Danone Social Bond Framework

March 9, 2018
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1. Introduction to Danone

“Bring health through food to as many people as possible: At Danone, a unique Mission and a dual economic and social project at the heart of the company”

As early as 1972, Antoine Riboud was drawing attention to the environmental and social impact of businesses on the planet. For over 40 years the pioneering speech by Antoine Riboud which established our ‘dual project’ has been felt in our company. That dual project was enhanced in 2006 by Frank Riboud who launched our lasting Mission to “Bring health through food to as many people as possible”.

Now more than ever, consumers are concerned with food. The revolution now underway is shaping how products are made and consumed, as well as our approach to preserving resources and protecting the environment. Every day we embrace our commitment to favoring healthier eating and drinking habits through a portfolio of products that are enjoyed on a daily basis, and a broad variety of activities.

Each time we eat and drink, we can vote for the world we want to live in.

This powerful idea is at the heart of the Alimentation Revolution. A revolution led by Danoners, together with consumers, retailers, farmers, suppliers and NGOs all designing, producing, marketing and consuming food in a new way – a way to protect and nourish health of the people and health of the planet.

We’ve chosen this path because at Danone, we want to be a change agent – a catalyst of this revolution. We want to make the Alimentation Revolution a reality for as many people as possible, all across the world. Why? Because we believe in a food and water ecosystem that works in harmony with people, communities and the environment where our relationship with the 900 million people who buy our brands is a force for good.

We believe a healthy body needs healthy food. And healthy food needs a healthy planet. All with healthy ecosystems and strong, resilient social structures. We simply can't have one without the others.

That's what our new signature, “One Planet One Health”, encapsulates. It's a rallying call to everyone to join the Alimentation Revolution.
2. Rationale for Danone to issue a Social Bond

Inspired by the Danone mission and its “One Planet. One Health” vision, Danone has four sustainability pillars of action:

✓ “Economic”

At Danone, we believe that what we do and how we do it are equally important—which is why we commit to inclusive growth as well as implementing responsible sourcing practices throughout our supply chain and made them an integral part of our strategy.

✓ “Social”

As part of our dual commitment to business success and social progress, we create social value by promoting constructive dialogue to ensure the health and safety of our employees—over 100,000 talented Danoners around the globe—our partners and all of our stakeholders.

✓ “Health & Nutrition”

At Danone we believe that providing health through food is not only a necessity but also our responsibility. More sedentary lifestyles and less healthy eating habits mean modern societies face major public health issues. In this context, we aim to help people adopt eating and drinking habits that are both healthy and relevant for them.

✓ “Nature”

To deliver on our commitment to “One Planet. One Health”, we are focusing on four key ambitions, which are at the center of our Nature agenda: combat climate change, protect water cycles, co-build the circular economy and promote regenerative agriculture.

Danone cannot reach these aims alone, and we have always worked with local partners to co-build our solutions. We know that food is cultural, communities have local needs and natural ecosystems are unique. So we will continue to adapt our plans to meet the diverse needs of the planet, places and people we serve.
As part of its sustainability commitments, Danone is supporting the United Nations (UN) Sustainable Development Goals (SDGs). To select the SDGs to which Danone will contribute, we took into account our activities, our industrial sector and our latest materiality matrix which highlights our most significant sustainability topics for our stakeholders and our business performance. Our contribution to the SDGs is structured as follows:

<table>
<thead>
<tr>
<th>People</th>
<th>One Planet. One Health</th>
<th>Business Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Focus</td>
<td></td>
<td></td>
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<tr>
<td>Commitments</td>
<td></td>
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<tr>
<td>Contribution</td>
<td></td>
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</tr>
</tbody>
</table>

3. Danone Social Bond Framework

As part of this commitment to sustainability, Danone decided to create this Social Bond Framework under which Danone can issue Social Bond(s) to finance projects with positive social impacts.

Danone Social Bond Framework is in line with the Social Bond Principles 2017\(^{(1)}\) and their four key pillars:
1. Use of proceeds,
2. Process for project evaluation and selection,
3. Management of proceeds, and
4. Reporting.

Danone Social Bond Framework objective is to include Danone’s concrete initiatives towards the Alimentation Revolution. It also reflects Danone’s four sustainability pillars of action.

3.1. Use of Proceeds

An amount equivalent to proceeds of Danone’s Social Bonds issuances will be used to finance and/or re-finance, in whole or in part, new or existing projects from any of the Eligible Project Categories defined below (the “Eligible Social Projects”).

This amount will include disbursements made by Danone that:
(i) have been disbursed during the three years preceding the issue date of the Notes and/or,
(ii) will be disbursed following the issue date of the Notes.

Eligible Projects Categories will contribute to one or more of the Social Objectives and Benefits described in the table below.

<table>
<thead>
<tr>
<th>Eligible Project Categories</th>
<th>Danone Sustainability pillar</th>
<th>Definition</th>
<th>Danone Initiatives</th>
<th>Social objectives</th>
<th>Social benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research &amp; Innovation (R&amp;I) for Advanced Medical Nutrition</td>
<td>Economic</td>
<td>Expenses related to Danone R&amp;I for the Advanced Medical Nutrition division</td>
<td>Utrecht R&amp;I Center for Advanced Medical Nutrition</td>
<td>Produce specialized nutrition products for paediatric and adult care</td>
<td>Access to specialized nutrition products for people with specific nutritional needs</td>
</tr>
<tr>
<td>Social Inclusiveness</td>
<td>Social</td>
<td>Impact Investment Funds</td>
<td>Danone Ecosystem Fund</td>
<td>Where projects are implemented (mostly in developing and emerging countries):</td>
<td>Socio-economic development of local communities, mainly in developing countries</td>
</tr>
<tr>
<td>Social</td>
<td>Nature</td>
<td>Targeted populations: Farmers, excluded and/or marginalised populations and/or communities, people living under the poverty line, rural communities in developing countries</td>
<td>Livelihoods Fund for Family Farming</td>
<td>- Increase the percentage of farmers earning more than USD 2 per day by:</td>
<td>Socio-economic development of small-scale farmers in developing countries</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Providing financial support and co-construct technical capacities to develop sustainable agricultural practices</td>
<td>Progress towards gender equality in developing countries</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Strengthening connection between groups of family farmers and business supply chains</td>
<td></td>
</tr>
<tr>
<td>Eligible Project Categories</td>
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</tr>
<tr>
<td>Responsible farming and agriculture</td>
<td>Economic</td>
<td>Cost paid by Danone to protect milk producers’ production cost</td>
<td>CPM Milk Supply(6)</td>
<td>For milk producers in Europe:</td>
<td>Socio-economic development for milk producers</td>
</tr>
<tr>
<td></td>
<td>Nature</td>
<td>Cost invested by Danone to protect non GMO production</td>
<td></td>
<td>• Implement a long-term relationship&lt;br&gt;• Improve revenues compared to market average</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Target populations: Milk producers, Farmers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Danone US Pledge - non GMO Project(7)</td>
<td></td>
<td>• Support supplier farmers in the US to transition to non-GMO productions and animal welfare practices</td>
<td>Development of responsible farming practices&lt;br&gt;Promotion of healthy environment</td>
</tr>
<tr>
<td>Entrepreneurship financing</td>
<td>Health &amp; Nutrition</td>
<td>Financing of SMEs(1) in the health and nutrition sectors</td>
<td>Danone Manifesto Ventures(8)&lt;br&gt;Health for Life Capital(9)</td>
<td>• Provide access to financing for SMEs with core business in healthy food and microbiome research in the health and nutrition sectors</td>
<td>Socio-economic development of SMEs operating in the health and nutrition sectors</td>
</tr>
</tbody>
</table>

Eligible Project Categories:
- Responsible farming and agriculture
- Entrepreneurship financing

Danone Sustainability pillar:
- Economic
- Nature

Definition:
- Cost paid by Danone to protect milk producers’ production cost
- Cost invested by Danone to protect non GMO production
- Target populations: Milk producers, Farmers

Danone Initiatives:
- Livelihoods Carbon Fund(4)
- Danone Communities(5)
- CPM Milk Supply(6)
- Danone US Pledge - non GMO Project(7)
- Danone Manifesto Ventures(8)
- Health for Life Capital(9)

Social objectives:
- Increase the % of families food-secure over a year
- Create jobs in agroforestry and mangrove restoration
- Co-construct agroforestry and mangrove restoration techniques with farmers
- Distribute clean cookstoves to households in rural communities
- Develop access points to drinking water
- Increase the supply of food products
- Support supplier farmers in the US to transition to non-GMO productions and animal welfare practices
- Provide access to financing for SMEs with core business in healthy food and microbiome research in the health and nutrition sectors

Social benefits:
- Socio-economic development of rural communities
- Promotion of healthy environment
- Access to adequate food for low-income populations
- Access to clean drinking water for low-income populations
- Development of responsible farming practices
- Promotion of healthy environment
<table>
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<th>Social objectives</th>
<th>Social benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality healthcare and parental support</td>
<td>• Health &amp; Nutrition • Social</td>
<td>• Extra cost paid by Danone to provide high quality health coverage</td>
<td>Dan’cares(^{(10)})</td>
<td>• Provide 100% Danone employees with a quality medical coverage for hospitalisation, surgery, pre/post maternity medical care and outpatient care, in line or above local market practices</td>
<td>• Equal access to health coverage for Danone’s employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Danone Global Parental Policy(^{(11)})</td>
<td>• Support 100% employees during pre-natal, parental leave and post-natal periods</td>
<td>• Progress towards gender equality for Danone’s employees</td>
</tr>
</tbody>
</table>


\(^{(3)}\) The Livelihoods Fund for Family Farming targets raw materials which are mainly produced by smallholder farmers, and greatly impacted by environmental, social and supply issues (cocoa, vanilla, water...). Link: [http://www.livelihoods.eu/](http://www.livelihoods.eu/)

\(^{(4)}\) The Livelihoods carbon Fund leverages the carbon economy to finance ecosystem restoration, agroforestry and rural energy projects to improve food security for rural communities and increase farmers’ revenues. Link [http://www.livelihoods.eu/lcf/](http://www.livelihoods.eu/lcf/)


\(^{(6)}\) Cost Performance Model contracts define the price of milk taking production cost into account and are developed in partnership with milk producers or their organisation.

\(^{(7)}\) Danone US Pledge illustrates Danone’s ambitions and commitments in the US for sustainable agriculture, for a natural approach (natural ingredients, non GMO,...) and ensures transparency on products. Link [http://www.dannonpledge.com/](http://www.dannonpledge.com/)

\(^{(8)}\) Danone Manifesto Ventures is a venture group whose mission is to scale up enterprises that share Danone’s commitment to bring health through food to as many people as possible.

\(^{(9)}\) Health for Life Capital is the first European investment vehicle to support the microbiome revolution in the areas of health and nutrition through capital financing.
(10) Dan’Cares is a global program for Danone employees outside of France with an ambition to ensure high quality health coverage while taking into account local market practices. Link [http://www.danone.com/en/for-all/sustainability/better-lives/better-for-our-people/](http://www.danone.com/en/for-all/sustainability/better-lives/better-for-our-people/)

(11) Danone Global Parental Policy supports upcoming and working parents in their individual choices between the start of a pregnancy and the second year of life of their child.

3.2. Process for Project Selection and Evaluation

Danone’s Sustainability Integration Committee’s (SIC), whose mission is to oversee the integration of sustainable development issues within Danone’s strategy and to ensure their operating implementation and communication, will be in charge of monitoring the project selection and evaluation allocation process.

The committee comprises representatives of environmental, social, health and nutrition functions of each Division.

Decisions taken by SIC with respect to the monitoring of the project selection and the evaluation allocation process will be communicated annually to the Social Responsibility Committee of Danone. The Social Responsibility Committee is a committee of the Board of Directors of Danone, composed of Board members and responsible for overseeing Danone’s societal project.

The indicative breakdown of Eligible Social Projects financed per Eligible Project Category set out below is the following:

- Research & Innovation for Advanced Medical Nutrition: 40%
- Social inclusiveness: 25%
- Responsible farming and agriculture: 20%
- Entrepreneurship financing: 10%
- Quality healthcare and parental support: 5%

3.3. Management of Proceeds

Until full allocation, the amount equal to the net proceeds not yet allocated to Eligible Social Projects will be held temporarily by Danone in form of cash, cash equivalent or SRI funds.

The above mentioned process will be monitored along the entire period in which the expected disbursements will be incurred. Danone intends to allocate the proceeds of the Social Bond issuance by 31 December 2020.

3.4. Reporting

3.4.1. Allocation report

Danone will provide a report (see indicators in the table below) to update investors on the allocation of the net proceeds of the Social Bond once a year until the bond proceeds have been fully allocated.
### Use of Proceeds reporting indicators

- List and description of Eligible Social Projects
- Amount of proceeds allocated to each Eligible Social Projects / Eligible Project Category
- Total amount of unallocated proceeds
- Refinancing of existing projects (in %)

This information will be externally reviewed and will be publicly available on Danone’s Annual Integrated Report website.

### 3.4.2. Impact report

On an annual basis, until full allocation, Danone will report to investors on the impact of the selected projects from a social standpoint. Examples of relevant metrics could include:

#### Impact reporting - Social Benefits:

<table>
<thead>
<tr>
<th>Eligible Project Categories</th>
<th>Danone Initiatives</th>
<th>Reporting indicators</th>
</tr>
</thead>
</table>
| Research & Innovation for Advanced Medical Nutrition | Utretch R&I Center for Advanced Medical Nutrition | • Number of beneficiaries  
• Number of publication  
• Number of pattern  
• Number of clinical studies |
| Social inclusiveness | Danone Ecosysteme Fund | • Number of jobs created  
• Number of people professionally empowered  
• Number of women professionally empowered  
• Number of indirect beneficiaries |
| Livelihoods Fund for Family Farming | Livelihoods Carbon Funds | • Number of people positively impacted  
• Number of beneficiaries – farms  
• Number of households equipped with efficient cook stoves  
• Number of people positively impacted since 2011 |
<p>| Responsible farming and agriculture | CPM Milk Supply | • Number of beneficiaries |</p>
<table>
<thead>
<tr>
<th>Eligible Project Categories</th>
<th>Danone Initiatives</th>
<th>Reporting indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Danone US Pledge - non GMO Project</td>
<td>• Number of Farmers involved</td>
</tr>
<tr>
<td>Entrepreneurship financing</td>
<td>Danone Manifesto Ventures Health for Life Capital</td>
<td>• Full Time Employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Current Turnover</td>
</tr>
<tr>
<td>Quality healthcare and parental support</td>
<td>Dan’cares</td>
<td>• Percentage of employees covered</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Number of countries covered by Dan’cares</td>
</tr>
<tr>
<td></td>
<td>Danone Global Parental Policy</td>
<td>• Number of Countries which have implemented the Danone Global Parental Policy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Percentage of employees covered</td>
</tr>
</tbody>
</table>

### 3.5. External Review

#### 3.5.1. Second Opinion

Vigeo Eiris was appointed by Danone to provide a Second Party Opinion on this Social Bond Framework.

#### 3.5.2. External Verification

External independent auditors appointed by Danone will ensure that the Allocation Report is consistent with Danone’s Social Bond Framework, on an annual basis until the full allocation. Auditors will in particular review the compliance of the allocated proceeds with the Eligible Project Categories.