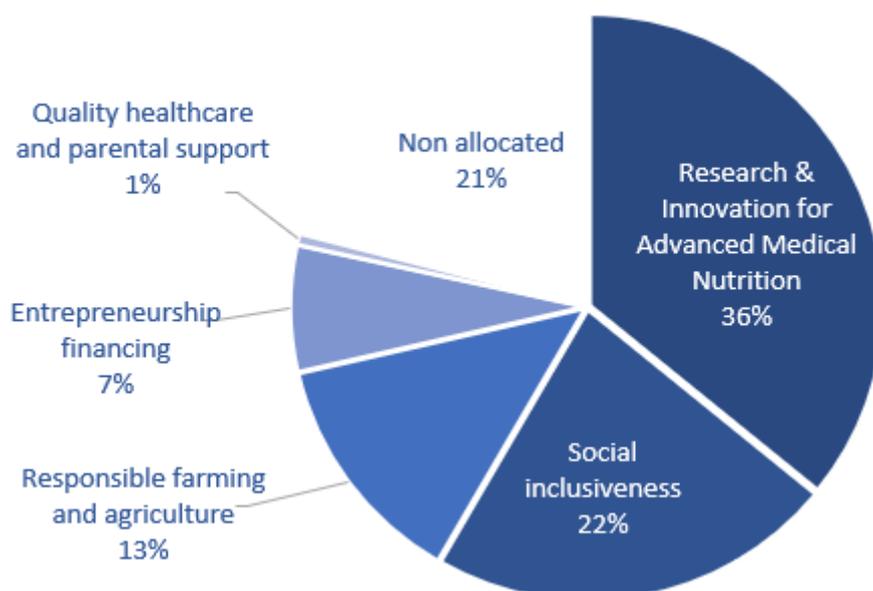
Total amount of Bond Proceeds remaining to be used (in million euros)

63

Refinancing of existing projects (2015 to 2017) as compared to the total bond value

67%

### Allocation per category



## IMPACT REPORT

Eligible Project Category	Initiatives	Indicator	Total Impact of the project	Contribution of the social bond in the project versus full contribution of Danone
Research & Innovation for Advanced Medical Nutrition	Utretch R&I Center	Number of beneficiaries in 2018	1 833 000	55%
Social inclusiveness	Danone Ecosystem Fund	Number of people professionally empowered	57 259	34%
		Number of women professionally empowered	35 701	
		Number of indirect beneficiaries	4 443 189	
	Livelihoods Fund for Family Farming	Number of people reached	13 900	100%
		Number of farms with traced commercial transactions	1 500	
	Livelihoods Carbon Funds	Number of households equipped with efficient cookstoves	120 000	34%
		Number of people positively impacted	1 200 000	
	Danone Communities	Number of beneficiaries (upstream & downstream)	1 100 000	44%
		Number of beneficiaries with access to drinking water	800 000	
		Number of beneficiaries in the fight against malnutrition and poverty	300 000	
Responsible farming and agriculture	CPM Milk Supply	Number of farms under CPM contracts	2 262	52%
	Danone US Pledge - non GMO Project	Number of farms involved	12	100%
		Number of direct and indirect beneficiaries	383	
Entrepreneurship financing	Danone Manifesto Ventures	Number of full time employees	180	71%
	Health for Life Capital	Number of full time employees	647	57%
Quality healthcare and parental support	Dan'cares	Number of employees covered by Dan'cares	74 420	5%
		Number of countries covered by Dan'cares	49	
	Danone Global Parental Policy	Number of countries which have implemented the Danone Global Parental Policy	9	79%
	Percentage of employees covered	8%		

Please find [here](#) the methodological note where the definition, the consolidation scope and coverage and the data collection of the KPIs are highlighted as well as the social bond contribution calculation for each of them.

## Research and Innovation for Advanced Medical Nutrition

Danone's Research and Innovation (R&I) center in Utrecht (The Netherlands) spans the worlds of both Early Life Nutrition and Advanced Medical Nutrition, and is a global hub dedicated not only to the innovation of new products, but also the on-going improvement of our existing range. With over 600 employees, the Utrecht R&I center delivers evidence-based specialized nutrition to infants, pregnant women, patients and the elderly, enabling Danone to provide tailored nutritional solutions to patients around the world. Research focuses particularly on patients suffering from disease-related malnutrition, patients who cannot tolerate or metabolize an essential nutrient due to genetic metabolic disorders or allergies, and patients who cannot swallow or eat.

As part of the social bond, proceeds are allocated to Advanced Medical Nutrition research in areas including pediatric neuro-disabilities and adult malnutrition and oncology. Social benefits expected from this research are specialized nutrition discoveries for people with specific nutritional needs.

## Social inclusiveness

Danone has been pioneering social inclusiveness through funds supporting local projects dedicated to empowering communities and social entrepreneurs: Danone Ecosystem Fund, Livelihoods Fund for Family Farming, Livelihoods Carbon Funds and Danone Communities.

As part of the social bond, proceeds are allocated to projects supporting these funds and social benefits expected from these projects are the following:

- Promotion of small-scale farmers in developing countries,
- Development of sustainable agriculture practices,
- Women empowerment through training,
- Development of local and rural communities, and jobs creation within Danone's ecosystem projects,
- Improvement of low-income populations basic needs (such as malnutrition, drinking water...).

## Responsible farming and agriculture

Danone is working to develop and promote regenerative models of agriculture that protect soils, empower farmers and promote animal welfare. To do so, Danone maintains close relationships with over 58,000 farmers worldwide and is strongly committed to supporting farmers and dairy producers at a local level with for instance:

- In the U.S. where Danone pledged to develop a non-GMO offer;
- In Europe, the U.S and Russia where Danone deployed innovative long-term contracts with milk producers to reduce milk price volatility: Cost-Performance Model (CPM) contracts. For the Social Bond, only contracts in Europe are covered.

As part of the social bond, proceeds are allocated to these two projects to support responsible farming and agriculture. Social benefits expected from these projects are the socio-economic development of milk producers and farmers along with the development of responsible farming practices.

## Entrepreneurship financing

Danone is engaged in the food revolution that is underway and supporting it through entrepreneurship financing. To carry out these investments, Danone relies on two structures:

- Danone Manifesto Ventures: Since its launch in 2016, Danone Manifesto Ventures makes investments and provides financial and operational support to its portfolio companies and has invested in several companies bringing unique concepts and business models that help drive forward the Food Revolution;
- Health for Life Capital (HFLC) investment fund: Danone has taken part in this fund dedicated to microbiome research and which invests in innovative companies. The fund is managed by Seventure Partners, a subsidiary of Natixis Global AM.

As part of the social bond, proceeds are allocated to these two structures to invest in small and medium size enterprises in the health and nutrition sector. Social benefits expected are the socio-economic development of these enterprises.

## Quality healthcare and parental support

As part of its dual economic and social project, Danone is committed to offering employees a safe working environment, health and well-being programs, and professional development opportunities. Since 2010, Danone is deploying the Dan'Cares program aiming to provide all Danone employees with quality healthcare coverage of major risks, while taking account of different market practices. In parallel, since 2017, Danone is deploying its Parental Policy, to be rolled out globally by 2020.

As part of the social bond, proceeds are allocated to these two programs focusing on enhanced employee healthcare coverage and extended maternity, parental leave and post-natal care. Social benefits expected from these investments are equal access to health coverage and progress towards gender equality for Danone's employees.

## **EXTERNAL REVIEW**

External independent auditors appointed by Danone ensure that the Allocation Report is consistent with Danone's Social Bond Framework, on an annual basis until the full allocation. Auditors review in particular the compliance of the allocated proceeds with the Eligible Project Categories. Please find [here](#) the 2018 Assurance Report from our Auditors.