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5

SOCIAL, SOCIETAL  
AND ENVIRONMENTAL  
RESPONSIBILITY

*This section describes Danone's commitments and achievements in the area of social, societal and environmental responsibility. All references to "OPOH" refer to the Company's frame of action One Planet. One Health.*

*It is organized as follows:*

- *Information regarding extra-financial performance:*
    - *decree n° 2017-1265 of August 9, 2017 taken for the purpose of the order n°2017-1180 of July 19, 2017 as regards disclosure of non-financial information by companies;*
    - *Art. L. 22-10-10-2 of the French Commercial Code regarding "results of gender diversity in the top 10% of positions with greater responsibility";*
    - *Art.1 no. 2017-399 referred to as the law on the duty of vigilance of parent companies and ordering companies;*
    - *Art.173 no. 2015-992 of August 17, 2015 on the energy transition for green growth.*
  - *Description of Danone's sustainability approach through the steps of decree n°2017-1265:*
    - *Danone's business model is described in sections 2.1 to 2.4 of this Universal Registration Document.*
- For each of the risks and as far as possible, the following elements are highlighted:*
- *Definitions of the identified sustainability risks;*
  - *Policies implemented to define the Company's ambitions and commitments;*
  - *Governance and team dedicated to strategic management and operational follow-up;*
  - *Action plans implemented to deploy the commitments;*
  - *Quantitative and qualitative outcomes;*
  - *Opportunities considered as levers of actions generating positive impact.*
- *Extra-financial performance for 2020 relies notably on:*
    - *Environmental indicators;*
    - *Social indicators;*
    - *Safety indicators;*
    - *Nutrition indicators;*
    - *Responsible procurement and human rights indicators;*
    - *Results of the Danone Way program.*
  - *More extensive information is available in:*
    - *section 2.6 Risk factors dedicated to the main risks Danone is exposed to as of the date of the release of this Universal Registration Document;*
    - *the 2020 Integrated Annual Report in which quantitative results and practices are described based on the 2030 Company Goals, and the United Nations' Global Compact principles and Sustainable Development Goals (SDG). Furthermore, the Report includes a cross-reference table between the Company extra-financial performance indicators, and the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) indicators.*

## 5.1 AN INTEGRATED APPROACH OF SUSTAINABLE BUSINESS MODEL

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## DANONE'S MISSION AND VISION: A LONG-STANDING COMMITMENT TO SUSTAINABLE VALUE CREATION

### Key milestones in Danone's sustainability journey



### 2030 Company Goals as an extension of the One Planet. One Health frame of action

Building on its dual economic and social project and its OPOH frame of action, Danone has defined a set of nine long-term Goals – aligned with the Sustainable Development Goals of the United Nations – to embrace the food revolution while creating sustainable value for its shareholders and ecosystem.

In 2020, Danone took another step forward by becoming the first listed company to adopt the Entrepise à Mission model. It also selected four of its 2030 Company Goals as its mission and integrated them into its by-laws:

- 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.

Danone has appointed a Mission Committee to monitor the Company's progress toward its mission and has defined key performance indicators and targets to allow an independent third party to verify the progress made (see section 2.2 *Strategic priorities*).

This step is also in line with its goal of obtaining worldwide B Corp™ certification by 2025, which will show consumers and stakeholders that all Danone entities and brands are putting their businesses to work to serve society.

Beyond its direct scope of responsibility and more specifically during the Covid-19 crisis, Danone has supported its ecosystem through its corporate actions, brands and social innovation platforms. The Company is also committed to protecting its supply chain so that it can continue to provide it with its daily food supply.



## GOVERNANCE ESTABLISHED TO SUPPORT DANONE'S ONE PLANET. ONE HEALTH FRAME OF ACTION

### Internal organization and governance

Sustainability permeates Danone's entire organization, so all departments support the food revolution through their specific fields of expertise. Danone has put in place a sustainability governance structure to ensure global consistency and efficient decision-making in all aspects of sustainability, as described below.

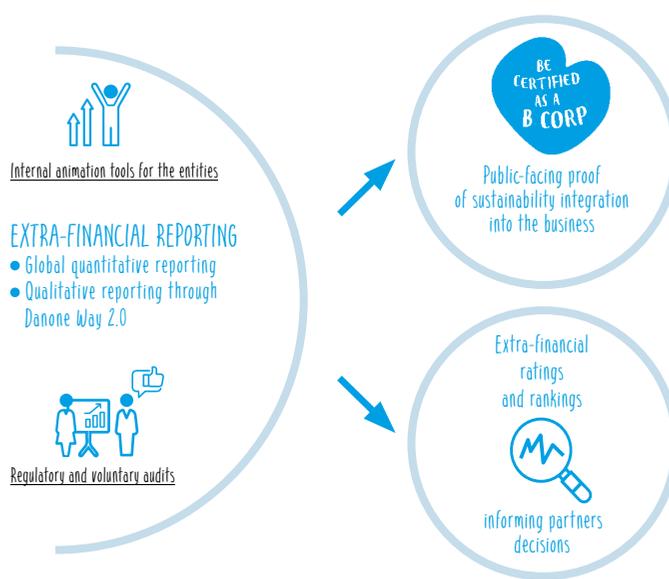
Governance bodies	Key missions
Engagement Committee	<ul style="list-style-type: none"> <li>An offshoot of the Board of Directors, its missions and work are detailed in section 6.1 <i>Governance bodies</i>.</li> </ul>
OPOH Integration and Investment Board	<ul style="list-style-type: none"> <li>Align the sustainability pillars to strengthen Danone's integrated approach to the 2030 Company Goals and monitor the journey toward B Corp™ certification ambition;</li> <li>Obtain approval for investment proposals from the funds' decision-making bodies;</li> <li>Better serve the brand agendas and ensure coordination with the Growth &amp; Innovation Committee.</li> </ul>

Danone addresses specific sustainability topics within thematic committees which are mentioned throughout section 5 *Social, Societal and Environmental Responsibility*. Additionally, topics related to sustainable finance are discussed within the ESG & Finance Committee.

Global and local sustainability teams	Key missions
OPOH Integration team	<ul style="list-style-type: none"> <li>As part of the General Secretary, work closely with the communications and public affairs teams;</li> <li>Work with its internal and external stakeholders to advance, monitor and report on Danone's sustainability performance;</li> <li>Oversee global B Corp™ certification through a continuous improvement process.</li> </ul>
Expert teams (including corporate and Reporting Entity OPOH experts)	<ul style="list-style-type: none"> <li>Environmental, social, and health and nutrition teams working to advance specific Company goals and commitments and to monitor their progress toward achieving them;</li> <li>Sustainability teams, operating within the Reporting Entities and responsible for the connection with the brand agendas.</li> </ul>
Local OPOH representatives' network	<ul style="list-style-type: none"> <li>Coordinate Danone's sustainability strategy at the regional and local levels;</li> <li>Lead the local rollout of the Danone Way program and B Corp™ certification and support the global sustainability audits process.</li> </ul>

## AN INTEGRATED WAY TO TRACK AND FOSTER PROGRESS

### Danone's approach to managing sustainability performance



With its internal animation tools, the Company ensures that all its entities, at all levels, progress toward the 2030 Company Goals, with a focus on the OPOH frame of action. To do so, Danone tracks and supports sustainability performance through quantitative metrics (global reporting) and a set of qualitative practices (Danone Way) whose reliability is reinforced by external audits, performed by an independent third party (see section 5.9 *Report by one of the statutory*

*auditors, appointed as an independent third party, on the consolidated non-financial information statement included in the management report*). This integrated way to track and measure performance supports its global B Corp™ certification externally as well as its dialogue with financial and non-financial partners, notably by sustaining a high performance with the ESG rating and ranking agencies.

## A COMPREHENSIVE APPROACH TO MEET EXTERNAL DEMANDS

### Manifesto Brands to reflect consumers' expectations

Manifesto Brands are at the core of Danone's 2030 Company Goals. A Manifesto Brand is a brand on a mission, with a strong point of view on societal issues. These brands are committed to taking action and contribute to the food revolution. Their commitments allow them

to connect with consumers around shared values and purposes, around the social, environmental, and health and nutrition topics that matter to them.

### Materiality analysis to highlight main externalities

To define its approach to sustainability, Danone relies on the complementary nature of its materiality and risk analysis processes. This enables the Company to identify the issues facing its operations and value chain, on the one hand, and the expectations of its stakeholders regarding its sustainability ambitions, on the other.

Danone relies on this materiality analysis as it highlights the 14 most material issues for Danone's business success and for external stakeholders, as listed in the table below. In early 2021, Danone repeated this materiality exercise to create an updated version of its matrix, which can be found in its entirety in the 2020 Integrated Annual Report.

This matrix is the result of a global consultation with more than 380 internal and external stakeholders who shared their perspective on issues that Danone needs to prioritize as a business, today and over the next five to ten years.

Among the stakeholders consulted were:

- more than 230 external and local stakeholders, including national authorities, NGO representatives, academics/experts and sector peers, etc.
- more than 150 Danone employees whose work relates to the OPOH frame of action.

Danone also surveyed its suppliers, key accounts and investors.

### Risks identified in connection with Danone's declaration of non-financial performance

In 2018 Danone identified its sustainability risks, thanks to a joint effort by the departments responsible for Sustainable Development and for Strategy and Risks. In 2020, the Company reviewed these risks internally in light of the Covid-19 crisis and the current Company transformation and concluded that they were still relevant. For some risks, additional action plans have been rolled out and are detailed throughout this section (see the *Cross-reference table* below).

Danone has adopted the following risk definition methodology:

- **identify risks through research** on risks affecting its activities and its value chain over the short, medium and long term;

- **work with its experts** to assess top risks based on its activities, probability of occurrence, and potential impacts on stakeholders (employees, shareholders, business partners and communities) and its results;
- **consolidate and identify Danone's top 13 sustainability risks;**
- **have the risks approved by three governance bodies:** the Sustainability Integration Committee, the Social Responsibility Committee (now called Engagement Committee) and the Audit Committee (see section 6.1 *Governance bodies*).



## One Planet. One Health frame of action cross-reference table

The table below shows the relationship between the 13 priority themes derived from its risk analysis and the 14 material priorities. It also maps the related 2030 Company Goals.

Details on governance, policies, action plans and outcomes are presented within the chapter.

Pillar	2030 Company Goals (selected in the context of "Entreprise à Mission" status)	Sustainability risks	Material priorities	Reference within the chapter for more information
			<ul style="list-style-type: none"> <li>Integration of sustainable development within the Company (for all issues below)</li> </ul>	
<b>COMPLIANCE</b>		Responsible practices: ethics and integrity	<ul style="list-style-type: none"> <li>Responsible leadership and governance</li> </ul>	5.1 <i>An integrated approach of sustainable business model</i>
<b>HEALTH &amp; NUTRITION</b>		Unique product portfolio to impact people's health	<ul style="list-style-type: none"> <li>Product safety and quality</li> <li>Portfolio improvements towards healthier products</li> <li>Food and nutrition accessibility and affordability</li> <li>Transparent product labeling</li> <li>Diversified product portfolio in line with local needs and diets</li> <li>Local economic contribution and inclusive growth</li> </ul>	5.2 <i>Offering safe, healthy products</i>
		Responsible communication	<ul style="list-style-type: none"> <li>Transparent product labeling</li> </ul>	
		Marketing of breast milk substitutes	<ul style="list-style-type: none"> <li>Responsible marketing and consumer awareness</li> </ul>	
<b>ENVIRONMENT</b> (including the fight against climate change)		Regenerative agriculture	<ul style="list-style-type: none"> <li>Diverse and locally relevant models of sustainable farming and land use</li> </ul>	5.3 <i>Preserve and renew the planet's resources</i>
		Circular economy	<ul style="list-style-type: none"> <li>Product and packaging eco-design and circular economy</li> </ul>	
		Preservation of water resource	<ul style="list-style-type: none"> <li>Diverse and locally relevant models of sustainable farming and land use</li> </ul>	
<b>SOCIAL</b> (including workplace health and safety)		Inclusive talent development	<ul style="list-style-type: none"> <li>Responsible leadership and governance</li> <li>Local economic contribution and inclusive growth</li> </ul>	5.4 <i>Building the future with Danone employees</i>
		Social dialogue	<ul style="list-style-type: none"> <li>Responsible leadership and governance</li> </ul>	
		Employee security	<ul style="list-style-type: none"> <li>Responsible leadership and governance</li> </ul>	
<b>RESPONSIBLE SOURCING &amp; HUMAN RIGHTS</b>		Business practices and price fixing	<ul style="list-style-type: none"> <li>Sustainable procurement and supply chain management</li> </ul>	5.5 <i>Promoting sustainable, inclusive growth with suppliers</i>
		Responsible sourcing	<ul style="list-style-type: none"> <li>Fair pricing policies and relationships with farmers and suppliers</li> <li>Diverse and locally relevant models of sustainable farming and land use</li> </ul>	
		Human rights	<ul style="list-style-type: none"> <li>Responsible leadership and governance</li> </ul>	

In addition, the Company's vigilance plan is presented in section 5.7 *Vigilance plan*.

## RESPONSIBLE PRACTICES: ETHICS AND INTEGRITY

### Definition

Danone works actively against corruption, bribery, payments in kind, conflicts of interest, theft, embezzlement, inappropriate use of company resources and money laundering.

### Policies

Danone has established policies and procedures for responsible practices that apply to all its employees, its subsidiaries, the companies controlled by the Company and, in some cases, its business partners. In 2020, Danone updated its compliance framework which sets out the most important principles with regard to standards, responsibilities, organization and processes for its policies and programs.

<b>Code of Business Conduct</b>	<ul style="list-style-type: none"> <li>Based on principles derived from: <ul style="list-style-type: none"> <li>the Universal Declaration of Human Rights;</li> <li>the Fundamental Conventions of the International Labour Organization;</li> <li>the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;</li> <li>the UN Global Compact on human rights, labor standards, environmental protection and anti-corruption.</li> </ul> </li> <li>Translated into 34 languages;</li> <li>Covers a number of responsible practices-related topics, including anti-corruption, conflicts of interest, confidentiality, fraud and money laundering.</li> </ul>
<b>Disciplinary Code for Business Conduct Breach</b>	<ul style="list-style-type: none"> <li>Applies to all employees to ensure that the Company appropriately and fairly sanctions any unethical behavior in general, and/or any breach of its Code of Business Conduct in particular.</li> </ul>
<b>Integrity Policy</b>	<ul style="list-style-type: none"> <li>Defines the rules and responsibilities governing the conduct of every Danone employee with respect to corruption, including gifts and hospitality, sponsorships and donations, fraud, money laundering, conflicts of interest, third-party review and concerns;</li> <li>Describes the expectations that must be met by specific functions, such as Executive Committee members, general managers, and directors of human resources, public affairs, medical and healthcare.</li> </ul>
<b>Compliance Policy for Third Party Vetting</b>	<ul style="list-style-type: none"> <li>Refers to the due diligence that Danone performs on business partners, in order to evaluate and, if necessary, address the potential risk they may pose to the Company in relation to anti-corruption, anti-bribery and/or international trade sanction laws and regulations as well as any other criminal or unethical activity;</li> <li>Applies to all third parties;</li> <li>Defines the rules, responsibilities and guidance that require and enable Danone employees to follow a robust decision-making process for selecting, contracting with and monitoring third parties.</li> </ul>
<b>Code of Conduct for Business Partners</b>	<ul style="list-style-type: none"> <li>Ensures that Danone's business partners comply with applicable laws on bribery and corruption, money laundering, unfair competition and international trade sanctions.</li> </ul>
<b>Competition Policy</b>	<ul style="list-style-type: none"> <li>Defines Danone's commitment to engaging in fair competition on the merits in all its business activities in compliance with all applicable competition laws.</li> </ul>
<b>International Trade Sanctions Policy</b>	<ul style="list-style-type: none"> <li>Defines Danone's commitment to complying with trade, financial and other restrictions imposed by national governments and international bodies on certain sanctioned countries, entities and/or individuals.</li> </ul>
<b>Personal Data Privacy Policy</b>	<ul style="list-style-type: none"> <li>Recognizes individuals' fundamental right to privacy and protection of personal data;</li> <li>Defines Danone's commitment to processing personal data in a fair, lawful and transparent manner. It applies to all Danone entities worldwide, including all the subsidiaries and affiliates that are majority owned or effectively controlled by the Company, and all their employees;</li> <li>Establishes the rules and responsibilities that employees and any third parties that process personal data on Danone's behalf must abide by when managing personal data.</li> </ul>
<b>HCS (Health Care Systems) Compliance Policy</b>	<ul style="list-style-type: none"> <li>Ensures that all interactions with health care professionals are conducted in an ethical, open, transparent and responsible manner and are in compliance with applicable laws and regulations;</li> <li>Applies to all Danone employees worldwide, as well as third-party contractors who interact with the health care system.</li> </ul>
<b>Policy on advocacy activities</b> (updated in 2020 and available on the website)	<ul style="list-style-type: none"> <li>Describes the Company's vision of advocacy and the way it engages with external stakeholders, including the behaviors expected of its employees. In particular: <ul style="list-style-type: none"> <li>Danone interacts with governmental and non-governmental players as part of its dialogue with stakeholders and in the regular course of business. For example, it is listed in the registers of interest representatives of the European Union and of the French High Authority for Transparency in Public Life (<i>Haute Autorité Française pour la Transparence de la Vie Publique</i>, or HATVP);</li> <li>Danone does not pay any sums of money to individuals or organizations involved in politics to support their activities. As a result, no candidates or political parties receive funds or assets from the Company.</li> </ul> </li> <li>Sets out the expectation that all advocacy efforts must comply with the principles of business conduct and the integrity policy described above and also describes how Danone's advocacy activities are monitored.</li> </ul>



## Governance

Danone's worldwide compliance program is approved and supported by its Chairman and Chief Executive Officer as well as by its Executive Committee, under the supervision of the Compliance and Ethics Board, which is chaired by the Chief Compliance Officer. It is also reviewed at least once a year by the Audit Committee. The Chief Compliance Officer is the executive head of the Compliance function and, along with the regional directors, is responsible for designing and leading the compliance strategy and overseeing its implementation and execution worldwide.

At the local level, Danone has a global network of local compliance officers and local compliance committees, chaired by the local General Manager.

Responsibility for the governance of internal evaluations of alleged or suspected non-conformities lies with the Danone Ethics Line Committee, made up of the Chief Compliance Officer and the Global Integrity Director, Global Head of Internal Audit, Global HR Compliance and Labor Law Director, and the Chief Security Officer.

In 2018, Danone created a Personal Ethics Commission whose responsibilities include promoting respect and dignity for all employees and preventing issues related to harassment, violence and discrimination in the workplace. In particular, this Commission reviews the key performance indicators related to human resource alerts from the Danone Ethics Line twice a year (see hereinafter). It also reports on its work to the Board of Directors' Engagement Committee. In 2020, this Commission sponsored the development and worldwide implementation of the Company's internal anti-harassment and non-discrimination policy.

## Action plans

Danone has put in place a compliance program that includes a specific section on anti-corruption. This program incorporates risk assessments and their related mitigation plans, policies, procedures, controls, trainings, communication plans and due diligence on third parties.

In conjunction with the alerts received through the Danone Ethics Line and the non-conformities identified during the Company's controls and audits, mitigation plans and sanctions are put in place under the governance of the Danone Ethics Line Committee and local management. These mitigation plans can involve process improvements, disciplinary action, training and communication, and enhanced monitoring from the compliance team in the form of a steering committee responsible for overseeing the implementation of corrective measures.

Regular internal controls and audits are conducted for major compliance risks such as: governance in place at every level of the Company, interactions with healthcare professionals and government

## Focus – Fight against tax evasion

Danone's Tax Policy underscores its commitment to responsible tax management and its pledge to avoid tax schemes that are artificial, fraudulent or disconnected from actual operations. It is updated annually and can be found on Danone's website.

Danone has also implemented a code of conduct for internal use to prevent any risk of tax evasion: it defines the principles for action and the appropriate behaviors when dealing with the local authorities. Tax-related information and processes are also subject to internal audits.

Danone's tax function is supervised by the Vice-President Tax, who reports once a year to the Audit Committee on the main events of

officials, gifts and hospitality, sponsorships, grants and donations, public tenders and confidentiality of personal data.

At the start of 2020, Danone reinforced its guidance on financial and in-kind contributions to ensure any Covid-19-related donations are properly made and approved.

Danone is currently rolling out a new digital third-party due diligence solution.

## Whistleblowing system: Danone Ethics Line

Danone has developed a confidential whistleblowing system for employees, suppliers and any other third parties to report their concerns, anonymously if necessary, about any violation of the Code of Business Conduct, illegal behavior, inappropriate financial practice or activity posing an environmental or human rights risk. The tool can be accessed on the internet by anyone, in any country and is available in 34 languages.

When responding to alerts, Danone enforces a clear policy, as stated in its Compliance Framework Policy (2020), of not retaliating against whistleblowers if they report a genuine concern in line with the Code of Business Conduct.

## Employee training and information

In 2020, Danone rolled out a worldwide communication campaign to remind all employees of the importance of the Code of Business Conduct and their obligation to follow it.

Danone thus launched two mandatory compliance e-learning modules, one on compliance fundamentals and the other on the GDPR (General Data Protection Regulation) only for European-based employees. Both modules are in line with the OPOH frame of action which states that employees must act in an ethical way in the interest of the Company and its people.

In addition to the e-learning modules, in-person training is offered at the local level. Priority is given to the businesses deemed to be at highest risk. This approach extends coverage to every Danone employee.

## Outcomes

In 2020, Danone received 469 alerts on various issues, including human resources, corruption and fraud. None of these cases had a material impact on the Company's consolidated accounts.

As part of the rollout of the new third-party due diligence solution, over 3,000 third parties have already been vetted.

Over the year 2020, 82% of Danone's total employees have been trained at least once on compliance through an in-person training or an e-learning module. The population targeted by these trainings was the 54% of Danone employees with access to a computer; other employees were nevertheless able to take part in these training sessions this year.

the year and on the Company's tax policy. This Vice-President is supported by a core team tasked, among other missions, with performing quarterly performance reviews with the main regions. At the regional and local level, a network of tax officers is responsible for ensuring implementation of the tax policy and entities' compliance with applicable regulations.

Lastly, Danone is involved in discussions on taxation with its external stakeholders. The Company thus supports the OECD's Base Erosion and Profit Sharing initiative. Danone has also signed on to a partnership agreement with the French government as part of the "Confiance Plus" initiative, which encourages transparency in the interactions between the government and companies.

## 5.2 OFFERING SAFE, HEALTHY PRODUCTS

### Contents

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### UNIQUE PRODUCT PORTFOLIO TO IMPACT PEOPLE'S HEALTH

Food safety and nutritional value are inherent factors in consumers' choices. In addition, consumers are paying closer attention to the social and environmental footprint of the products on offer. Danone

has a responsibility to provide safe products to its consumers, and commits to offering healthy and sustainable products.

#### Offering consumers healthy products

##### Definition

One of Danone's goal is to serve the food revolution with partners. The Company therefore aims to contribute to the food model transformation by focusing on nutritional needs and local food cultures and developing local routes to market. The intent of its health and nutrition strategy is thus to offer a portfolio of products that encourage a healthier and more balanced diet. To do so, the Company works to reformulate and innovate on its product range while also drawing on its in-depth knowledge of public health concerns, eating habits and local cultural traditions.

- the Growth and Innovation Committee, which contributes in particular to the strategic discussions about consumers' brand experience.

Danone also collaborates with the Reporting Entities' management teams and ad hoc working groups to co-develop action plans on health and nutrition topics.

##### Policies, action plans and outcomes

The "Impact people's health locally" 2030 Company Goal has been incorporated into Danone's strategy and is structured in three pillars: (i) offer better products, (ii) encourage consumers to make better choices, and (iii) work with partners to improve diets. This breaks down into six commitments and nutritional targets for end of 2020 (see Danone's website for more information) that Danone has set for its entire product portfolio. The end-2020 outcomes are detailed below.

##### Governance

In 2020, the health and nutrition strategy is implemented by the Alimentation Science Department, which reports to the EVP, Growth & Innovation, who is a member of the Executive Committee.

Its governance is supported by:

- the OPOH Integration and Investment Board (see section 5.1 *An integrated approach of sustainable business model*);

The Reporting Entities then translate these commitments and targets into roadmaps to ensure that the products marketed are consistent with the Company's brand model.

#### Commitment No. 1: continuously improve the nutritional quality of its products

In 2020, 90% of product volumes sold are in healthy categories, stable relative to 2019 (see Health and Nutrition scope, Methodology Note).

The other categories are mainly low-sugar drinks and occasional "indulgence" products.

2020 TARGET	ACTION PLANS AND OUTCOMES
Danone will bring 100% of its products into compliance with its absolute nutritional target values.	<p>Danone strives continuously to improve its recipes to optimize the profile and nutritional value of its products, but also to limit the use of certain nutrients (e.g., added salt or sugar, additives, etc.). The Company also innovates to offer healthier products (e.g. organic, local and more natural) in each of its Reporting Entities and to meet consumers' expectations.</p> <p>In 2020, 86% of product volumes sold comply with the nutritional targets (compared with 82% in 2019) and 82% have no added sugars (see Health and Nutrition scope, Methodology Note).</p> <p>The extent to which the nutritional targets were achieved increased from 67% in 2016 to 86% in 2020 due to efforts to reformulate dairy products, flavored waters – called aquadrinks – and early life nutrition. The latter achieved 98% and 97% compliance, respectively, with nutritional targets.</p> <p>The primary reformulation challenge is to reduce added sugar: the reduction in added sugar was 12.4% in dairy products (between 2014 and 2020), 25% in aquadrinks (between 2008 and 2020) and 78% in early life nutrition (between 2016 and 2020).</p> <p>These efforts brought the overall achievement of the sugar targets to 93%, while the salt and saturated fat targets were 99% achieved.</p> <p>Some of the subsidiaries achieved strong progress: the compliance of the EDP portfolio in Mexico increased by 69% between 2016 and 2020, the Waters Reporting Entity in France improved from 53% to 100% and the Specialized Nutrition Reporting Entity in Indonesia achieved 100% compliance in 2020.</p>



**Commitment No. 2: design healthier alternatives relevant for consumers**

2020 TARGET	ACTION PLANS AND OUTCOMES
Top Danone brands will contribute to providing healthier alternatives in consumers' diet.	<p>Danone is developing healthier products for all its Reporting Entities. For example, in early 2021 the EDP Reporting Entity in the Netherlands will launch two new products for the <i>Activia</i> and <i>Danoontje</i> brands with no added sugars and no sweeteners.</p> <p>To design these alternatives, Danone conducts internal studies ("Healthier choices" program) that (i) analyze eating habits, (ii) identify alternative foods and drinks, and (iii) evaluate the impact of changes in consumption on diet quality. In 2020, the Company carried out these studies, or had the data to complete them, for 50% of its top countries in terms of sales. This type of analysis requires at least four days of food consumption measurements to observe the effects of food substitutes.</p>

**Commitment No. 3: further reinforce Danone's expertise on the understanding of local nutrition practices and public health contexts**

2020 TARGET	ACTION PLANS AND OUTCOMES
In its top businesses, Danone will have implemented and published outcomes of research programs supported by local experts to understand eating and drinking habits and food cultures.	<p>Through the Nutriplanet program, Danone gains detailed knowledge of every aspect of local food cultures. In 2020, 47 countries (versus 56 in 2019) were covered (i.e. at least one Nutritional Situations, Food Habits or Food Cultures study) representing 94% of Danone's major markets (see Health and Nutrition scope, Methodology Note).</p> <p>The Company has also launched studies focused on the dietary practices of low-income populations. For example, in 2020, 33% of Danone's entities analyzed the key eating and drinking habits of these populations (i.e. the C2 to D1 socioeconomic groups and those below D1 or the equivalent) as well as their nutritional needs and the obstacles they face in accessing food and drinking water (price, availability, education, broken supply chain) (see Danone Way scope, Methodology Note).</p>

**Commitment No. 4: contribute to address local public health challenges on which Danone can have a most favorable impact through partnerships**

2020 TARGET	ACTION PLANS AND OUTCOMES
Danone will have contributed to a local health cause with relevant actions and programs in the top 15 countries where it operates.	<p>Danone is committed to supporting local public health causes. To do so, Danone establishes partnerships and joins forces with existing movements. Thus, in 2020, 85% of Danone's entities engaged in favor of a public health cause (see Danone Way scope, Methodology Note).</p> <p>In Egypt, for example, the Danone Ecosystem Fund, in partnership with several stakeholders, is financing a project to combat anemia and iron deficiency, which affect nearly 50% of the population.</p> <p>Worldwide, Danone is also co-developing educational services and programs that have a positive impact on the health and well-being of communities and individuals, including its employees. In 2020, Danone had 18 active education and information programs, versus 23 in 2019. These programs promote healthy diets and lifestyles within a variety of groups, such as children, young parents, pregnant women and seniors. Since their launch, these programs reached a potential audience of over 4.6 million people in 2020, versus 12 million in 2019 (see Health and Nutrition scope, Methodology Note). This decline is mainly due to the Covid-19 crisis.</p> <p>Since 2016, the Company has set up 53 education and information programs with varying lifespans.</p>

**Commitment No. 5: develop even more responsible marketing practices, especially to children**

2020 TARGET	ACTION PLANS AND OUTCOMES
Each country in which Danone operates will have disclosed and embedded a local comprehensive policy on responsible marketing practices. This will include its commitment regarding breast milk substitutes.	<p>In 2020, 20 Danone countries have a marketing pledge posted on their websites as part of the local implementation of the Danone Pledge (the Company's pledge to engage in responsible marketing and communication).</p> <p>For more information, see <i>Responsible communication</i> hereinafter.</p>

**Commitment No. 6: provide the most appropriate product labeling to encourage healthier practices**

2020 TARGET	ACTION PLANS AND OUTCOMES
<p>100% of Danone products will display comprehensive nutritional information to guide consumers, in particular regarding portion guidance.</p>	<p>Danone supports initiatives to better inform consumers and help them become active participants in their own health.</p> <p>Thus, in 2020, 82.6% of Danone products displayed comprehensive nutritional information (nutritional table on the back of the packaging; a summary of the information on the front; approximate portion size; information provided in other ways, such as the website) compared with 66.4% in 2019.</p> <p>In particular, in 2020, 96% of products displayed nutritional information on the front of their packaging (versus 68% in 2019) and 83% of these volumes provided approximate portion size (versus 74% in 2019).</p> <p>Danone also continues to support Nutri-Score and has even – alongside several players in the food chain and civil society – called on the European Union to make the Nutri-Score mandatory in all countries. This declaration, dated April 2020, was made with consumer associations, Members of the European Parliament, scientific experts, retailers and food companies. At the same time, Danone continues to gradually rolling it out to the EDP Reporting Entity’s product portfolio. In 2020, this label was applied to its products in Austria, Belgium, France, Germany, Latvia, Luxembourg, Poland, Portugal, Slovenia, Spain and Switzerland.</p>

**Opportunities**

Danone strives to anticipate consumers’ expectations and emerging tastes and to encourage them in their day-to-day food and beverage choices. Danone continues to diversify its innovative plant-based

**Focus – Accessible, affordable nutrition**

As reflected in its purpose of “bringing health through food to as many people as possible,” Danone believes that accessible, affordable nutrition is a fundamental component of its strategy. With its 2030 Company Goals in particular, Danone has demonstrated its commitment to fostering inclusive growth for the most vulnerable partners in its value chain in collaboration with its social innovation funds.

The Company provides healthy, affordable products to vulnerable groups based on targeted distribution models that make them more accessible; to do so, it relies mainly on its Nutriplanet program.

Danone also relies on improving its portfolio by enriching selected products with key nutrients and/or making them more affordable. For instance, its EDP subsidiary in Brazil offers a *Danonino* range, fortified with vitamins D and E, calcium, zinc and iron.

In 2020, against the backdrop of the Covid-19 crisis, which has exacerbated inequalities and market fragmentation worldwide, Danone made a commitment to support the populations most affected by

product offering to respond to growing consumer trends such as flexitarianism [a diet that encourages more balanced consumption of animal- and plant-based proteins]. It also offers new categories of products rich in probiotics, nutrients and proteins.

the crisis through its “affordvaluity” strategy. At the local level, this strategy involves (i) studying the socioeconomic pyramid and (ii) determining the right price positioning to make safe drinking water and healthy and nutritious food accessible. The Specialized Nutrition Reporting Entity has applied this approach to its strategy with product launches in Asia (mainly in Indonesia and Malaysia) and Latin America. In 2020, 51% of Danone’s entities had at least one healthy product in their portfolios targeting low-income populations or a plan to expand access (see Danone Way scope, Methodology Note).

Lastly, Danone builds its strategy on innovative investment partnerships, with support from several of its funds. These include (i) the Danone Communities Fund, which fights malnutrition and promotes access to safe drinking water, and (ii) the Livelihoods Fund for Family Farming, which helps smallholders become more resilient and develop subsistence farming strategies that improve their diets.

**Ensuring food safety**

**Definition**

Danone, because of its mission and as an active player in the food and beverage industry in many countries, must always guarantee the safety and quality of its products to its consumers.

**Policies**

Danone’s approach to quality and food safety (QFS) encompasses the entire value chain, from product design and supply to manufacturing, distribution and sale. It is replicated for each Reporting Entity, product and technology and reflects:

- Danone’s QFS commitments based on the four pillars (be trusted, be preferred, be efficient and be proud), supplemented by an implementation handbook;
- Danone’s food safety policy, which was revised in 2020 and refers to a Company-wide management system rooted in the latest science and technology to enable robust risk anticipation, assessment and management.

**Governance**

Responsibility for implementing action plans and monitoring commitments lies with:

- the Global Food Safety Department, which reports to the Chief Human Resources Officer and General Secretary, who is a member of the Executive Committee, ensuring independence from the operational teams. The department is in charge of establishing and maintaining Danone’s Food Safety Management System (FSMS), and assessing its compliance and effectiveness;
- the operational QFS departments, which are responsible for implementing the policies and standards applicable to their entities and which report to the COO End-to-End Design to Delivery, who is a member of the Executive Committee. The General Manager of each subsidiary is responsible for ensuring that the products on the market comply with applicable laws and regulations and with Danone’s food safety standards.



Oversight of both these functions is exercised by the QFS and Food Safety (FS) Boards. At the global level, the Product Compliance Board is responsible for monitoring the risks identified and ensuring that the Company can manage them.

## Action plans

### Identifying emerging and evolving issues

Danone has developed an end-to-end process to anticipate risks affecting food safety. This process covers the safety of raw materials, ingredients, food contact materials, manufacturing processes and finished products.

In 2020, the global FS department mapped potential risks by product category and defined preventive plans with the operational departments responsible for local risk control. At the same time, it conducted a specific assessment of risks related to the Covid-19 pandemic and determined that the risk of transmission through ingredients or food packaging was negligible. This is consistent with the findings of official bodies such as the World Health Organization.

### Strategic collaborations and partnerships all over the world

In 2020, the global FS department strengthened its external engagement with other stakeholders through, among others:

- the appointment of Danone's Chief Food Safety Officer (CFSO) as vice-chair of the Board of the Global Food Safety Initiative (GFSI);
- its cooperation with the Food and Agriculture Organization (FAO) of the United Nations, aiming to optimize the anticipation and prevention of emerging risks.

### An integrated risk-based approach

Danone not only abides by local and international regulations, but also goes above and beyond by performing risk assessments and implementing strong internal FS standards.

In order to ensure an alignment with applicable GFSI benchmarking requirements and FSSC 22000 standards, Danone integrated directives on food fraud and food defense into its FSMS in 2017. Both topics are closely managed with the Company's Security Department and the operational QFS departments that oversee their implementation at the production site level:

- for food fraud: vulnerability studies were conducted to identify risks and launch prevention plans based on a tool developed by the Safe Secure Approaches Field Environments (SSAFE) consortium, of which Danone is a member;
- for food defense: an audit checklist has been defined and is used to help all production sites develop and deploy preventive and protective measures.

### Compliance and performance evaluation

Under the responsibility of the Company Finance Department, a compliance and performance evaluation is conducted through:

- internal food safety audits aiming to check compliance with the FSMS requirements and associated internal standards, and

- external food safety certification processes: Danone's objective is to earn FSSC 22000 certification for all production sites by the end of 2021 (the target has been postponed by one year due to the Covid-19 crisis).

### Strengthen the quality and food safety culture

Danone developed the iCare program to strengthen its employees' quality culture with a focus on the following priorities:

- develop a consumer-first mindset;
- engage all its employees on quality topics;
- promote visible engagement by leaders and management;
- ensure that quality-related requirements and messaging are consistent and easy to understand;
- encourage employees to get involved and share ideas to improve performance.

The Company aims for continuous improvement and conducts assessments to measure the maturity of this culture on a regular basis.

### Employee training and awareness

Danone relies on numerous initiatives and training courses to raise awareness and train all its employees and thereby strengthen the food quality and safety culture within the Company. In 2020, Danone expanded its training offerings to include a new e-learning course accessible to all employees.

### Listen to consumers

Being preferred means continuously improving consumer satisfaction and playing a key role in the food revolution. As consumer feedback is key to achieving the highest product quality and innovation, Danone ensures that, in each market, consumers can easily share their opinions either over the phone or online.

## Outcomes

**External certifications:** Danone reached a site certification rate of 89% (86% in 2019). In 2020, 140 FSSC 22000 certification audits were conducted by independent certification bodies (175 in 2019). As of December 31, 2020, 170 sites were certified and 1 was in the process of certification (see Production Site Food Safety scope, Methodology Note).

**Internal audits:** in 2020, the Global Food Safety Audit team conducted 50 in-house food safety audits (34 in 2019) (see Production Site Food Safety scope, Methodology Note).

## Opportunities

Having a robust FSMS in place, anticipating food safety and quality risks and actively listening to consumers give Danone the opportunity to honor its commitment to the quality and integrity of its products. These attributes also enable the Company to respond proactively to consumers' expectations and their need for transparency.

## RESPONSIBLE COMMUNICATION

### Definition

Research has shown that, for children under 12 years of age, marketing communications can influence their purchasing behavior and short-term eating habits. Danone's goal is therefore responsible marketing and communications for all. In particular, it is committed to ensuring that its communications have integrity, meet ethical standards, are verified, and are based on solid scientific claims.

### Policies

As 90% of Danone's product volumes sold are food and beverages that consumers can enjoy every day, Danone spends the majority of its marketing budget on healthy products.

As a founding member of the EU Pledge (2007), and a signatory to the International Food and Beverage Alliance's (IFBA) global policy on responsible marketing, Danone has thus restricted its marketing communications to children under the age of 12, so that they are only exposed to products that meet:

- nutritional criteria set by local authorities, or defined by the industry as a whole, and to which Danone has committed regionally or locally;
- common nutritional criteria set by the EU Pledge in the absence of such standards at the local level.

In 2019, the Company strengthened its commitment to responsible marketing to children with the publication of the Danone Pledge, which provides a set of guiding principles (see *Action Plans* hereafter). Danone has also joined several local pledges that are consistent with its position on this issue. In most of the countries involved, compliance with this pledge is certified by an external agency.

Lastly, in its advertising, Danone has also pledged to apply the International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication (ICC Code) and aims for compliance across all of its communications campaigns. Corrective actions are taken if non-conformities occur.

To ensure operational monitoring of its commitments, an internal directive, applicable to all Reporting Entities, was developed to guarantee the consistency and scientific accuracy of the health and nutrition claims in Danone's communications.

### Governance

Under the directive described above, the General Manager of each subsidiary is responsible for communications and their approval. He or she appoints someone to ensure that a specific process for approving communications at the local level is in place and has been properly implemented.

### Action plans

#### Responsible communication and marketing to children

Danone uses its brands to promote healthy hydration habits and make water more appealing to children. It does not market its aquadrinks range to children under the age of 12.

More generally, Danone has established the following principles for marketing to children:

- no misleading messages;
- no undermining of parental or caregiver influence but support for their role in guiding diet and lifestyle choices;
- no suggestion of a time/sense of urgency or a price minimization pressure;
- no exploitation of a child's imagination or inexperience, in a way that could mislead him/her about the nutritional benefits of the product involved;
- no encouragement of unhealthy dietary habits;
- no blurring of the boundary between marketing and branding;
- Danone strives to ensure that marketing materials primarily appealing to children under the age of 12 promote healthy, balanced diets and lifestyles as well as positive values.

The details of the measures taken, including with respect to the use of licensed characters for marketing on packaging and at points of sale, are set out in the Danone Pledge (see Danone's website for more information).

The Danone Pledge undergoes internal and external audits conducted by independent third parties qualified to certify its implementation at the global level. Danone will publish the results of this audit on an annual basis.

### Outcomes

In a 2020 audit conducted in Bulgaria, France, Germany, Italy, Poland and Spain, Danone's television advertising was found to be 99.1% compliant with the EU Pledge criteria across all six countries.

In the area of subsidiary websites (eight countries audited) and brand profiles on social networks (seven countries audited), 100% of the websites audited and one influencer profile analyzed were compliant.

### Opportunities

Danone continues to strengthen its responsible communication and marketing practices by exploring digital opportunities to target consumers more accurately. The Company would like to empower consumers in this area by providing them with more information on the nutritional value of its products (see section *Unique product portfolio to impact people's health* above).



## MARKETING OF BREAST MILK SUBSTITUTES

### Definition

Danone offers breast milk substitutes to parents who cannot or choose not to breastfeed exclusively. Similarly, the Company is committed to complying with local law and its own policies by practicing responsible communication and marketing.

### Policies

Danone supports the World Health Organization's (WHO) international public health recommendation calling for exclusive breastfeeding in the first six months of a baby's life and continued breastfeeding up to the age of two and older, in conjunction with the introduction of safe, appropriate complementary foods.

Danone also published a position paper on Health and Nutrition during the first 1,000 days of life, from the first day of pregnancy until the age of two, based on two convictions:

- breastfeeding must be protected and promoted;
- mothers, infants and young children must receive the best possible nutrition.

As part of its Policy for the Marketing of Breast-Milk Substitutes (BMS Policy), the Company has deployed strict rules at the global level: no Danone subsidiary may advertise or promote breast milk substitutes for babies under six months, even if local law allows it. In accordance with the breast milk substitutes criteria of the FTSE4Good Index, in countries classified as higher-risk, Danone has voluntarily extended its BMS policy to infants up to 12 months of age, which may go beyond local legislation.

This policy applies to all Danone employees and partners involved in the marketing, distribution, sale, or governance of the affected products and/or related education programs. Danone is the first and only company with an international policy on marketing breast milk substitutes from birth to six months of age.

In 2019, each local Danone entity created a local guide to explain the Company's commitment to local legislation and to the BMS Policy.

In 2020, together with UNICEF and several civil society organizations, WHO published a Call to Action for companies that manufacture BMS to publicly commit and take steps toward full worldwide compliance with the International Code of Marketing of Breast Milk Substitutes

(WHO Code) by 2030. Danone reaffirmed its support for the aims and principles of the WHO Code by providing a response to this BMS Call to Action. In its response, Danone set out a clear program for promoting, protecting and supporting breastfeeding over the next 10 years. This program consists of actions that mainly relate to marketing, research, social investment and workplace practices.

### Governance

Issues related to breast milk substitutes are under the responsibility of the Compliance Department within the Specialized Nutrition Reporting Entity. This department reports to the Legal and Compliance Department within the office of the General Secretary, ensuring independence from the operating teams. At the local level, each country director is responsible for implementing the BMS Policy and for monitoring its procedures in the relevant geographic region.

### Action plans

Danone appoints an independent third party to conduct three market-based assessments of its breast milk substitute marketing practices every year; the summary report is publicly accessible. Additionally, the Company publishes an annual report on BMS Policy management and compliance which includes:

- a summary of the external audits and checks for the previous year; and
- suspected and reported non-conformities.

Danone has also rolled out e-learning training on its BMS Policy which is accessible to all employees and has been translated into 13 languages.

### Outcomes

In 2020, 6,387 employees were trained on Danone's Policy for the Marketing of Breast-Milk Substitutes (versus 4,786 in 2019).

The Access to Nutrition Index (ATNI) ranked Danone in the top 3 among top-performing food and beverage companies in 2018 and first for the marketing of breast milk substitutes. At the same time, in 2020 Danone was confirmed as a member of the FTSE4Good index calculated by FTSE Russell for the fourth consecutive year.

## 5.3 PRESERVE AND RENEW THE PLANET'S RESOURCES

### Contents

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### ENVIRONMENTAL STRATEGY

As part of its 2030 Company Goal, to "Preserve and renew the planet's resources", Danone's ambition is to transform its value chain by developing solutions that are positive for the planet. To achieve this, the Company has built its environmental strategy around four priority pillars:

- fight against climate change;
- transition to regenerative agriculture that includes organic agriculture;
- circular economy;
- preservation of water resources.

#### Governance

In 2020, Danone's environmental strategy is sponsored by the Chairman and Chief Executive Officer and the Chief Financial Officer, Technology & Data, Cycles & Procurement, a member of the Executive Committee who also sits in the Board of Directors. In coordination with the Chief Cycles & Procurement, they review its implementation, priorities and key issues on a quarterly basis.

Furthermore, the review and implementation of this strategy are among the responsibilities of the following governance bodies:

- the Engagement Committee of the Board of Directors and the OPOH Integration and Investment Board (see section 5.1 *Integrated vision of sustainable business model*);
- the Executive Committee, which oversees the annual strategic planning process establishes the operational roadmaps and action plans to achieve the Company's commitments, working with the Strategy and Risks Department;
- the Audit Committee, which oversees the Company's risk review and identifies emerging risks;
- the Cycles and Procurement Department, which ensures the long-term availability and viability of resources (milk, sugar, fruit, packaging, etc.) for the Company's operations;
- the Nature & Water Cycle Department, reporting to the Cycles and Procurement Department, which manages its performance and designs and supports environmental innovation programs through a funding mechanism in partnership with the social innovation funds. It relies on the Sustainability Department of each Reporting Entity as well as the teams of each strategic cycle (packaging, water and milk) and works with the procurement teams responsible for the main resources;
- the Reporting Entities and subsidiaries, which apply the operational, prevention and risk management action plans, and employ nearly a hundred correspondents.

#### Focus – Training and awareness programs

Danone raises awareness and trains its employees on environmental issues by means of online training programs (see section 5.4 *Inclusive talent development*).

In 2020, Danone launched an e-learning course on the transition to carbon neutrality. This course, facilitated on the Company's training platform, is built around a general-purpose module directed at

all employees and includes more technical modules particularly intended for employees responsible for leading the environmental performance of the Company. The Nature & Water Cycle Department has also trained the employees concerned in the Reporting Entities and subsidiaries on the methodology to use to monitor environmental performance and its recent developments.

#### Environmental management systems and tools

Danone developed its environmental management system based on the international standard ISO 14001. Danone also certifies its main production sites in accordance with this standard, which is a prerequisite for obtaining the highest level of performance in its Global Risk Evaluation for ENvironment (GREEN) program (see hereinafter).

	Year ended December 31	
	2019	2020
<b>ISO 14001 certification <sup>(a)</sup></b>		
Number of certified sites	85	82
Percentage of certified sites	46%	46%
Percentage of volumes covered	67%	65%

(a) Production Site Environment scope, see Methodology Note.

**GREEN audit program**

Danone deploys its Global Risk Evaluation for ENvironment (GREEN) program worldwide. The Company commissions external and internal audits to identify and monitor the main environmental risks at its production sites and the implementation of the environmental management system.

The Company can thus monitor and control atmospheric emissions (greenhouse and refrigerant gases), discharges into water

(wastewater) and soil (treatment plant sludge and waste generated by livestock at some subsidiaries) resulting from its activities, as well as measure noise pollution generated by its production sites. The GREEN framework includes an assessment of the water-related risks which methodology was reviewed and updated in 2020 by the Water Cycle team (see section *Preservation of water resources*).

Danone deploys action plans at non-compliant sites in order to remediate non-conformities.

Year ended December 31

	2019	2020
<b>Sites having undergone a GREEN audit</b>		
Number of sites	126	121
Percentage of sites	68%	67%
Percentage of production covered by a GREEN audit	79%	79%
<b>Compliance with GREEN standards</b>		
Number of compliant sites	109	104
Percentage of compliant sites	87%	86%
Percentage of compliant production	95%	94%

**Provisions and guarantees for environmental risks**

No significant provision for environmental liabilities and risks was recognized on Danone's consolidated balance sheet as of December 31, 2020.

 FIGHT AGAINST CLIMATE CHANGE

**Definition**

**Identifying the risks relating to climate change**

Danone has assessed the consequences of climate change and identified the following medium-term risks:

- availability of ingredients (milk, fruit, etc.) in regions exposed to drought and bad weather;
- exceptional climate events that could affect production sites located near coastlines;

- availability of water resources and degradation of watersheds and groundwater, with a potential impact on Danone's activities and relations between the subsidiaries and local stakeholders;
- price volatility for its product packaging materials and impacts on its activities;
- financing the transition toward more sustainable agricultural practices.

Furthermore, as part of the recommendations made by the Taskforce on Climate-related Financial Disclosures (TCFD), Danone has mapped the potential and existing impacts of climate change, as well as the climate-related risks and opportunities (see table hereafter). This information has enabled it to develop three climate change scenarios and assess the resilience of its activities, its strategy and the related financial impacts. This map has reinforced the Company's development strategy relating to plant-based products, its ambitious regenerative agriculture program and its circular economy approach.

Risk and opportunity categories	Risk and opportunity descriptions	Probability of occurring between 2020 and 2030	Significance of the potential financial impact 2030–baseline scenario <sup>(a)</sup>	Significance of the potential financial impact 2030–alternative scenarios <sup>(a)/(b)</sup>
Transition risks	Shift to plant-based alternatives	High	++	+++
	Growing consumer engagement in fighting climate change	High	++	+++
	Carbon pricing in the procurement of packaging and logistics	Medium	++	++/+++
	Carbon pricing in the cost of direct operations	Medium	++	++
	Increasing reporting obligations	Medium	+	+
Physical risks	Water stress and thermal stress on the milk supply chain	Medium	++	++
	Water stress and thermal stress on agricultural ingredients	Medium	++	++
	Extreme events affecting direct operations	Low	+++	+++
	Water stress on direct operations	Low	++	++
	Impact of climate change on product use	Low	+	+

(a) The significance of the financial impact has been assessed on the basis of the reduction in the Company's profit margin if the risk occurs.

(b) Some risks have two impact assessments because their financial impact differs depending on which climate change scenario is concerned.

## Policies and action plans

### Climate Policy

As part of its Climate Policy, Danone pledged in 2015 to achieve carbon neutrality throughout its entire value chain by 2050 (scopes 1, 2 and 3, *i.e.* all direct and indirect emissions, including those of suppliers and consumers) by reducing its greenhouse gas emissions and offsetting remaining emissions. In September 2019, Danone underlined its pledge by signing the "Business Ambition for 1.5°C pledge" at the UN Climate Summit, undertaking to reach its peak emissions in 2020. In order to reach its goal, Danone has developed the following strategy:

- cutting greenhouse gas emissions;
- transforming the agricultural practices of its supply chain;
- keeping more carbon in the ground;
- eliminating deforestation from its supply chain by end of 2020;
- offsetting remaining GHG emissions.

Danone has also decided to increase the speed and range of its actions to transform its value chain and place climate change at the heart of its growth model; consequently, in February 2020 it announced a multi-year investment plan amounting to around €2 billion (see section *Outcomes*).

### Cutting greenhouse gas emissions

Danone's greenhouse gas emissions reduction trajectory is consistent with the 2°C warming scenario set by the United Nations Framework Convention on Climate Change (UNFCCC). To achieve this, in 2017 the Company set the following interim targets, which were also approved by the Science Based Targets initiative (SBTi):

- reduce its emissions intensity by 50% on its full scope of responsibility (scopes 1, 2 and 3) between 2015 and 2030;
- reduce its absolute emissions by 30% on scopes 1 and 2 between 2015 and 2030.

In 2019, Danone pledged to define targets for cutting greenhouse gas emissions in line with the 1.5°C climate change scenario (keeping global warming below 1.5°C), and it is working to build its new trajectory. In this context, Danone is a member of the working group led by the Science-Based Targets initiative (SBTi) to define 1.5°C industry trajectories.

Lastly, as part of the RE100 initiative, Danone has pledged to shift to 100% renewable electricity by 2030, with an interim target of 50% by 2020 (see section *Outcomes*).

### Transforming agricultural practices and keeping more carbon in the ground

Danone has placed agriculture at the center of its low-carbon strategy, notably through the implementation of regenerative agriculture practices. By adopting these practices, partner producers reduce their greenhouse gas emissions, thereby improving soil quality and keeping more carbon in the ground (carbon sequestration). Danone is working to implement its strategy by participating in many actions of the Sustainable Agriculture Initiative (SAI) Platform and the "4 per 1000" international platform, which serve as a catalyst for cooperation regarding soil health and carbon sequestration (see section *Transition toward regenerative agriculture that includes organic agriculture*).

### Eliminating deforestation from the supply chain

At the end of 2020, Danone took key steps towards the elimination of deforestation, notably by achieving high traceability on raw materials—palm oil, paper & board and soy.

The deforestation-related action plans of Danone are based on two general policies—its Forest Footprint Policy and its Packaging Policy—and three special policies assessed by the Global Canopy Program (Palm Oil, Soy, and Paper and Cardboard Packaging).

### Forest Footprint Policy

In 2012, Danone launched its Forest Footprint Policy to eliminate deforestation from its supply chain by end of 2020, focusing on six main raw materials: palm oil, soy, paper and cardboard packaging, wood biomass, sugar cane, and bio-based raw materials for packaging.

### Palm Oil Policy

Since 2015, Danone has pledged to ensure the traceability and provenance of the palm oil it uses. It must come from plantations whose expansion does not threaten forests rated as High Conservation Value (HCV) and High Carbon Stock (HCS) or tropical peatland, and the plantations must respect the rights of indigenous populations and local communities as well as the rights of all workers.

In 2020, Danone used approximately 65,600 metric tons of palm oil (compared with 68,000 metric tons in 2019).

Since 2014, 100% of the palm oil purchased for its early life nutrition activities is certified RSPO (Roundtable on Sustainable Palm Oil)-Segregated, guaranteeing that it can be traced back to the plantations with the support of the Earthworm Foundation (a not-for-profit that supports the creation and development of solutions that address environmental and social issues).

At the end of 2020, 95% of the palm oil purchased by Danone was certified RSPO Segregated, 3% was certified RSPO Mass Balance and the remaining 2% was "conventional" palm oil purchased in Africa. This is because in 2020, Danone worked with two of its US suppliers to build the first segregated palm oil supply chain. This major step forward was recognized by the CDP and enabled Danone to obtain the highest score possible in the CDP Forests-Palm Oil questionnaire for its transparency and its environmental performance in fighting deforestation.

In addition, the Company publishes a list of its palm oil direct suppliers and mills on its website.

### Soy Policy

Danone has pledged to contribute to the development of a responsible supply chain for the soy used in its plant-based products and for use in animal feeds. Its Soy Policy consists of increasing transparency across its entire supply chain and notably promoting local protein-rich crops, alternatives to soy imports that help local farmers become more autonomous in animal feed production. Its goal is also to ensure the traceability of the soy used in animal feed for dairy cows from regions with a low deforestation risk. At the same time, Danone works with the Round Table on Responsible Soy (RTRS) association for the purchase of credits supporting the transition toward sustainable soy in Brazil.

Danone's soy consumption and its use in its plant-based products is described in section 5.5 *Responsible sourcing—supplies other than milk*.

### Packaging Policy and Paper and Cardboard Packaging Policy

Through its Packaging Policy, Danone aims to guarantee the circularity of its packaging and accelerate the transition toward a global circular economy (see section *Circular economy*).

Danone has also developed a special Paper and Cardboard Packaging Policy with several leading NGOs (notably Rainforest Alliance), setting out three aims:

- switch to lighter-weight packaging across its product range;
- use recycled fiber whenever possible;
- if not, use FSC certified virgin fibers or equivalent.

In 2020, Danone used 98% of paper and board packaging made of recycled fibers or virgin certified (FSC, PEFC, SFI) fibers.

Beyond its policies and action plans, Danone is committed to continuing to work with its peers and suppliers to accelerate progress and foster systemic change on this issue. Danone will renew its commitment to the elimination of deforestation in 2021.

### Offsetting emissions

Danone pledges to offset remaining greenhouse gas emissions while implementing solutions intended to improve the quality of life of the most vulnerable communities. Accordingly, Danone takes part in reforestation programs and schemes to restore natural ecosystems, notably through the Carbon Livelihoods Fund, of which Danone is a partner Company. The aim of compartments 1 and 2 of the Livelihoods Carbon Fund is to sequester or avoid 20 million metric tons of CO<sub>2</sub> emissions over 20 years through a dozen projects in Asia, Africa and Latin America.

### Carbon neutrality of its brands and production sites

Danone also builds its commitment to carbon neutrality around its brands, whose climate action accelerated in 2020 when its *evian* and *Volvic* brands achieved carbon neutrality. More generally, the brands in the Waters Reporting Entity have pledged, via the WeActForWater collective, to achieve carbon neutrality in Europe by 2025. Furthermore, the *Horizon Organic* (EDP Reporting Entity) and *Karicare* (Specialized Nutrition Reporting Entity) brands have also committed to do so by 2025 and 2030, respectively.

In addition, the baby milk production plant in Wexford, Ireland, has been certified carbon neutral by the Carbon Trust. The actions taken by the site have reduced its CO<sub>2</sub> emissions by 10,000 metric tons relative to 2010, reducing its direct carbon footprint by 70% whereas its production volumes have doubled. In 2019, the site offset its remaining emissions in agreement with the Gold Standards.

## Outcomes

### External recognition

In 2020, CDP recognized Danone as the world's leading company in terms of its environmental performance and its transparency in fighting climate change and protecting water resources, for the second consecutive year. As a result, Danone is one of only ten companies in the world to have been awarded the "triple A" rating for its 2019 performance in the CDP Climate Change, CDP Forests and CDP Water questionnaires.

Since 2018, Danone has used an environmental performance criterion in its Group Performance Shares plans for approximately 1,600 of its senior executives, based on its CDP Climate Change score (see section 6.4 *Details of long-term incentive plans*).

CDP has also recognized the Company as a world leader for its strategy and actions to fight climate change with the suppliers in its supply chain. As a result, it has joined the CDP Supplier Engagement Board.

### Greenhouse gas emissions

Danone measures the greenhouse gas emissions of its entire value chain (scopes 1, 2 and 3) based on the international GHG Protocol developed by the World Resources Institute and the World Business Council For Sustainable Development (Greenhouse Gas Environment scope, see Methodology Note).

### Greenhouse gas emissions on scopes 1 and 2

For scopes 1 and 2, Danone includes all emissions sources from activities under the operating control of its production sites, warehouses and vehicle fleets.

Danone sets its scope 1 and 2 emissions targets according to the GHG Protocol "market-based" method in order to reflect the share of renewables in its energy mix (Greenhouse Gas Environment scope, see Methodology Note).

Its total emissions in metric tons of CO<sub>2</sub> equivalent for scopes 1 and 2 decreased by 12.4% between 2019 and 2020, mainly due to purchases of electricity from renewable energy sources and energy efficiency improvements. On a like-for-like basis, these emissions decreased by 11.5% compared to 2019 and 38.1% compared to 2015.

	Year ended December 31	
<i>Scope 1 and 2 emissions, market-based (in ktCO<sub>2</sub>)</i> <sup>(a)</sup>	2019	2020
Scope 1	722	668
Scope 2	588	479
<b>Total Scopes 1 &amp; 2</b>	<b>1,310</b>	<b>1,147</b>
<b>Absolute emissions reduction, scopes 1 and 2, market-based since 2015</b>	<b>29.1%</b>	<b>38.1%</b>

(a) Greenhouse Gas scope, see Methodology Note.

### Greenhouse gas emissions on scope 3

Danone measures indirect emissions from the following scope 3 categories (Greenhouse Gas Environment scope, see Methodology Note).

	Year ended December 31	
<i>(in ktCO<sub>2</sub>eq)</i>	2019	2020
Purchased goods and services	20,628	19,921
Upstream transportation and distribution of goods	382	322
Downstream transportation and distribution of goods	2,199	1,627
Use of sold products	1,922	1,886
End-of-life treatment of sold products	245	783
Fuel and energy related activities	320	284
Waste generated by operations	173	153
<b>Total Scope 3</b>	<b>25,869</b>	<b>24,974</b>

### Greenhouse gas emissions on scopes 1, 2 and 3

	Year ended December 31	
<i>(in ktCO<sub>2</sub>eq)</i> <sup>(a)</sup>	2019	2020
Scope 1	722	668
Scope 2 <sup>(b)</sup>	588	479
Scope 3	25,869	24,974
<b>Total Scopes 1, 2 and 3</b>	<b>27,179</b>	<b>26,122</b>
<b>Emissions intensity ratio scopes 1,2 and 3</b> <i>(in grams of CO<sub>2</sub> eq/kg of product sold)</i>	<b>740.1</b>	<b>755.9</b>
<b>Reduction in intensity on a like-for-like basis since 2015</b>	<b>24.8%</b>	<b>24.5%</b>

(a) Greenhouse Gas scope, see Methodology Note.

(b) Market-based.



Danone's total emissions from its value chain in 2020 for scopes 1, 2 and 3 amount to 26.1 million metric tons of CO<sub>2</sub> equivalent compared with 27.2 million in 2019, mainly due to the results of the action plans relating to regenerative agriculture (-0.5 million metric tons CO<sub>2</sub> equivalent) and continuing to adopt energy sources that produce lower CO<sub>2</sub> emissions under the Company's RE100 commitment, mainly consisting of green electricity (-0.1 million metric tons CO<sub>2</sub> equivalent). Moreover, consumption changes resulting from Covid-19 have reduced the Company's total sales volumes as well as the share relating to sales by its Waters Reporting Entity (which has the lowest GHG emissions ratio in Danone) (-0.2 million metric tons CO<sub>2</sub> equivalent).

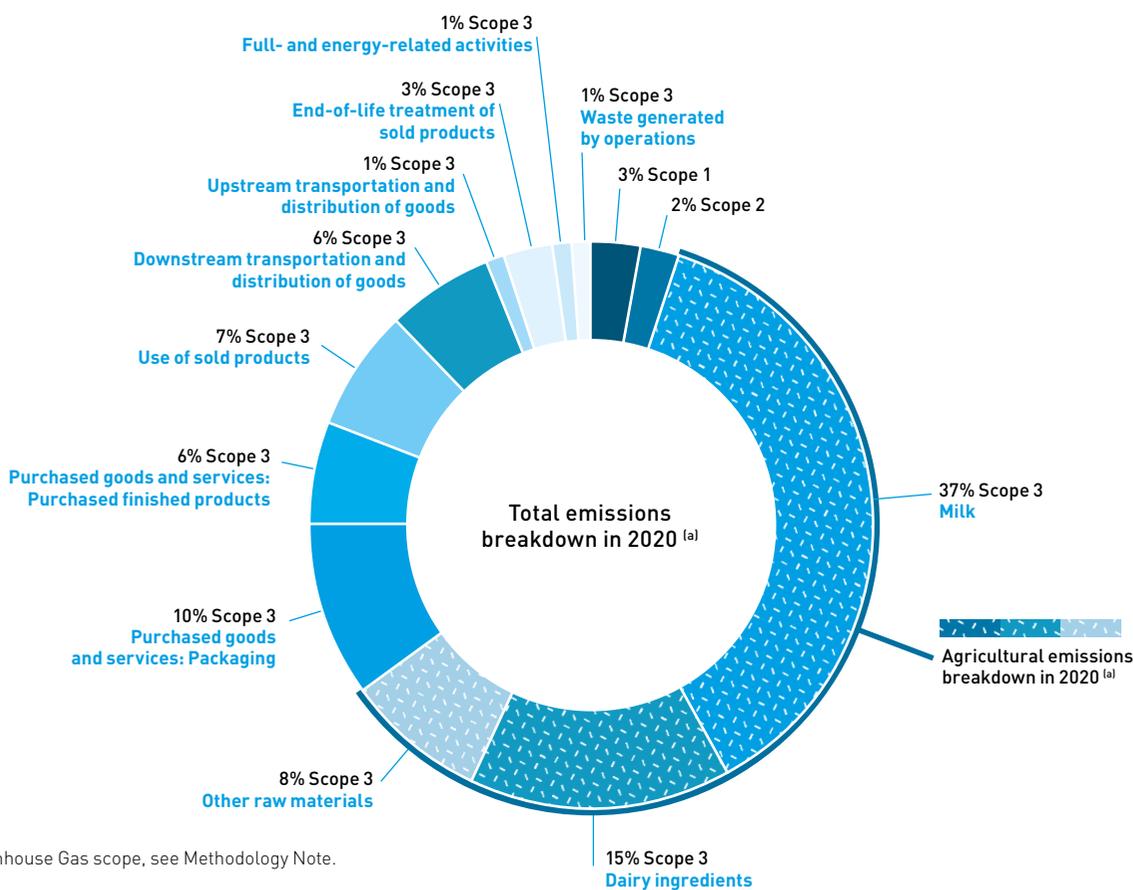
The ratio of Danone's total emissions across its value chain on scopes 1, 2 and 3 increased by 2.1% between 2019 and 2020. On a like-for-like basis, this ratio increased by 0.1% compared to 2019, due to a drop of 4% linked to regenerative agriculture projects, offset by an 4.1% increase due to the smaller share of Waters Reporting Entity volumes in total sales. On a like-for-like basis, this ratio is still decreasing by 24.5% compared to 2015, mainly as a result of productivity gains among producers from which Danone purchases its milk directly and the global milk supply chain, as well as increased purchases of electricity from renewable sources.

In 2020, Danone continued to measure the effects of its ambitious plan to shift to regenerative agriculture, particularly in the following countries:

- in Russia, due to a preferential procurement arrangement with farms producing low-carbon milk, as well as action plans on the carbon footprint of inputs;
- in Mexico, due to the installation of biodigesters to improve manure management, farm reforestation projects, and action plans to improve the performance of small farmers in the Margarita project (see Danone website for more information);
- in Brazil, due to action plans to convert manure into compost, and the traceability of animal feeds in areas with no deforestation risks.

With 95.6% of Danone's total emissions across its value chain, scope 3 represents the largest contributor, more than those from scope 1 (2.6%) and scope 2 (1.8%).

In 2019, Danone estimated that the peak of its carbon emissions on scopes 1, 2 and 3 had been reached five years ahead of its original target (2025) and one year ahead of its "1.5°C Science-Based Targets initiative" pledge.



Since last year, Danone has disclosed a 'carbon-adjusted' recurring EPS evolution that takes into account an estimated financial cost for the absolute GHG emissions on its entire value chain. Given the business context and despite the emissions reduction achieved that

contributed to the -4.1% decrease of the cost of carbon per share, the 'carbon-adjusted' recurring EPS decreased in 2020 by -19%, penalized by the decrease of -13% in recurring EPS (see section 3.2 Examination of consolidated income and 5.8 Methodology Note).

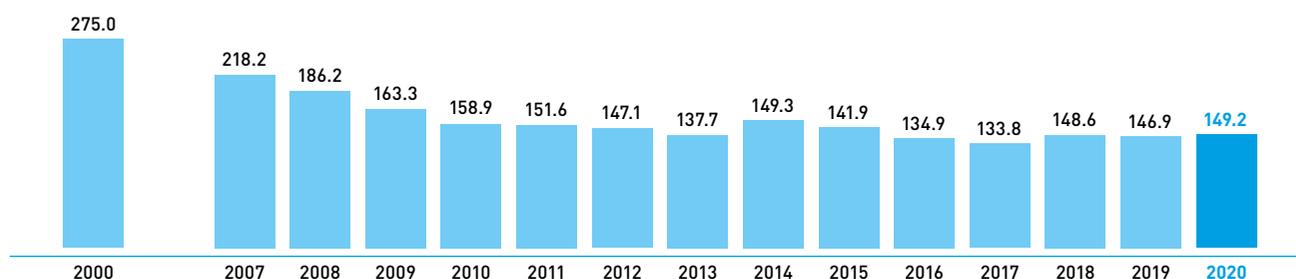
## Energy efficiency and renewable energies

	Year ended December 31	
(in MWh)	2019	2020
Thermal energy <sup>(a)</sup>	3,298,502	3,223,381
Electricity <sup>(a)</sup>	2,122,809	2,015,977
<b>Total</b>	<b>5,421,311</b>	<b>5,239,358</b>
Energy consumption intensity (in kWh per metric ton of product)	146.9	149.2
<b>Total reduction in energy intensity since 2000 (in kWh per metric ton of product)</b>	<b>47%</b>	<b>46%</b>

(a) Production Site Environment scope, see Methodology Note.

Energy consumption intensity increased by 1.5% in 2020. On a like-for-like basis, this ratio increased by 0.8% between 2019 and 2020.

### Intensity of total energy consumption at production sites (in kWh per metric ton of product)



At end-2020, total energy consumption intensity at production sites declined by 46% compared to 2000 (47% in 2019).

### Energy efficiency initiatives

To improve its energy efficiency, Danone makes use of two main drivers: optimization of energy production at its sites, and optimization of its energy use. This trend is further enhanced by the systematic sharing of best practices among production sites.

### Renewable energy use

	Year ended December 31	
	2019	2020
Production sites purchasing 100% renewable electricity <sup>(a)</sup>	50	74
Percentage of renewable electricity <sup>(a)</sup>	42.4%	54.3%
Percentage of renewable energy <sup>(a)</sup>	19.7%	24.5%

(a) Production Site Environment scope, see Methodology Note.

As part of the RE100 initiative, 74 production sites purchased electricity from 100% renewable sources (wind, hydro, etc.) in 2020, representing a total of 54.3% of Danone's electricity purchases in 2020 (compared with 42.4% in 2019). Furthermore, its total energy use from renewable sources (electricity and thermal) represented 24.5% of its total energy use in 2020 (compared with 19.7% in 2019).

### Opportunities

Danone works closely with all stakeholders in the value chain to strengthen the traceability of its supplies in order to increase the resilience of its producers and secure its purchases. Furthermore, its commitment in these areas in recent years enables it to anticipate the growing demand for transparency by consumers and regulators. The fight against climate change also provides a response to new consumption trends. Consequently, the Company has widened its portfolio of low-carbon, plant-based products.

## Focus – Alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)

Danone's disclosures related to climate change are in line with the recommendations of the TCFD. The following reconciliation table makes it possible to identify the main information of this Universal Registration Document with disclosures related to these recommendations.

	Sections
<b>Governance</b>	
a. Oversight by the Board of Directors of climate-related risks and opportunities	6.1
b. Management role in assessing and managing climate-related risks and opportunities	5.1, 5.3, 6.1
<b>Strategy</b>	
a. Climate-related risks and opportunities identified over the short, medium and long term	2.6
b. Impact of climate-related risks and opportunities on the Company's businesses, strategy and financial planning	5.1
c. Resilience of the Company's strategy, taking into consideration different climate scenarios, including a 2°C or lower scenario	5.3
<b>Risk management</b>	
a. Processes for identifying and assessing climate-related risks	5.1
b. Processes for managing climate-related risks	5.1
c. Integration of processes for identifying, assessing and managing climate-related risks in the Company's overall risk management	2.6, 2.7
<b>Metrics and targets</b>	
a. Metrics used to assess climate-related risks and opportunities, in line with the Company's risk management strategy and process	5.1, 5.3
b. Greenhouse gas emissions for scope 1, scope 2 and scope 3 and the related risks	5.3, 5.6, 5.7
c. Targets used to manage climate-related risks and/or opportunities and the Company's performance against these targets	5.3, 6.4

## TRANSITION TOWARD REGENERATIVE AGRICULTURE THAT INCLUDES ORGANIC AGRICULTURE

### Definition

For Danone, agriculture is the biggest source of greenhouse gas emissions (representing 61% of total emissions in 2020), and the main source of its water use. Believing that agriculture is part of the response to climate change, Danone is firmly committed to regenerative agriculture and promotes practices that protect the soil and biodiversity as well as animal welfare while also supporting farmers in the transition toward more resilient agricultural models that protect natural resources.

### Policies

Danone pledged to support sustainable agriculture in 2015, with the publication of a White Paper, and then detailed it in a definition, a set of practices and a plan for the implementation of regenerative agriculture, all jointly developed with the farmers, partners and the WWF and applied through three pillars:

- protecting soils, water and biodiversity (reinforced by the Water Policy published in 2020);
- empowering new generations of farmers;
- respecting animal welfare.

Concerning the last pillar, Danone has made a number of pledges formalized in the Animal Welfare Position Paper and publishes its progress report every year. Its approach, which it developed in collaboration with the NGO Compassion in World Farming (CIWF), is based on the five freedoms internationally recognized by the Farm Animal Welfare Council.

### Action plans and outcomes

In 2020, 70% of the entities developed projects in line with at least one of the three pillars of the regenerative agriculture framework regarding the main raw materials it uses (Danone Way scope, see Methodology Note), compared with 76% in 2019. For example, the

Company's French subsidiaries have pledged to produce 100% of the ingredients grown in France from regenerative agriculture by 2025.

### Protecting soils, water and biodiversity

With its Water Policy published in June 2020, Danone reiterates the role played by regenerative agriculture in ensuring the protection of natural ecosystems and water cycles, defines its commitments according to different time horizons and underlines its support for its upstream agricultural partners in setting up practices encouraging biodiversity as follows:

- preserve and improve the physical and biological structure of soil to enhance its organic matter content by reducing soil tillage, crop rotation, and planting permanent cover crops;
- maintain soil's natural capacity to regulate water resources;
- preserve animal and plant biodiversity by limiting the use of mineral fertilizers, pesticides and other chemical products and increasing their wildlife habitats (including the protection of water courses). In this respect, Danone pledges to increase the size of buffer zones on farms by at least 15% by 2030.

The Company works directly with farmers to develop action plans with them and help them implement these new practices.

It also works alongside many partners, NGOs, universities or agricultural technicians to promote the adoption of best agricultural practices. For example, Danone North America works with the researchers of Cornell University's carbon sequestration center. In the C-Sequ program, Danone works with other companies in the milk and beef industries to define guidelines for calculating carbon sequestration values. Adopting a collective action approach, the Company continues to help protect biodiversity by working on joint pilots within the One Planet Business for Biodiversity (OP2B) coalition formed in 2019, consisting of 26 companies as at December 31, 2020.

It also endeavors to raise biodiversity protection awareness among employees at its production sites.

All these measures reduce greenhouse gas emissions from farms and increase the rate of carbon sequestration in the soils, thus contributing to Danone's carbon neutrality objective.

### Empowering new generations of farmers

Since farmers are the main players in the transition toward regenerative agriculture, Danone seeks to empower them by setting up several mechanisms. Cost Performance Model (CPM) contracts guarantee greater income stability for dairy farmers and encourage them to make the transition to these new practices. Danone also develops partnerships, for instance with the Miimosa participatory funding platform, in order to provide farmers with access to additional funds and to give greater visibility to their actions. It is in this context that the *Blédina* brand launched "Sauvez Williams" project in 2020 to ensure the sustainability of the Williams pear industry in France. Since 2018, Danone in France has invested €40 million in upstream agriculture to support the transition to regenerative agriculture. For its Specialized Nutrition Reporting Entity, nearly 65% of its raw materials grown in France (fruit, vegetables and cereals) is in regenerative agriculture according to the criteria defined by the Company on soil health.

The social innovation funds financed by Danone support also farmers towards a positive and sustainable transformation of agricultural chains. For example, the "Madre Tierra" project in Mexico enables 262 strawberry growers to receive technical and technological support as well as training on soil sustainability, water resource management, and fertilization. Similarly, Danone facilitates access to training, with 2,800 farmers trained on animal welfare since 2018.

These actions all contribute to the target that Danone has fixed itself: to purchase 15% of its volume of agricultural ingredients directly from farms actively committed to a regenerative agriculture approach by the end of 2021. This is an initial key step for Danone, which aims to have all its partner farmers to adopt this approach.

### Respecting animal welfare

Danone views animal welfare as an essential element of its strategy since animals can bring circularity to agriculture, particularly when they eat grass, food industry by-products or crop residues inedible to humans, or thanks to the use of their manure as a natural fertilizer for the fields. In 2019, Danone reached its target initially set for 2020, consisting of assessing animal welfare for at least 80% of

the volume of fresh milk collected in the scheme, using its animal welfare assessment tool for dairy cows or *via* the "Validus" certification. In 2020, this scheme had expanded to cover 87% of the volume of milk produced, and nearly 2,800 audits were carried out on farms, assigning a score of up to 100 points to them. The fact that the average score was 67 points emphasizes the best practices generally followed.

With the signature of the Broiler Chicken Act, Danone has pledged with its suppliers to improve the rearing conditions of their broiler chickens by 2026, and the animal living conditions and crowding in general. With respect to Specialized Nutrition Reporting Entity, 100% of sheep and beef cattle had access to pasture in 2020. As for eggs and egg ingredients, more than 80% come from cage-free farms. Since the beginning of 2020, 100% of Danone's contracts relating to eggs and egg ingredients comply with its "cage-free" pledge.

### Opportunities

In 2020, Danone is continuing to bring together farmers, agricultural experts and public and private sector partners to advance the transition to regenerative agriculture.

In North America, Danone is leading a soil health improvement initiative actively involving experts and academic researchers to develop programs for the benefit of farms and communities through its subsidiary Danone North America. In December 2020, the program has almost tripled in three years to cover more than 33,000 hectares in the United States and Canada and now includes almond orchards in the central valley of California.

The worldwide Farming for Generations (F4G) alliance created by Danone in 2019 includes several major players in the worldwide agriculture chain and advisers to provide a forum for peer-to-peer exchanges of information. In December 2020, F4G set up programs in 33 farms in eight countries (in Europe, Russia and the United States).

The Company has also launched an information and awareness campaign using a series of online *#soiltalks*. The first edition, with speakers including farmers and representatives of the WWF, McKinsey & Company, the Ellen MacArthur Foundation, the European Commission and Kiss the Ground, attracted more than 500 participants from the public and private sectors, NGOs and the agricultural world generally.

## CIRCULAR ECONOMY

### Circularity of packaging

#### Definition

In a move designed to mitigate the challenges related to pollution from packaging, Danone works with numerous value chain stakeholders to accelerate the transition to a circular economy.

#### Policies, action plans and outcomes

##### Packaging Policy

In its Packaging Policy, Danone has pledged to ensure a transition from a linear to a circular economy for the packaging used by its Reporting Entities. This ambition was supplemented in 2020 by a

series of commitments addressing environmental challenges as well as by the WeActForWater initiative by the Waters Reporting Entity (see the Danone website for more information).

All these commitments are described in detail below and applied in the form of local roadmaps.



PILLARS AND COMMITMENTS	ACTION PLANS AND OUTCOMES
<p><b>Packaging designed for circularity</b></p> <p><i>By 2025:</i></p> <ul style="list-style-type: none"> <li>• <i>design all its packaging to be 100% recyclable, reusable or compostable;</i></li> <li>• <i>act to eliminate problematic or unnecessary plastic packaging;</i></li> <li>• <i>launch alternatives to plastic and single-use packaging across all major markets of the Waters Reporting Entity.</i></li> </ul>	<p>Danone works to increase the recyclability of its packaging by means of action plans in its brands, including the following:</p> <ul style="list-style-type: none"> <li>• <b>accelerating reuse models:</b> In many countries, such as Indonesia, Mexico and Turkey, Danone sells reusable water containers, as well as reusable glass packaging for the hotel, canteen and restaurant industry, particularly in France. In 2020, more than 50% of worldwide sales volumes by the Waters Reporting Entity were sold in reusable packaging;                     <ul style="list-style-type: none"> <li>• In this context, Danone is also experimenting with new delivery models, including the Loop™ platform by Terracycle, which it joined in 2019. In this scheme, French consumers are provided with returnable glass water bottles for the <i>evian</i> and <i>Badoit</i> brands. Since 2020, it also includes certain yogurts and plant-based products in France and the United Kingdom.</li> </ul> </li> <li>• <b>eliminating problematic or unnecessary packaging and diversifying the use of materials:</b> Danone has pledged to eliminate the use of polystyrene in its packaging worldwide by 2025 (in 2024 in Europe). In 2020, the Company has already begun to sell yogurt pots produced in PET (a recyclable material) in the United Kingdom and France. It has also eliminated more than 250 million plastic drinking-straws and eliminated or replaced 8 million plastic spoons, mainly in Europe.                     <ul style="list-style-type: none"> <li>• In addition, Danone is innovating to reduce the amount of plastic it uses and/or switch to other materials; for example, it has launched no-label water bottles under the <i>AQUA</i> and <i>evian</i> brands, and also launched products sold in tin, glass and cardboard carton containers.</li> </ul> </li> <li>• <b>innovating in its choice of consumption methods</b>, including the following:                     <ul style="list-style-type: none"> <li>• its <i>evian (re)new</i> home hydration prototype, sold in a 5-liter, 100% recycled and recyclable plastic container (consuming 66% less plastic than a 1.5-liter bottle).</li> </ul> </li> </ul> <p>Consequently, 81% of the packaging is recyclable, reusable or compostable in 2020 (the same as in 2019), 67% of which consists of plastic packaging (as in 2019). During the year, the Company used 716,500 metric tons of plastic (compared with 800,000 in 2019).</p>
<p><b>Packaging that is reused, recycled or composted in practice</b></p> <p><i>By 2025:</i></p> <ul style="list-style-type: none"> <li>• <i>achieve or even exceed collection targets defined by the authorities (in particular, support the European Union's target of a 90% or greater plastic bottle collection rate);</i></li> <li>• <i>launch or support collection and recycling initiatives in Danone's 20 largest markets, which account for approximately 90% of its sales.</i></li> </ul>	<p>Danone is working to develop efficient and inclusive channels for collection and recycling, through a collaborative approach with its ecosystem. By participating in the Consumer Goods Forum (CGF) working group on plastic waste, Danone is actively providing a framework and recommendations for the development and implementation of Extended Producer Responsibility (EPR) programs, thereby accelerating the setting up of packaging collection and recycling programs in developed and transitional markets.</p> <p>In France, Danone works with the Citeo eco-organization to create a viable and sustainable yogurt pot recycling industry.</p> <p>The Company also invests in private initiatives, such as the Circulate Capital Ocean Fund (\$15 million over five years) in 2019, to develop recycling and circular economy infrastructures in South Asia and South-East Asia.</p> <p>In Indonesia, it works in the PRAISE industrial coalition, a not-for-profit it jointly created with five major industrial players, supporting (i) the collection and recycling of packaging, (ii) the social inclusion of rag-pickers, and (iii) consumer awareness.</p> <p>Lastly, the Danone Ecosystem Fund continues to support inclusive recycling projects in seven countries. In 2020, more than 400 jobs were created and nearly 4,000 people were able to secure their income or see it increase, notably thanks to the Fund's support.</p>

PILLARS AND COMMITMENTS	ACTION PLANS AND OUTCOMES
<p><b>Preserving natural resources</b></p> <p>By 2021:</p> <ul style="list-style-type: none"> <li>market 100% recycled PET bottles in all major Danone markets;</li> </ul> <p>By 2025:</p> <ul style="list-style-type: none"> <li>use 50% recycled materials in all Danone's packaging, notably plastic packaging (the initial target was fixed at 25%);</li> <li>use 50% recycled PET (rPET) for the Waters Business (100% in Europe).</li> </ul>	<p>Danone works to reintegrate recycled materials in its packaging and increase the use of renewable materials.</p> <p>In 2020, Danone achieved the following results:</p> <ul style="list-style-type: none"> <li>10.3% recycled materials on average in its plastic packaging (compared with 10.6% in 2019);</li> <li>19.8% recycled PET used on average by the Waters Reporting Entity (compared with 15.8% in 2019) and 25.5% in countries where local standards and regulations allow (compared with 20.5% in 2019);</li> <li>38.7% of rPET is used on average in the <i>evian</i> bottle range (compared with 31% in 2019).</li> </ul> <p>In 2020, Danone developed new, 100% rPET items in Europe, Mexico, Brazil and Indonesia. Furthermore, (i) all <i>Volvic</i> bottles in Germany, (ii) all small <i>evian</i> and <i>Volvic</i> bottles in France, and (iii) all <i>evian</i> takeaway bottles in the United Kingdom have been 100% rPET since September 2020.</p> <p>Lastly, in order to reduce fossil resource use further still, Danone is accelerating the development of renewable and bio-based materials. For example, the Company has launched bio-based plastic packaging for its EDP <i>So Delicious</i> brand in the United States (containing 80% bio-based PEHD) and its <i>Les 2 Vaches</i> brand yogurt pots in France, which are made in PLA.</p> <p>Furthermore, Danone has joined Nestlé Waters, PepsiCo and Origin Materials in the NaturAll Bottle Alliance to accelerate the development of 100% bio-PET by using biomass-based raw materials such as used cardboard, sawdust and wood chips in order not to compete with the agricultural land used to produce human foods or feed animals.</p>

Alongside its commitments, the Company is continuing to work actively with the Ellen MacArthur Foundation as well as in other alliances to accelerate the transition toward a circular economy, including the WWF. It has also signed a call for the creation of a United Nations treaty to address the problem of plastic pollution.

## Opportunities

Danone innovates with its product distribution, with, for example, the *Faire Bien* yogurt brand in France, and its partnership with the Day by Day brand to experiment with bulk distribution, a method whose wider deployment is currently under study.

## Waste management

Danone monitors waste production and its recovery through recycling, reuse, composting and waste-to-energy. The Company's production sites seek to maximize the recovery rate for their waste

through on-site sorting and staff training. To that end, these sites enter into agreements with subcontractors that can recover the various types of waste generated.

	2019	2020
<b>Industrial waste</b>		
Total quantity of industrial waste (in ktons)	511	433
Ratio of total quantity of industrial waste per metric ton of product (in kg/tons)	13.8	12.3
Proportion of industrial waste recovered	90.1%	91.2%
<b>Packaging industrial waste</b>		
Total quantity of packaging industrial waste (in ktons)	122	116
Ratio of total quantity of packaging industrial waste per metric ton of product (in kg/tons)	3.3	3.3
Proportion of packaging industrial waste recovered	95.3%	96.7%
Proportion of plastic packaging waste recovered	95.8%	96.6%

The amount of industrial waste generated per metric ton of product declined by 11% between 2019 and 2020, mainly due to a methodological change at an Alpro site for the waste. In 2020, the recovery rate for industrial waste increased from 90% to 91% (Production Site Environment scope, see Methodology Note).

The recovery rate for plastic packaging waste at the production sites totaled 96.6% in 2020 (compared with 95.8% in 2019). In 2020, 3.4% of post-industrial packaging waste was sent to landfill. The target is to achieve 0% by 2025.

## Reducing food waste

### Definition

Danone's target is to (i) reduce waste in its operations and its supply chain, notably by combating food loss and recovering food waste, and (ii) help reduce loss and waste prior to and following its direct operations by means of partnerships, consumer education or improved product markings.

### Policies

One of the Company's drivers for change is the optimization of its production processes by measuring waste at all of its production sites except its Waters Reporting Entity bottling plants, in accordance with the Food Loss and Waste Protocol, the leading international guidelines for monitoring food waste, developed by the World Business Council for Sustainable Development (WBCSD).

Under the resolution against food waste adopted by the Consumer Goods Forum in 2015, Danone has pledged to reduce its non-recovered food waste by 50% between 2016 and 2025.

In 2020, the Company strengthened its ambition by aligning with Sustainable Development Goal (SDG) 12.3's 10x20x30 initiative, and beyond non-recovered waste, by committing to reduce to halve its food waste (excluding waste intended for animal feed and the processing of biomaterials) throughout its operations and distribution chain.

### Action plans

Danone adopts a collaborative approach to reducing food waste—from farm to fork—across its entire product portfolio, involving its consumers, suppliers, distributors and partners in the process. The Company reduces food waste in its value chain as follows:

- **upstream**, by innovating with its brands to make use of ingredients likely to be wasted, as in the case of *Two Good* in the United States, which uses ripe fruit taken from the conventional sales circuits, or *Danone aux fruits d'ici* in France, which launched a limited edition product, "Gariguettes Solidaire 2020", along with Carrefour to consume farmers' surplus strawberry production caused by the Covid-19 crisis;
- **in its production sites, warehouses and logistics centers**, by optimizing its production processes: as a result, its French plants have signed partnerships with the startups Comercio and Phenix to redirect "unfit for sale" products in conventional distribution networks to consumers (because the weight is less than that marked on the label, for example). Furthermore, the Company redistributes its surplus food to specialist charities in order to support vulnerable communities. Consequently, Danone signed an agreement with The Global FoodBanking Network in 2020. Lastly, any unavoidable food waste is sent to recovery streams recognized by Sustainable Development Goal 12.3;
- **downstream**, by acting to reduce waste through consumer education or, when the quality requirements allow, changing the product labeling to say "Best before". As a result, Danone signed a partnership with "Too Good To Go" in Europe in 2020 to change the labeling of consumption dates on some of its products in France. Beginning with *Activia* in Germany in 2019, this type of initiative was extended to other brands in Spain and the United Kingdom and then expanded to cover the rest of Europe.

### Outcomes

	Year ended December 31			
	Production sites <sup>(a)(b)</sup>		Production sites and supply chain <sup>(b)(c)</sup>	
	2019	2020	2019	2020
Food waste management				
Total quantity of food waste generated (in ktons)	386	313	481	409
Ratio of total quantity of food waste per metric ton of product (in kg/tons)	45.0	36.3	57.3	46.8
Ratio of total quantity of food waste recovered per metric ton of product (in kg/tons)	39.9	32.4	47.2	38.5
Proportion of waste recovered	88.6%	89.3%	82.3%	81.2%
Ratio of total quantity of food waste non-recovered per metric ton of product (in kg/ tons)	–	–	10.1	8.8
<b>Reduction in the ratio of total quantity of food waste non-recovered per metric ton of product since 2016, on a like-for-like basis</b>	–	–	-7.0%	-15.6%

(a) Production Site Environment scope, see Methodology Note.

(b) Excludes Waters Reporting Entity sites.

(c) Production Site Environment scope and Scope 3 downstream, see Methodology Note.

The ratio of the amount of food waste generated per metric ton of product at production sites declined by 19.4% between 2019 and 2020, mainly due to a methodological change at an Alpro site. The recovery rate increased from 88.6% to 89.3%.

## PRESERVATION OF THE WATER RESOURCE

### Definition

Water stewardship is a key issue for the operations and supply chain of Danone but also for the planet. Consequently, the Company acts to preserve and restore natural ecosystems, wetlands and natural water cycles while also continuing its actions to make safe drinking water accessible to the most vulnerable communities. Three basic principles guide all these actions:

- rethinking the value of water by recognizing its many benefits such as protecting biodiversity, improving soil health, and carbon sequestration as well as the socioeconomic impact of preservation and conservation projects;
- building an approach based on scientific, local and concrete facts and sharing knowledge relating to territorial issues;
- thinking and acting locally and collectively as part of an integrated approach to bring concrete results and positive effects for highly water-stressed areas.

### Policies

In 2020, Danone published its Water Policy for 2030, which promotes an innovative approach and integrated stewardship of the resource. It is based on a scientific diagnosis of the local water cycle and performed with the support of its hydrogeological experts deployed in identified priority geographical areas. The issue involves the mobilization of all users of water resources at the local level, the joint construction of action plans and the development of governance models supporting the action plans around the following three pillars:

- preserving water resources throughout its value chain;
- rethinking circularity within and around the production sites;
- providing access to safe drinking water for vulnerable people and communities.

In this context, the Waters Reporting Entity's brands have jointly launched WeActForWater, a series of measures, targets and

investments intended to provide a response to the challenges involved in protecting watersheds, access to safe drinking water, climate neutrality and responsible packaging.

### Action plans and outcomes

Danone has a dedicated team—the Water Cycle—responsible for defining and implementing the three pillars of the Company's Water Policy and the engagement of its stakeholders. In 2020, this team reviewed the water risk assessment process, taking into account the physical, regulatory and reputational risks, to provide (i) a detailed and structured picture of all watershed and production site risks, and (ii) the baseline for defining priorities and action plans. The process consists of three steps using data from the Water Risk Filter tool developed by the WWF:

- identifying watersheds located in water-stressed areas;
- identifying the water-related risks facing the operating sites;
- defining mitigation, protection and/or recovery plans.

Danone has applied this approach to its entire value chain and the main ingredients in its supply chain.

In order to apply the action plans as local roadmaps, Danone has set up a methodology (SWAN) that guides the teams in (i) defining and implementing a water stewardship project, and (ii) adopting the most suitable practices for the context and the local risks, particularly in water-stressed areas.

In addition, the Water Cycle team has developed a plan to ensure the commitment of all internal stakeholders (involving communication, awareness and training). It prioritizes a collaborative approach with the Reporting Entities and cycles other than water, by means of (i) committees for information-sharing and joint creation of action plans in production sites and watersheds, (ii) the creation of a special working group on water stewardship in the Danone supply chain (representing 89% of its water footprint), and (iii) work to implement regenerative agriculture.

**Preserving and restoring water resources in agriculture and watersheds**

For this first pillar, the Company pledges to do the following:

- promote regenerative agriculture that respects the natural ecosystems and the water cycles;
- protect water resources by optimizing the stewardship of the watersheds in which it operates and choosing green solutions such as protection, management and recovery.

COMMITMENTS	ACTION PLANS AND OUTCOMES
<p><b>Relating to agriculture</b>  <i>From 2020 onwards:</i></p> <ul style="list-style-type: none"> <li>• <i>develop, for the direct milk supply chain, plans to support farmers in five high-priority areas (the United States, Mexico, Russia, Southern Europe (including France) and North Africa);</i></li> <li>• <i>ask all its suppliers to set up water stewardship plans.</i></li> </ul> <p><i>By 2025:</i></p> <ul style="list-style-type: none"> <li>• <i>implement pilot projects using an integrated approach on a regional scale for five other key ingredients: milk powder, soy, almonds, strawberries and sugar cane.</i></li> </ul> <p><i>By 2030:</i>  <i>For ingredients produced in highly water-stressed areas:</i></p> <ul style="list-style-type: none"> <li>• <i>reduce the water use of farmers with which Danone works in high-risk areas by 25%;</i></li> <li>• <i>increase the size of buffer zones by at least 15%;</i></li> <li>• <i>optimize fertilizer use on farms for 75% of milk, fruit, almond and soy volumes.</i></li> </ul>	<p>In 2020, the Water Cycle team worked with the Agriculture Cycle team and the Cycles and Procurement Department to (i) identify the main ingredients on the basis of criteria such as the volume, expenditure or environmental footprint, and (ii) assess the water-related risks for all 68 ingredients in its supply chain. Danone uses the results obtained to define its priorities and its water stewardship plans for the ingredients produced in areas with a high or extreme water risk.</p>
<p><b>Relating to watersheds</b>  <i>By 2030:</i></p> <ul style="list-style-type: none"> <li>• <i>build plans for protecting and/or restoring 100% of the watersheds in which Danone operates, located in highly water-stressed areas (55 watersheds);</i></li> <li>• <i>work locally to create an effective governance system with the stakeholders or integrate actions into the existing governance bodies;</i></li> <li>• <i>develop a new, "open source" Danone platform on water stewardship, to share data and scientific studies and train the internal and external players concerned on integrated water stewardship.</i></li> </ul>	<p>In 2020, Danone identified 54 at-risk watersheds based on its analysis of the water-related risks.</p> <p>To improve water resource stewardship and encourage biodiversity, soil health and carbon sequestration, Danone develops solutions such as agroforestry, wetland protection or agriculture optimization.</p> <p>Danone does so by participating in the worldwide Nature Based Solutions alliance in order to (i) define green solutions shared between companies and civil society organizations, and (ii) draw up suitable decision-making processes for the water resource stewardship programs.</p> <p>In 2020, Danone began to deploy 15 watershed protection plans.</p> <p>In addition, the Waters Reporting Entity has developed and set up its internal SPRING method, which it has operated for more than 15 years on its production sites (100% covered by SPRING audits since 2017), to ensure the stewardship and protection of its underground water resources. This method includes three main targets for production bottling plants:</p> <ul style="list-style-type: none"> <li>• providing a framework for guiding and assessing water stewardship performance and progress;</li> <li>• ensuring that suitable resources are allocated locally;</li> <li>• building awareness of the importance of proper water resource stewardship.</li> </ul>

### Rethinking circularity in and around Danone's production sites

For this second pillar, Danone continues to work to reduce its water consumption and ensure that its water discharges are of high quality while also improving water circularity in all its operations.

Danone prioritizes the development of water stewardship plans suited to sites located in water-stressed areas. In 2020, Danone found that 17% of its sites are located in high or extreme water risk areas.

COMMITMENTS	ACTION PLANS AND OUTCOMES
<p><i>By 2020:</i></p> <ul style="list-style-type: none"> <li>• <i>reduce water consumption in the production processes of sites by 60% between 2000 and 2020;</i></li> <li>• <i>achieve 100% compliance with Danone Clean Water Standards.</i></li> </ul> <p><i>By 2030:</i></p> <ul style="list-style-type: none"> <li>• <i>implement a collaborative 3R Strategy (Reduce, Reuse, Recycle) on all production sites;</i></li> <li>• <i>ensure that 100% of the clean water discharged directly by the sites located in highly water-stressed areas is reused to reduce the pressure on watersheds;</i></li> <li>• <i>reduce the water consumption intensity of all production sites located in highly water-stressed areas by 50%.</i></li> </ul>	<p><b>Reducing water consumption</b></p> <p>Since 2015, the action plans carried out at Danone's industrial sites have generated more than 3.6 m<sup>3</sup> of process water savings, at constant scope and methodology. In 2020, the most significant action plans mainly concerned the Waters Reporting Entity and the Rotselaar site, where aqueous effluents are now treated and reused in industrial processes.</p> <p>At the end of 2020, the reduction in the intensity of water consumption since 2000 remained stable compared to 2019 at 49%, with the decline in this intensity ratio in the majority of Reporting Entities between 2019 and 2020 being notably offset by the decline in the Waters Reporting Entity's share of sales volumes. The objective of reducing the intensity of water consumption in industrial processes was not achieved in 2020, in particular due to the extension of the reporting scope in 2018, which had an adverse effect on this intensity ratio. All the results related to the performance of the production sites are reported in the Outcomes table.</p> <p><b>Ensuring that water discharges are of high quality and increasing water circularity</b></p> <p>In 2015, the Company developed internal standards more stringent than the applicable regulations (Clean Water Standards, or CWS). In 2020, 77% of its facilities comply with the CWS.</p> <p>In addition, Danone has been working for more than 20 years to make more effective use of water in its operations by prioritizing a collaborative approach. In 2020, the Company boosted this approach by adding the fourth pillar, "Reclaim", to its 3R Strategy (Reduce, Reuse, Recycle).</p> <p>For example, on its Rotselaar production site (Belgium, EDP), Danone has developed the Waterless project as part of its "Zero Impact Operations" program, with the goal of achieving "Zero Carbon", "Zero Water" and "Zero Waste". Through the use of two-step filtration technologies, 75% of its wastewater is treated and recovered directly in the form of clean water for reuse in its production processes. This closes the production site's water loop by reinserting and reusing 75% of its water in its operations. The deployment of this process significantly reduces the production site's overall water use and so greatly reduces the strain on local underground water reserves.</p> <p>Lastly, Danone has developed and launched its new tool, Drop Saver, to disseminate best practices, support the deployment of circular water stewardship and assist in the implementation of its new Water Policy.</p>

### Providing access to safe drinking water for vulnerable people and communities

For this third pillar, the Company invests through Danone Communities and its brands to support social innovation projects and supply safe drinking water to vulnerable populations.

COMMITMENTS	ACTION PLANS AND OUTCOMES
<p><i>By 2030:</i></p> <ul style="list-style-type: none"> <li>• <i>sign the WBCSD WASH Pledge for access to safe water, sanitation and hygiene at the workplace;</i></li> <li>• <i>create the Water Access Acceleration Fund (W2AF) to support social businesses providing water access;</i></li> <li>• <i>provide daily access to safe drinking water for 50 million people.</i></li> </ul>	<p>Danone pledges to give all its employees access to safe drinking water, sanitation and hygiene, which is consistent with the UN Sustainable Development Goal 6, "Clean Water and Sanitation", and the standard of the World Business Council for Sustainable Development.</p> <p>The Company has been working since 2007 in Asia, Africa and Latin America to provide safe drinking water to low-income communities via the Danone Communities fund. The brands of the Waters Reporting Entity play a key role, with, for example, AQUA in Indonesia partnering with the organization Water.org to extend access to safe drinking water (10 liters brought to local communities for each one-liter bottle purchased). In India, Danone Communities supports initiatives including the water kiosk model to help local entrepreneurs sell safe drinking water to their communities at affordable prices. The kiosks serve more than 260,000 people a day. In 2020, all of Danone Communities' investments in social businesses provided access to drinking water for more than 9 million people around the world.</p>



## Outcomes

### Water use in operations

Year ended December 31

<i>(in thousands of m<sup>3</sup>)</i>	2019	2020
<b>Water drawn from the surrounding area <sup>(a)</sup></b>		
River water	3,038	2,852
Municipal water	22,751	22,986
Well water	47,276	43,312
<b>Total water drawn volume</b>	<b>73,064</b>	<b>69,150</b>

(a) Production Site Environment scope, see Methodology Note.

In 2020, the total volume of water withdrawn decreased by 5.4% compared to 2019. The uses associated with this total volume of water withdrawn in 2020 are as follows:

- 43% went into finished products, mainly at bottling plants, or was used for by-products;
- 57% was used in industrial processes, with details given in the table below.

Year ended December 31

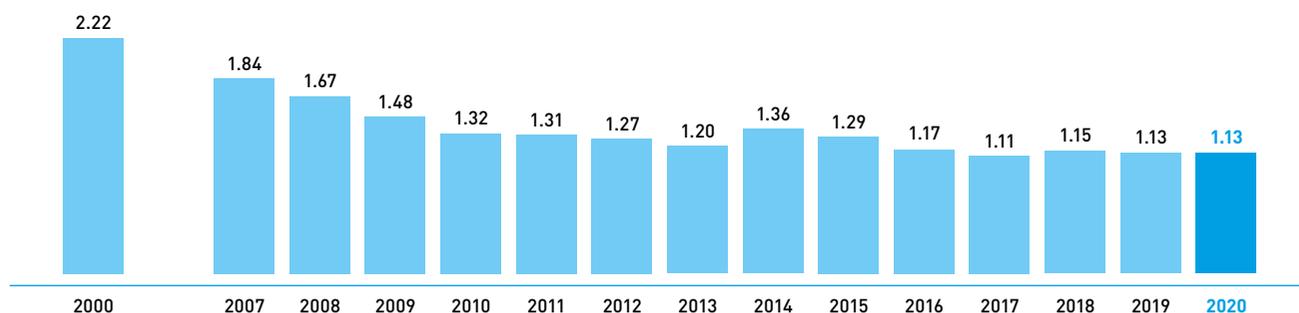
<i>(in thousands of m<sup>3</sup>)</i>	2019	2020
<b>Water related to the production process <sup>(a)</sup></b>		
Consumption <i>(in thousands of m<sup>3</sup>)</i>	41,773	39,714
Intensity of consumption <i>(in m<sup>3</sup> per metric ton of product)</i>	1.13	1.13
<b>Reduction in water consumption intensity since 2000</b>	<b>49%</b>	<b>49%</b>

(a) Production Site Environment scope, see Methodology Note.

At the end of 2020, the reduction in water consumption intensity since 2000 has remained stable compared to 2019. The graph below shows the annual evolution.

#### Water use intensity in industrial processes at production sites

*(in m<sup>3</sup> per metric ton of product)*



At comparable scope and methodology, the intensity of water consumption in industrial processes decreased by 0.5% between 2019 and 2020.

#### Discharged wastewater quality and chemical oxygen demand (COD)

At its production sites, Danone applies strict concentration limits to all wastewater discharges into the environment. These limits are based on clean water standards and measured using applicable methods. Net chemical oxygen demand (COD), *i.e.* the amount of

oxygen required to oxidize organic and mineral compounds in water, characterizes the quality of wastewater discharges from production sites after any on- or off-site treatment. Danone's assessment of off-site treatment effectiveness is based on certain assumptions (see Methodology Note).

Year ended December 31

	2019	2020
Final discharge of chemical oxygen demand (COD) <sup>(a)</sup> <i>(in thousands of metric tons)</i>	6.38	5.95
Net COD ratio <sup>(a)</sup> <i>(in kg/ton of product)</i>	0.17	0.17

(a) Production Site Environment scope, see Methodology Note.

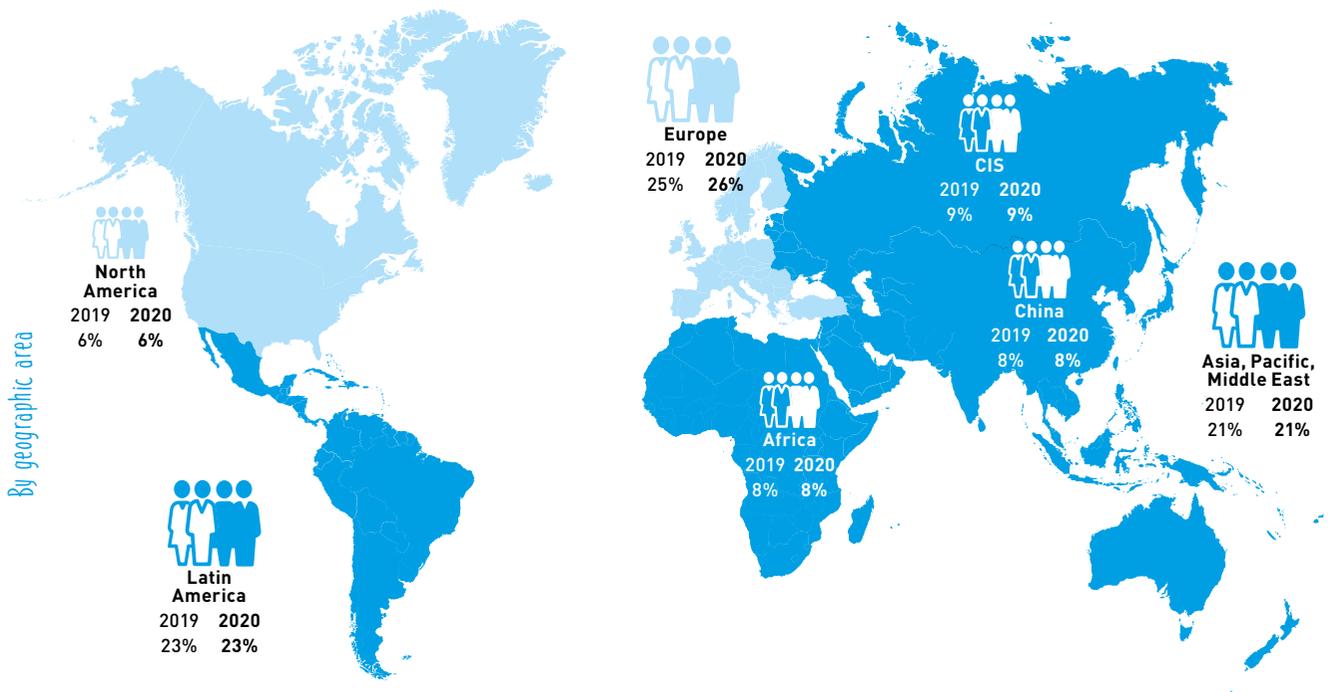
## 5.4 BUILDING THE FUTURE WITH DANONE EMPLOYEES

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## DANONE'S EMPLOYMENT APPROACH

### Employees



Total number of employees	Europe & North America		Rest of World		
	2019	2020 <sup>(a)</sup>	2019	2020	
102,398	101,819	31%	32%	69%	68%

(a) This number does not include 0.09% of Danone's workforce (i.e. 92 employees), which corresponds to the entities having integrated the scope of social indicators in 2020 (Social indicators scope, see Methodological Note).

### By Reporting Entity



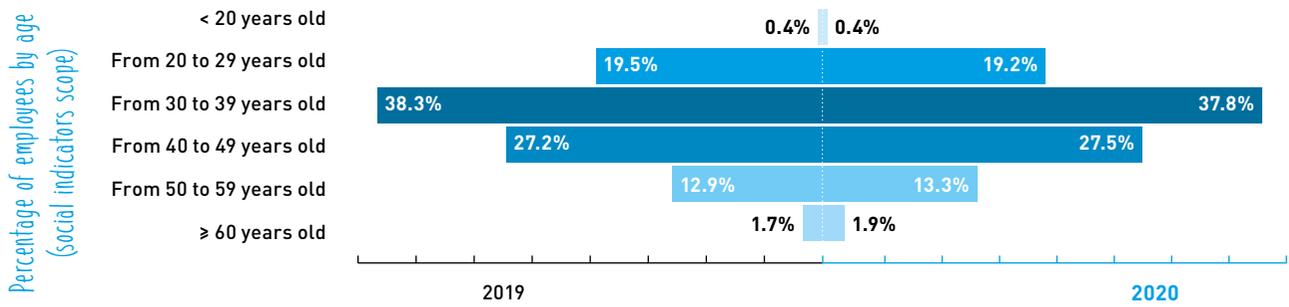
2019	2020
41%	41%



2019	2020
21%	21%



2019	2020
35%	35%
<b>Other</b>	
Headquarters sites, Evian Resort, Danone Research	
3%	3%



## Percentage of women in the organization

	2019		2020	
	Total	% women	Total	% women
Board of Directors	16	43%	16	43%
Executive Committee	7	43%	7	43%
Managers, directors and executives	22,699	51%	23,367	51%
<i>Senior managers: executives (excluding Executive Committee) and directors</i>	1,753	40%	1,792	41%
<i>Other managers</i>	20,946	52%	21,575	52%
Non-management employees	79,692	25%	78,452	25%
<b>Total employees</b>	<b>100%</b>	<b>31%</b>	<b>100%</b>	<b>31%</b>

## Conditions and organization of Danone's working time

	2019	2020
New hires <sup>(a)</sup>	13,202	12,550
Dismissals <sup>(a)</sup>	6,146	6,192
Absenteeism rate <sup>(a)</sup>	2.4%	2.9%
Employee turnover rate <sup>(a)</sup>	17%	14%
Part-time employees <sup>(a)</sup>	3%	3%

(a) Social Indicators scope, see Methodology Note.

Danone enables employees to arrange their work schedules in accordance with their local environments, for example by allowing part-time work or remote work, thus contributing to their well-being at work.

## INCLUSIVE TALENT DEVELOPMENT

### Employee training and development

#### Definition

Danone is committed to providing a range of learning opportunities to all its employees. In addition to personalized managerial support, the Company offers functional and cross-functional training programs, most of which are: (i) developed in-house and (ii) delivered by Danone managers.

#### Governance

The issues surrounding talent management and employee training are managed by the Head of Global Human Resources, who reports to Danone's Chief Human Resources Officer and General Secretary, member of the Executive Committee.

#### Policies, action plans and outcomes

##### CODES leadership model

Danone also seeks to develop a company culture whereby each employee can develop leadership skills through its CODES (Committed, Open, Doer, Empowered, Self-awareness) leadership model.

The Company deploys this model based on five key attitudes, which support its goals over the long term and cover the leadership skills expected of its employees, at both the individual and collective level: (i) human centric (consumers, patients, employees), (ii) inclusive and collaborative, (iii) courageous with empathy, (iv) agile and (v) accountable and decisive.

### Training program

Meanwhile, Danone offers managerial and functional training to enable employees to train according to their needs, notably using digital tools. In light of the Covid-19 crisis, this digitization was ramped up, with an increase in the number of e-learning modules and courses led by virtual instructors. Employee skills development is based on the following four approaches:

- the continued deployment of Campus X, Danone's digital learning platform launched in 2019, which offers personalized access to a range of in-house and external content, as an addition to classroom training. In line with its goal of providing access to all employees, in 2020 Danone extended access to an additional 15,000 employees, which represented 86,000 online learning hours for its head office staff (10 times more than in 2019). The platform also provided an opportunity to share best practices

through Danone's Stay Strong Stay Safe campaign designed to help staff members tackle the new challenges brought by the crisis;

- the development of content for the One Planet. One Health platform with, in 2020, (i) more than 46,000 employees completing the Sustainable Diets training program developed together with the United Nations Institute for Training and Research (UNITAR) and (ii) training courses on responsible practices that became mandatory;
- *Learning Weeks* and other learning events, converted to virtual format amidst the Covid-19 crisis, which combine training, information sharing and networking sessions, along with conferences;
- One Learning a Day, a program that promotes learning by doing deployed at the head office and production sites.

	2019	2020
Number of permanent employees who took at least one training course <sup>(a)</sup>	81,628	98,105
Total number of training hours <sup>(a)</sup>	2,246,183	2,532,056
Percentage of employees trained <sup>(a)</sup>	83%	100%
Average number of hours per person trained <sup>(a)</sup>	23	26

(a) Social indicators scope, see Methodology Note.

In 2020, Danone reaffirmed the importance of training for its employees through the FutureSkills approach (see *Social Dialogue* section).

### Career development

Danone strives to promote inclusive development of talent and career development for every employee by ensuring job mobility opportunities.

#### Performance review and development conversation

In addition to training, Danone supports its employees in managing their careers and building their professional future, including through mobility programs. The Company has developed a management process that allows employees to set their objectives, evaluate them fairly and define a personalized development plan through a series of meetings and discussions held throughout the year.

As part of its Danone Way program, the Company monitors the establishment of career development processes at its entities for its management and non-management personnel.

- In 2020, 76% of the entities planned a development conversation with each employee at least once every two years in order to obtain feedback on their work, establish an individual development plan

and have visibility on potential future development opportunities (Danone Way Scope, see Methodology Note).

- Danone also strives to pass on competencies for its key functions. In 2020, 86% of the entities anticipated the need to pass on rare competencies specific to their activities (83% in 2019). This was reflected in the formalization of a succession plan for key functions (Danone Way scope, see Methodology Note).

#### Mobility

The Company offers its employees the opportunity to build a career track consistent with their own aspirations and abilities as well as the Company's needs, either in their home country or abroad.

In addition, since 2019, Danone, BNP Paribas and ENGIE have been working together to promote and develop intrapreneurship with a positive impact, thus encouraging the engagement of their employees in the development of business solutions that also meet societal and environmental expectations.

### Compensation and benefits

#### Definition

Danone offers its employees competitive salaries and benefits, including social and personal protection measures and employee profit-sharing.

#### Policies

Danone offers its employees comprehensive, competitive and fair compensation based on its own system of evaluating and classifying jobs, taking into account human resources development as well as regulations, requirements and the local situations of the subsidiaries.

#### Action plans and outcomes

##### Compensation

Variable annual compensation rewards collective and individual performance based on two sets of targets:

- business targets, measuring how well Danone and its subsidiaries performed financially;
- social targets, development and effectiveness of the organizations, defined with each employee's immediate manager.

As part of an integrated vision of the Company's performance, the variable compensation of approximately 1,600 senior executives has gradually been based on social and environmental performance criteria such as carbon footprint reduction, employee health and safety and diversity [see section 6.3 *Compensation and benefits of governance bodies*].



### Employee profit-sharing and share ownership

In 2019, for the first time, Danone granted each eligible employee one DANONE share, thus giving the employee the right to vote at the Shareholders' Meeting. This share grant also enables employees to participate in a global profit-sharing system indexed on the amount of the annual dividend (see section 7.8 *Share ownership structure of the Company as of December 31, 2020*).

At the local level, employees of Danone's French subsidiaries are eligible for a profit-sharing plan indexed primarily on Danone's results. Some French subsidiaries and certain foreign subsidiaries have established employee incentive and/or profit-sharing agreements indexed on their own results.

Employees of Danone's French companies can also subscribe for an annual capital increase as part of a Company Savings Plan.

Lastly, in 2019, Danone launched its first global employee share ownership plan, enabling its employees in 8 countries—mainland China and Hong Kong, Indonesia, Mexico, Netherlands, Poland, Singapore, Spain and the United Kingdom—to subscribe for new Danone shares (see section 7.3 *Authorization to issue securities that give access to the share capital*).

## Inclusive Diversity

### Definition

Danone strives to ensure that every employee feels included, respected and fully capable of contributing in its own unique way to the Company's mission by making inclusive diversity a key component of its 2030 Company Goals.

### Policy and outcome

#### Inclusive Diversity Policy

When Danone signed the Global Agreement on Equal Opportunities with the International Union of Food Workers (IUF), it committed to promoting greater diversity within its corporate structure.

In 2017, as part of Danone's Inclusive Diversity roadmap, the Chairman and Chief Executive Officer and its Executive Committee pledged that, by 2020, 30% of the Company's executives would be women

### Retirement commitments, retirement indemnities and personal protection

Danone contributes to state-sponsored and/or private retirement funds for its employees in accordance with the laws and customs of the countries where its entities do business. The Company also has contractual commitments covering severance pay, retirement indemnities and personal protection, most of which are managed by independent fund management entities.

Commitments related to existing defined-benefit plans generate an actuarial liability, recognized as a provision in the consolidated financial statements. There is no actuarial liability for defined-contribution plans. The provision posted for these commitments as of December 31, 2020 and the expenses for the year are presented in Note 8.3 of the Notes to the consolidated financial statements.

### Focus – Protective measures in response to the Covid-19 crisis

In 2020, the Company took major steps to protect its teams and its ecosystem:

- All employment contracts of Danone's 100,000 employees were secured and salaries guaranteed worldwide until June 30, 2020;
- Special bonus for employees working on site around the world to ensure the continuity of the food chain.

and 30% of its executives would be of under-represented nationalities (*i.e.* people from Africa, Americas, Asia, Eastern Europe and Oceania). In 2020, these goals were achieved, as 30% of executives were women (vs. 17% in 2016) and 32% were of under-represented nationalities (vs. 20% in 2016).

In 2019, Danone published a position paper on inclusive diversity, supplemented in 2020 by its global internal policy on the fight against harassment and discrimination, which ensures that every employee is treated with dignity and respect. Its inclusive diversity strategy focuses on three global priorities: (i) promoting inclusive behaviors, (ii) gender equality and (iii) culture and nationalities. For each of these priorities, Danone has defined commitments and action plans, which are then implemented at the local level in order to cover diversity issues specific to local cultures and contexts.

Priority	Goal by 2020	Situation in 2020
Promotion of inclusive behaviors	Score of 90% on the Inclusion index	Score of 87% on the Inclusion index <sup>(a)</sup>
Gender equality	42% female directors 30% female executives	42% female directors 30% female executives
Culture and nationalities	50% directors of under-represented nationalities 30% executives of under-represented nationalities	50% directors of under-represented nationalities 32% executives of under-represented nationalities

(a) This information is based on the results of the Danone People Survey (DPS), which is sent to each Company employee every two years.

Also, of the 10.3% positions with greater responsibility at Danone (10.4% in 2019), which include executives, directors and some other senior-level managers, 50% of these employees were women (49% in 2019).

In addition, in order to support equal opportunities and the recognition of each employee, Danone, within all of its countries, ensures equal pay for women and men with the objective of a gap within a range of equity plus or minus 3 points. The 2020 female-to-male ratio is 96.8 globally, in line with the Company's ambition.

### Disability

Danone encourages its subsidiaries to share best practices regarding people with disabilities.

In France, the Company has signed specific agreements on disability and the fight against discrimination that include measures to support people with disabilities. Danone promotes the recruitment of people with disabilities by supporting events such as Tous HanScène. Danone also focuses on retaining people with disabilities by ensuring that they have the most suitable work environment.

In EDP Reporting Entity in Brazil, together with SER ESPECIAL, trains more than 500 disabled people to help them enter the labor

force. It has also developed an online recruiting platform to put them in contact with Danone as well as with other companies in Brazil.

### Parental policy

Danone is committed to creating the conditions every employee needs to make the most of parenthood, and to developing a family-friendly culture.

Danone's global parental policy is based on three key elements:

- pre-natal support, including modified working conditions and nutrition counseling during pregnancy;
- extended parental leave for both men and women, including 18 weeks for a birth parent, 14 weeks for a legally adoptive parent and 10 working days for a secondary caregiver;
- post-natal support, including job protection measures and return-to-work support, flexible working conditions and breastfeeding support by providing lactation rooms for mothers at all sites that employ more than 50 women.

For example, in 2020 Danone North America extended its parental policy to all its employees, including at the production sites level, enabling them to take up to 18 weeks of paid leave after the birth or adoption of their child.

Globally, Danone's goal was to deploy the parental policy in every country where it does business by 2020. At the end of the year, the Company had implemented this policy in 49 countries covering approximately 80,000 employees (vs. 18 countries in 2019). In 2021, the remaining countries will roll out action plans that will help achieve the Company's ambition.

### Governance

In 2019, two Executive Committee members were named sponsors of Inclusive Diversity: the EVP, Chief Financial Officer, Technology & Data, Cycles and Procurement and the EVP, Waters and Africa. Danone also initiated a movement to encourage employees to act within their sphere of influence to help achieve inclusive diversity targets.

More than 400 inclusive diversity champions around the world are thereby driving change at the local level and in the various functions, working with the Human Resources departments and management teams.

In order to implement inclusive diversity at Danone globally, an Inclusive Diversity steering committee is working on a transformational approach based on three pillars: people, brands and partners/communities.

### Action plans

In 2020, Danone also held several events:

- for International Women's Rights Day, the Company encouraged the sharing of various countries' best practices regarding gender equality;
- in Benelux, Spain and Italy, some brands and their employees joined in pride celebrations;
- during the second edition of Inclusive Diversity week, to engage and raise awareness among Danone employees, including through workshops on unconscious biases, sharing of a local roadmap for Inclusive Diversity and motivational sessions led by outside speakers;

Meanwhile, Danone is still an active member of the HeForShe movement and LEAD network.

### Commitment to the HeForShe campaign

HeForShe is a global campaign by UN Women that encourages men to take an active role in empowering women.

In Brazil, Indonesia, Italy, Mexico, the Netherlands and Spain, Danone has deployed HeForShe through its Leadership Mentoring program for women, enabling newly appointed women leaders to seek advice from experienced managers.

The Company's commitment to gender equality was recognized by the United Nations, which named Emmanuel FABER, Chairman and CEO of Danone (until March 14, 2021), "Inaugural Thematic Champion".

### External recognition

Danone maintained its position in the Bloomberg Gender-Equality 2021 index. The Company is ranked 39<sup>th</sup> in the Top 100 World for gender equality by Equileap.

In 2019, Danone received the GEEIS-SDG (Gender Equality European and International Standard-Sustainable Development Goals) trophy of the Arborus Foundation at the United Nations headquarters for the "Social School for Women Empowerment" project launched with the support of the Danone Ecosystem Fund and that is continuing with Danone Spain and Fundación Ana Bella. The project helps women escape domestic violence and rejoin the labor force by supporting a sales and nutrition training program. Meanwhile, Danone's headquarters in Paris and Singapore along with all the subsidiaries (including the production sites) based in Italy and Poland received GEEIS certification.

### Opportunities

Danone is committed to fostering an inclusive working environment that represents all forms of diversity, both visible and invisible. The Company's aim is to create a workplace environment that promotes both personal fulfilment for employees and efficient teamwork, with a view to developing solutions that are culturally relevant to consumers.

With its Inclusive Diversity strategy, Danone seeks to leverage its brands in order to make its consumers agents for change. In Mexico, Danone's bottled water brand *Bonafont* made gender equality a centerpiece of its brand commitment and took an active stance to help advance this cause. Over the past two years, *Bonafont* joined with UN Women to launch a support program for women entrepreneurs. This partnership includes the creation of limited edition HeForShe bottles and the donation of all proceeds from this program to charity.



## Focus – “One Person, One Voice, One Share”

As part of its innovative governance model and commitment “One Person, One Voice, One Share” Danone established in 2018 a new annual strategic routine. It is based on a global consultation that enables employees to share their views of the Company’s priorities and on the definition of local and global roadmaps. The third edition of this consultation was held in 2020.

Also in connection with this new governance model, 26 employee volunteers are picked each year from around the world to represent

all Danone employees and share ideas with members of the Company’s Board of Directors and Executive Committee, so that they may better understand employee needs and expectations, promote faster decision-making, stimulate innovation and enable local teams to take action and make progress toward achieving the 2030 Company Goals.

Danone also grants one Company share to every eligible employee, which gives them the right to vote at the Shareholders’ Meeting.

## SOCIAL RELATIONS

Danone works to promote responsible social dialogue that takes the interests of various stakeholders into account.

### Social dialogue

#### Definition

Danone aims to build successful relationships with its employees through continuous engagement and dialogue, the establishment of systems for reporting problems and filing complaints, and the use of responsible practices, especially during company reorganizations. Listening to union representatives regarding employee expectations and maintaining an open dialogue with them helps to limit the threat of strikes and business interruptions.

#### Policies

Social dialogue is a key driver for Danone at the management, trade union and employee representatives levels. It enables collective efforts to be aligned in order to improve the Company’s performance. Since 1989, 10 agreements have been signed between Danone and the International Union of Food Workers (IUF), and a joint vision was established.

#### Subjects of Danone-IUF agreements

1. Agreement on economic and social information for Danone companies (1989)
2. Agreement on gender equality in the workplace (1989)
3. Agreement on skills training (1993)
4. Agreement on the trade unions rights (1994)
5. Agreement on the event of changes in business activities affecting employment or working conditions (1997)
6. Agreement on the Fundamental Social Principles (2001)
7. Agreement on setting up of Group social indicators (2005)
8. Agreement on diversity (2007)
9. Agreement on health, safety, working conditions and stress (2011)
10. Agreement on sustainable employment and access to rights (2016)

#### Integration, implementation and communication of the fundamental conventions of the ILO

- Since 2003, Danone has been a member of the UN Global Compact, which incorporates the International Labour Organization (ILO) fundamental conventions. These conventions are formalized, implemented and brought to the attention of Danone employees and suppliers.
- The ILO conventions formulate seven fundamental labor principles that are covered in an agreement signed between Danone and the IUF. These principles form the basis of the RESPECT program, one of the goals of which is to extend these principles to Danone’s suppliers (see section 5.5 *Responsible sourcing-supplies other than milk*).
- Danone communicates its commitments to all employees through its Code of Business Conduct (see 5.1 *Responsible practices: ethics and integrity*).

#### Governance

Social relations issues are managed by the Human Resources Department, which reports to the Chief Human Resources Officer and General Secretary, a member of the Executive Committee.

Social relations at Danone are also based on:

- the Information and Consultation Committee, supported by its own Steering Committee, whose members include representatives from Danone management and union representatives;
- the Board of Directors’ Engagement Committee, which monitors the implementation of action plans and initiatives, such as the FutureSkills approach in 2020 described below;
- two Directors representing employees who sit on the Board of Directors are appointed by the Company’s Social and Economic Committee and the Information and Consultation Committee. A

member of the Social and Economic Committee also participates in Board of Directors’ meetings in an advisory capacity (see section 6.1 *Governance bodies*);

- close relations with the IUF through a bi-annual meeting between the Human Resources Department, its managers and the managers of the main regions to build a common objective and monitor compliance with and implementation of the agreements.

In addition, ongoing dialogue between Danone’s Head of Social Relations and the Human Resources department heads in the subsidiaries make it possible to report employee expectations up the line, especially with union representatives and employee representatives, and, if necessary, establish global or local action plans.

## Action plans

In view of the economic and social impacts of the Covid-19 crisis, Danone is committed to supporting employees who need to acquire new skills. In 2020, the Company worked with the IUF to develop an innovative approach, "FutureSkills", which aims to better prepare employees who need new skills for the jobs of tomorrow. These cover existing jobs that will change significantly due to additional skills requirements in the future as well as new jobs that may emerge. The professional training programs will mainly target employees identified as the most exposed and the most at risk based on criteria such as qualification and salary level. Trained individuals will continue to be employees of the Company and will retain their benefits for the duration of the training.

In addition, Danone and the IUF pursue their efforts to reduce employment uncertainty by applying specific definitions, methodology and processes, as defined in the global agreement on sustainable employment and access to rights signed in 2016.

Danone also encourages its subsidiaries to apply best practices conducive to dialogue with employees. This includes recommending that they monitor: (i) the number of business and employment-related information sessions for all employees; (ii) the proportion of employees covered by employee representatives; and (iii) the

## Focus – Respecting and promoting human rights in Danone operations

In November 2017, as part of a Consumer Goods Forum initiative against forced labor (see section 5.5 *Responsible sourcing-supplies other than milk*), Danone pledged to adopt policies to embed the CGF's principles into its operations.

In 2018, the Company issued an internal Global External Workforce Policy aimed focusing specifically on labor agency workers and prohibiting the payment of recruitment fees by workers. In 2020, as part of its implementation, Danone piloted in Mexico a dedicated methodology for social audits of labor agencies, which was co-developed and implemented by a specialized firm. This methodology includes surveys conducted among temporary workers and their Danone colleagues and supervisors to better assess the situation of temporary workers. The Company will roll out the methodology in the priority geographic regions in 2021.

annual number of meetings between site managers and employee representatives. The Company also offers social relations training programs at its subsidiaries which give the teams the resources they need to address challenges and stay ahead of critical issues.

In the United States, Danone has held an annual meeting between labor and management since 2019 and is working to define its local social dialogue roadmap.

## Outcomes

In 2020, 78% of employees were covered by collective bargaining agreements (as in 2019) (see Methodology Note).

The framework agreements between Danone and the IUF are deployed in each subsidiary, and each year a joint assessment is carried out with a Danone representative and IUF representative. Between 2009 and 2020, a total of 60 site visits were made.

## Opportunities

Danone views dialogue with employees as an integral part of its corporate culture and its dual economic and social project. It is also a powerful way to support employees' continuing efforts to improve the Company's performance.

More broadly, in 2020 Danone supported the launch of the CGF's new Human Rights Coalition—Working to end forced labour and pledged to develop and deploy Human Rights Due Diligence (HRDD) systems that focus on forced labor in its own operations, with the aim of reaching 100% coverage by 2025, including for third-party labour engaged by contractors or labour agencies to carry out regular and continuous work in its own operations.

At the same time, Danone deployed its e-learning training program on human rights and the fight against forced labor, developed in 2019, available to the Procurement, Human Resources and General Secretary functions to build awareness of the local teams on the topic. More than 3,500 Danone employees had completed this training at the end of 2020.

Lastly, the Company continues to monitor its subsidiaries' human rights performance through its Danone Way program.



## WORKPLACE HEALTH AND SAFETY

### Workplace safety: the WISE<sup>2</sup> program

#### Definition

Danone is responsible for ensuring the health and safety of its employees at all its sites, providing a healthy, safe and calm working environment that reflects a long-term and respectful commitment to the life balance of its employees. In light of the risks inherent in the Covid-19 crisis, the Company's priority is to ensure the safety of all employees at its production sites and tertiary headquarters.

#### Policies

##### Workplace Health and Safety Program – WISE<sup>2</sup>

<b>Objectives by 2020</b>	Zero fatal accidents and 50% reduction in workplace accidents requiring medical absence relative to 2014 <sup>(a)</sup> .
<b>Application scope</b>	Monitoring of types of accidents (fatal accidents, accidents with and without lost time): all people working at Danone sites (employees, workers from staffing agencies or other outside labor providers and subcontractors).
<b>WISE<sup>2</sup> program operation</b>	<p>WISE<sup>2</sup> is a worldwide program that seeks to continuously reduce the number of workplace accidents through two approaches:</p> <ul style="list-style-type: none"> <li>• promote the culture of workplace health and safety at all Company sites;</li> <li>• ensure compliance with standards for the most critical risk situations.</li> </ul> <p>To address these situations, the Company continuously defines new standards, and in particular since 2019, those related to machine safety at the plants and those related to the specific risks of the sales activities and activities carried out at the head offices (ergonomics, remote work, hotels and travel, etc.).</p>

(a) Following two fatal traffic accidents in 2020, Danone has reinforced the preventive measures included in its standards to mitigate the risks of road accidents and defensive driving.

#### Governance

Managed by the Human Resources Department, the WISE<sup>2</sup> program is deployed at each Reporting Entity, at the production sites and at the logistics warehouses for sales and distribution. Health and Safety managers at the subsidiaries and sites support the program's smooth operation.

The program is overseen at the Company level by the Safety Steering Committee, which is chaired by the Chief Human Resources Officer and General Secretary, a member of the Executive Committee. He is supported by the Chief operating officers of the Reporting Entities and the Head of health, safety and working conditions.

#### Action plans

The sites are responsible for conducting their own risk assessments. In Europe, in particular, the Single Risk Assessment Document (Document Unique d'Évaluation des Risques – DUER) requires companies to assess their risks and implement the necessary action plans to ensure employee safety.

Danone encourages its employees to identify and report risks and accidents through a participatory system open to (i) all Danone employees; (ii) some sites open to workers employed through

agencies and trade workers; and subcontractors. In cases of major risks or accidents, special procedures and a system for reporting the information up the line have been established according to the management levels.

Meanwhile, each year approximately 50% of Danone sites, production sites and the sales force are subjected to WISE<sup>2</sup> audits covering both the safety culture and compliance with standards. Since 2018, Danone also deployed the WISE<sup>2</sup> "compliance standards" in countries where convenience store distribution is significant (Egypt, Indonesia, Mexico and Morocco). In 2020, given the Covid-19 crisis and travel restrictions, the Company performed only 5% of the originally planned WISE<sup>2</sup> audits.

WISE<sup>2</sup> audits are also performed for certain administrative headquarters.

In addition, the WISE<sup>2</sup> action plans include the management of working conditions, particularly with initiatives to assess ergonomic risks, provide training on repetitive motions and posture and workstation configurations. Danone also takes measures to reduce working hours and employee turnover in convenience store distribution. The rate of workplace illness and related absenteeism are monitored at the local level.

## Outcomes

Year ended December 31

	2019			2020		
<i>(number of accidents, except frequency rate in percentages)</i>	Fatal accidents <sup>(a)</sup>	Accidents with at least 1 day lost time <sup>(a)</sup>	Frequency Rate 1 (FR1) <sup>(a)</sup>	Fatal accidents <sup>(a)</sup>	Accidents with at least 1 day lost time <sup>(a)</sup>	Frequency Rate 1 (FR1) <sup>(a)</sup>
<b>By Reporting Entity</b>						
Essential Dairy & Plant-Based	–	157	1.6	–	127	1.3
Waters	1	103	1.2	2	70	0.8
Specialized Nutrition	–	50	1.0	–	35	0.7
Corporate functions	–	46	2.9	–	20	1.3
<b>Total</b>	<b>1</b>	<b>356</b>	<b>1.4</b>	<b>2</b>	<b>252</b>	<b>1.0</b>

(a) Safety Scope, see Methodology Note.

Year ended December 31

	2019	2020
Frequency rate 2 (FR2) <sup>(a)</sup>	1.24	0.95
Severity rate <sup>(a)</sup>	0.06	0.07

(a) Safety Scope, see Methodology Note.

### Focus – Promoting well-being in the workplace and stress prevention

Since 2014, Danone has included promoting health and well-being in the workplace to its WISE<sup>2</sup> program. Danone defined a systematic approach built around five pillars: (1) ensure a good work rhythm, (2) make daily work meaningful, (3) promote healthy ways of working (4) manage staff with kindness and authenticity, and (5) promote a healthy lifestyle and environment. Practical guides encourage the subsidiaries and sites to implement them. Some subsidiaries have implemented initiatives that call for:

- the right to disconnect;
- visits by psychologists and social workers and committees to detect situations of workplace isolation;
- training of management to detect and prevent employee stress.

In 2019, Danone offered a training program in Europe for the human resources function on quality of life in the workplace. In 2020, in the context of Covid-19 crisis, these measures were supplemented by:

- global and local surveys to regularly monitor and ensure the well-being of employees in order to identify their needs;
- a Stay Strong Stay Safe campaign in which employees were asked about changes in their working conditions in the following five categories: (i) effectiveness at work, (ii) mental health, (iii) physical health, (iv) managerial monitoring and support and (v) solidarity and mutual assistance;
- the creation of a psychological support unit for employees.

### Health in the workplace

#### Definition

Access to health coverage and education regarding health challenges for all employees is a priority for Danone, which notably continues to deploy its Dan'Cares program in countries where the Company operates. In the context of the Covid-19 crisis, this became an even higher priority for all employees worldwide.

#### Policies

In 2009 Danone launched the Dan'Cares program, with a goal of ultimately guaranteeing quality health coverage for all employees to cover major risks while taking into account practices in the respective markets. The three main risks taken into account are hospitalization and surgery, ambulatory care and maternity care. Dan'Cares is intended to be deployed in all Danone subsidiaries, including in countries where such coverages are not offered by the healthcare systems.

Danone conducts regular market studies to assess where it stands in terms of employee health coverage relative to the market. In 2020, Danone extended the health coverage of its local programs (family health coverage, employee assistance program) in light of Covid-19.

#### Action plans

In addition to the Dan'Cares program, Danone has implemented several initiatives, including Health@Work, which seeks to inform and raise awareness among employees on improving their health through dietary practices and physical activity. In 2020, 94% of Danone's employees (vs. 84% in 2019) had access to at least one free offer of this program (Health & nutrition scope, see Methodology Note).

Moreover, in 2020 all Danone entities included employee health as a condition of business continuity. They implemented and monitored preventive measures such as checking for fevers, access to protective equipment and/or Covid-19 testing (Danone Way scope, see Methodology Note).

## Outcomes

As of December 31, 2020, 100,109 employees (99,627 in 2019) in 53 countries (same as 2019) received health coverage meeting the criteria defined by Dan'Cares.

Most of the beneficiaries under the Dan'Cares program were able to include family members.

## EMPLOYEE SECURITY

### Definition

With a presence in more than 120 countries, Danone may face numerous security challenges and it has the responsibility to protect all employees from malicious acts. To that end, Danone analyzes security risks by country, develops preventive measures adapted to each situation to implement in order to secure the workplace and, when necessary, respond effectively.

### Policies

In 2018, Danone's Chairman and Chief Executive Officer signed a formal Security Policy that defines the Company's vision, missions and objectives for this area. The global security management guidelines articulate the principles of the policy, particularly in terms of protecting employees. The security and health policy for travelers rounds out the Company's corporate travel policy with a set of security guidelines.

The Security Department also published specific guidelines on international business travel in the context of the Covid-19 crisis. The latest version of these guidelines is available to all employees on the Company's internal social network.

The security operating procedures for the production sites formalized in 2019 are currently being rolled out for all Danone entities.

### Governance

The Chief Security & Competitive Intelligence Officer (CSO), who reports to Danone's General Secretary, is responsible for managing security risks.

The Security Department consists of four specialized units:

- international security, responsible for (i) implementing the guidelines at the regional and local level, (ii) risks linked to business travel and related communications, and (iii) protecting the Company's tangible and intangible capital;
- operations security, responsible for protecting the supply chains and investigating suspected food fraud;
- risk analysis, responsible for drafting guidelines and forward-looking reports, country risk analysis and security watch;
- cybersecurity, responsible for centralizing Danone's policy in this area; its role was enhanced with the creation of a Cyber-Board, which reports to the Chief Security & Competitive Intelligence Officer.

In the countries where Danone is present, security experts support local Human Resource managers who are responsible for managing local staff, including security aspects.

Danone's Security Department interacts with the Danone Reporting Entities, notably through training sessions of the Reporting Entity Management Committees.

## Opportunities

Implementing a robust workplace health and safety strategy helps strengthen employee commitment. It also represents an opportunity for the Company to address employees' new needs, such as taking workplace ergonomics into account for an ageing population at its production sites and providing extended health coverage during the Covid-19 health crisis.

### Action plans and outcomes

Security risk management is based on the following three pillars:

- anticipation and information: risk monitoring and analysis to understand the security threats facing Danone and its employees, and define action plans. Protecting employees means mapping risks on a country-by-country basis and working with local teams to refine the Company's analysis of the environment. Danone ensures that information relating to security risks is properly communicated to the employees and that security rules related to business travel are shared through regular communication and awareness actions. To this end, the security team has developed an online training module that is available on Danone's digital learning platform, Campus X.
- prevention and protection: working with internal and external experts to implement preventive measures that reduce the likelihood of incidents. This includes monitoring business travel and expatriate assignments in high-risk countries and setting up security protocols. Each Danone site conducts a self-assessment using an audit checklist, then works with security experts to continue improving security based on the results. Since 2017, 91% of the production sites have conducted security self-assessments. In 2020, in the context of the crisis, 82% of the sites conducted their self-assessment (scope: 176 production sites). In 2020, the security team established a communication plan, clarified roles and updated the assessment checklist to take into account the sector-specific characteristics of the Company's activities.
- response and incident management capabilities: positioning resources that enable the Company to respond in the event of an incident and using past experience to strengthen existing prevention and protection systems. Working with the Human Resources department, the Security Department continuously applies an outsourced monitoring system as well as a medical and security assistance program.

This security system is then adapted to security risks for each region where Danone operates.

In 2020, Danone's Security Operational Center (SOC) noted 57 important or urgent events, all of which were reported to the security team. For these events, the SOC contacted the security team 11 times (vs. 23 in 2019) given that Danone employees were close to the impacted area. On 2 occasions, the security team decided to contact all employees potentially affected by the event. The decrease in the number of events handled by the SOC is tied to the travel restrictions in 2020 due to the Covid-19 health crisis.

## Opportunities

The establishment of information, communications and awareness measures contributes to employee well-being by securing their work environment.

## 5.5 PROMOTING SUSTAINABLE, INCLUSIVE GROWTH WITH SUPPLIERS

Danone has identified three risks linked to sourcing, namely: (i) trading and pricing practices, (ii) responsible sourcing, and (iii) human rights. These risks are addressed below, first for milk and then for all other ingredients. This section is designed to cover the steps involved in complying with the French law on Duty of Vigilance:

### RESPONSIBLE SOURCING – MILK

#### Definition

Both consumers and civil society are increasingly sensitive to fairness towards suppliers and producers, in areas ranging from business practices to value-sharing and pricing. This is especially true for milk sourcing, which is the main raw material that Danone purchases.

#### Governance

Danone has a dedicated team—the Agriculture cycle—which oversees milk supplier relations and the rollout of the Company’s roadmap. It reports to the Cycles and Procurement Department and works closely with other cycles such as the Water & Nature Cycle, mainly through the regenerative agriculture taskforce. At the local level, the milk departments in each country where Danone operates implement this roadmap with their local milk suppliers.

risk mapping, regular risk map-based evaluation procedures, appropriate measures for risk mitigation and prevention of serious breaches, whistleblowing system and monitoring of measures and assessment of their efficiency (see section 5.1 *An integrated approach of sustainable business model*).

#### Policies

##### Sourcing strategy

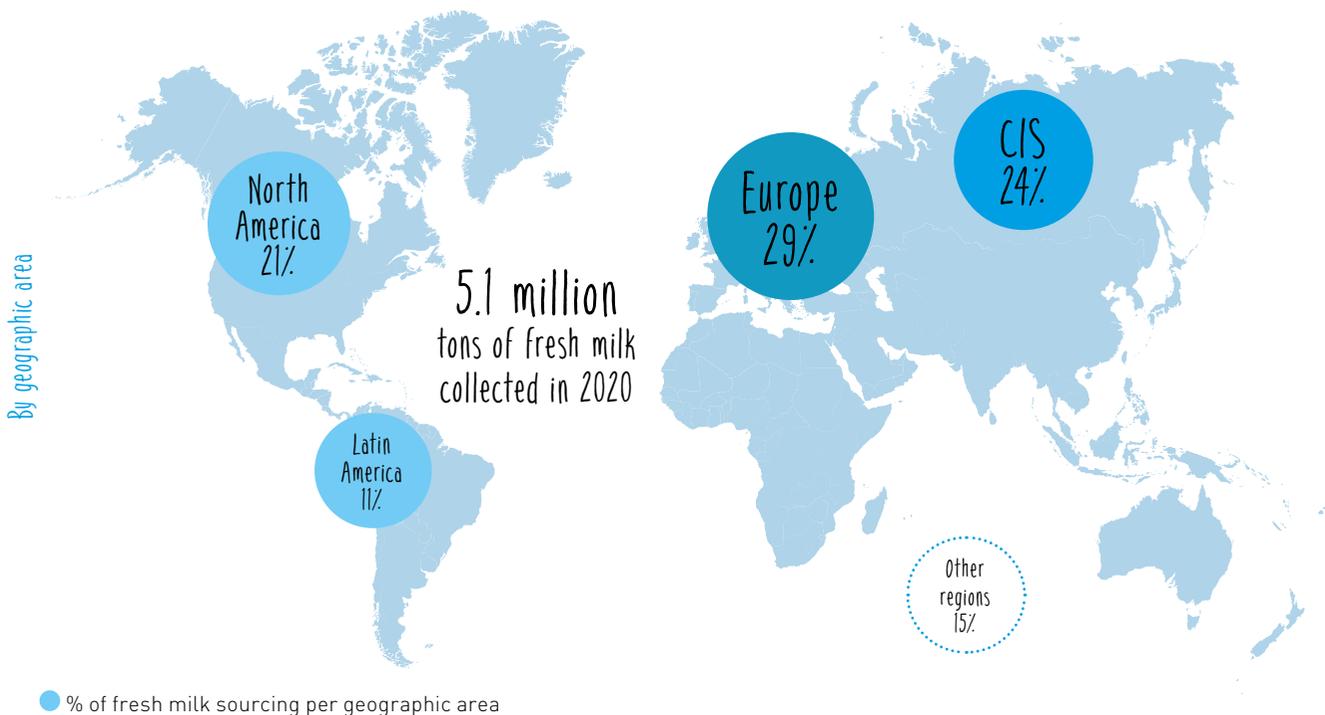
Danone sources local raw milk from more than 50,000 farms in around twenty countries, both directly and indirectly. Most of the milk sourced by the Company comes from small or family farms.

About 80% of the partner producers own small farms with fewer than ten cows and are located primarily in emerging countries in Africa and Latin America. These small farms supply about 30% of Danone’s total milk volume.

Danone also works with family farms (with herds ranging from a few dozen to thousands of cows), which represent about 20% of the Company’s suppliers and nearly 70% of milk volumes, the latter being generally directly collected by the Company.

In North America and some Middle Eastern countries, Danone occasionally works with larger farms to ensure reliable access to sufficient volumes of quality milk.

### Danone’s sourcing of fresh milk



## Action plans and outcomes

Danone supports dairy farmers by providing them with training and technical support to transform their practices while ensuring the viability of their business models. For example, the Farming for Generations alliance, created in 2019 and in which Danone participates, has identified 58 best practices and innovations across various farming models, farm sizes and geographic areas. Through the Sustainable Dairy Partnership, the Company has continued to work for a more sustainable dairy industry by supporting the prevention of deforestation, the protection of human rights and animal welfare, as well as compliance with local legislation. In 2020, it also headed a regenerative agriculture assessment project with the aim of analyzing farmers' practices in the areas of soil health, biodiversity and water management and issuing recommendations. In addition to these collaborative actions, specific tools and methodologies are deployed and monitored by Danone's Agriculture cycle:

- **MilQSat**: an initiative co-developed by the EDP Reporting Entity and its partner farmers to assess the performance of farmers from which Danone purchases milk directly in terms of quality, food safety and traceability;
- **Cool Farm Tool and Cap2Er**: specific tools for calculating greenhouse gas emissions from livestock. Cool Farm Tool, implemented at 14 entities in 2020, covers most of Danone's sourcing, and Cap2Er, developed by the French Livestock Institute (Idele) is the reference tool for all Danone entities in France;
- **animal welfare tool**: launched in 2016 and now implemented in 14 countries (see section 5.3 *Transition toward regenerative agriculture that includes organic agriculture*);
- **water risk assessment in relation to milk sourcing**: updated in 2020, methodology used to identify farms or collection centers

located in water-stressed areas and to determine an appropriate approach (mitigation, adaptation or relocation of the supply source).

Danone also supports the next generation of farmers, who play a leading role not only in producing the food we eat but in implementing responsible practices such as carbon sequestration, protection of water resources and biodiversity.

### Cost Performance Model (CPM)

Danone works with producers in the United States, Europe and Russia to develop innovative contracts, with an average term of three to five years, to reduce milk price volatility and thereby offer farmers greater visibility and financial stability.

These long-term Cost Performance Model (CPM) contracts factor production costs into milk pricing and are developed in partnership with milk producers or their organizations.

In 2020, 43% of milk collected in Europe (41% in 2019) and 55% of milk collected in the United States (53% in 2019) came from producers with CPM contracts. Altogether, 29% of the milk Danone collects is covered by CPM contracts (28% in 2019).

### Opportunities

By developing viable financial models with its dairy partners, the Company also helps encourage and maintain the transmission of agricultural expertise across generations. These actions are an opportunity for the Company to secure its supply chain while ensuring that practices evolve to address mounting social and environmental challenges. As an example, the MVP Dairy Farm (Danone North America's milk supplier), which has pledged to use farming methods that ensure land preservation and soil health improvement, obtained B Corp™ certification in 2020.

These actions also strengthen the positioning of the Company's brands and meet consumers' responsible sourcing expectations.

## RESPONSIBLE SOURCING – SUPPLIES OTHER THAN MILK

### Definition

The global supply chains that power the food and beverage sector carry the risk of human rights and environmental violations, both upstream of the farm sector and at the Company's direct suppliers. To limit these risks, Danone has established a set of fundamental principles and has made specific public commitments. It fulfills these commitments by working with suppliers towards more responsible practices.

### Policies

#### Sustainability principles

Danone's responsible sourcing approach is based on the Company's Sustainability Principles, which cover its operations and supply chain and labor rights, environmental protection and business ethics topics and include:

- seven labor principles based on the criteria set by the International Labour Organization (ILO): elimination of child labor, elimination of forced labor, non-discrimination, freedom of association and the right to collective bargaining, workplace health and safety, working hours and compensation;
- five environmental principles: preservation of resources, reduction of use of chemicals, fight against climate change and reduction of greenhouse gas emissions (GHG), environmental management and animal welfare;
- principles of business ethics for fair, lawful transactions that reflect the provisions of Danone's Code of Conduct for Business Partners.

These principles are incorporated into a clause in its contracts with direct suppliers. Pursuant to this clause, the supplier warrants that the labor and ethical principles are already in place in its own organization, and that its employees, agents, suppliers and subcontractors comply with these as well. The supplier also undertakes to adopt the environmental principles.

#### Environmental commitments

In addition to its sustainability principles, Danone's environmental strategy covers issues that require the involvement of its value chain partners and suppliers, particularly with respect to its commitments related to elimination of deforestation, regenerative agriculture, preservation of water resources, circular economy and reduction of GHG emissions (described in detail in section 5.3 *Preserve and renew the planet's resources*).

The Company has made the following commitments:

- since the publication of its Forest Footprint Policy in 2012, to eliminate deforestation from its supply chains and to apply the principle of no deforestation, no development on peat and no exploitation of the rights of workers, indigenous people and local communities (NDPE). At the end of 2020, Danone had reached key milestones towards achieving these goals, in particular the creation of the first supply chain for RSPO-certified segregated palm oil in the United States. The Company's efforts have been recognized by the CDP, which awarded Danone the highest possible score (A) for the CDP Forests questionnaire (see section 5.3 *Preserve and renew the planet's resources*);

- to implement sustainable practices with its farmers all over the world as part of its regenerative agriculture strategy: For example, Danone has pledged that 100% of its agricultural raw materials produced in France will come from regenerative agriculture by 2025 and is helping its farmers whose farms are located in water-stressed areas reduce their water consumption by 25% by 2030;
- to work with its suppliers to (i) activate its circular economy commitment for its plastic packaging, and (ii) meet its commitment to reduce by 50% its full scope GHG emissions intensity by 2030 compared with 2015.

### Human rights

In 2016, Danone joined the Consumer Goods Forum's (CGF) collective effort to eradicate forced labor from its global supply chain. To this end, in 2017 Danone incorporated the three priorities set by the CGF into its Fundamental Social Principles: (i) every worker should have freedom of movement; (ii) no worker should pay for a job, and (iii) no worker should be indebted or coerced to work. In 2018, Danone formalized this commitment in the Danone statement on forced labor (see Danone's website). The Company also supported the launch in 2020 of the CGF's new Coalition—*Working to end forced labor*, which is co-sponsored by Emmanuel FABER, Danone's Chairman and CEO (until March 14, 2021). In doing so, Danone pledged to develop and implement Human Rights Due Diligence (HRDD) systems that focus on forced labor in its operations, with the goal of achieving 100% coverage by 2025, including external workers hired by temporary work agencies or by its subcontractors to carry out regular and continuous work at its entities. In 2021, Danone will establish its roadmap based on the CGF's guidelines.

Meanwhile, in 2019 Danone participated with the OECD in the launch of the Business for Inclusive Growth coalition, which aims to scale up actions on inclusive growth, particularly as regards human rights across the value chains. In November 2020, the 40-member coalition issued a position paper reaffirming its resolve to eliminate child labor and forced labor and to respect freedom of association. To that end, the members intend to develop and mobilize tools related to (i) due diligence, (ii) helping suppliers make progress in terms of human rights, and (iii) grievance mechanisms.

### Governance

In 2020, compliance with the responsible purchasing and human rights programs is monitored by the Nature & Water Cycle Department, part of the Cycles and Procurement Department, under the responsibility of the Chief Cycles & Procurement Officer.

An update on the progress of the "human rights" pillar of the vigilance plan was presented to the Board of Directors' Engagement Committee in December 2020.

### Due diligence in responsible procurement

Danone implements responsible procurement due diligence towards its direct suppliers through its RESPECT program and also for the highest-risk agricultural raw materials in its supply chain.

### Scope of RESPECT program

The RESPECT program applies to Danone's direct (Tier 1) suppliers in purchasing categories other than raw milk, *i.e.* processed raw materials such as fruit preparations and powdered milk, packaging, production machinery and transport and other services.

Since 2017, Danone has moved this program towards a comprehensive due diligence approach and stepped up its human rights requirements. This approach is inspired by the United Nations Guiding Principles on Business and Human Rights (UNGPs).

### Labor and environmental risk-mapping

In 2017, the Company updated its global materiality and risks analysis, which highlights the importance of responsible purchasing and respect for human rights. In 2021, this analysis has been reperformed (see 2020 Annual Integrated Report of Danone).

At the same time, Danone mapped major potential risks for its 20 purchasing categories with the highest exposure in terms of social and environmental impact. The Company analyzed these risks using a checklist derived from the ISO 26000, GRI G4 and SA 8000 standards, taking into account the potential impacts of purchased products mainly from the standpoint of labor rights and human rights, but also the impacts on local communities and consumers, as well as in terms of fair trade practices and environment.

This work made it possible to identify the priority categories of goods and services purchases from the standpoint of human rights, namely (i) workers employed through outside labor providers and (ii) four agricultural raw materials (palm oil, cocoa, cane sugar and fruits), for which the potential risks primarily exist at farms and plantations in the upstream end of Danone's supply chain and include, in particular, the potential risks typical of agricultural chains, such as working conditions, health and safety, forced labor and child labor. For the environment, the risk-mapping exercise confirmed the three priority categories set out in Danone's Forest Footprint Policy (palm oil, soy, paper pulp and paper and cardboard packaging).

After acquiring the WhiteWave group companies, Danone updated its risk-mapping process to include changes to its ingredient portfolio.



### Agricultural supply chain transparency

With input from independent experts, Danone is working on transparency for the following five priority categories:

- **palm oil:** Danone works with Earthworm Foundation (formerly The Forest Trust) to ensure traceability of palm oil. At the end of 2020, 95% of the palm oil sourced by Danone was certified RSPO segregated, 3% was certified RSPO Mass Balance and the remaining 2% was conventional palm oil sourced in Africa (see section 5.3 *Preserve and renew the planet's resources*). Since 2018, the Company has also published a list of its palm oil suppliers (direct and mill-level) on its website;
- **fruit:** in 2020, 100% of Danone's fruit supplies were traceable to the Company's Tier 2 suppliers;
- **cocoa:** in 2018, Danone reached 70% country-level traceability and sourcing of cocoa products remained unchanged in 2020;
- **sugar cane:** Danone works with the NGO ProForest to ensure traceability of sugar cane, which reached 83% in 2020, of which 41% mill-level traceability and 42% plantation-level traceability. The drop versus 2019 was linked to a decrease in purchased volumes as a result of Covid-19;
- **soy:**
  - soy used in plant-based products: in Europe (*Alpro*) and in North America, soy comes from areas with very low deforestation risk. In addition, 100% of soy used for the *Alpro* brand is ProTerra-certified.
  - soy for animal feed: Danone estimates that soy accounts for less than 5% of the feed consumed by the dairy cows in its supply chain. In North America and Brazil, its dairy farmers buy soy locally in regions with no risk of deforestation. Through research with Transparency for Sustainable Economies (TRASE), the Company estimates that 20% of the soy used for animal feed in Europe, Russia and Africa could come from regions at risk of deforestation. To mitigate this risk, it has implemented action plans consistent with its soy policy and aims to promote the use of local soy or other local alternatives. Danone also purchases RTRS (Round Table on Responsible Soy) credits – a widely recognized certification scheme – in proportion to the risk for the Company.

### Direct (Tier 1) supplier risk mapping

In 2020, Danone conducted a new risk analysis that combined risks and purchase amounts for its top 50 suppliers (in terms of purchase amounts) of its representative operating units and global categories. The Company developed an in-house human rights impact score for each supplier based on (i) the inherent country social risk index as identified by the new Sedex (Supplier Ethical Data Exchange) risk tool (50%), (ii) the purchase amount (30%), and (iii) the purchase category risk (20%) based on the analysis of 892 audits conducted worldwide on Danone's suppliers in 2018 and 2019. In 2020, the Company focused on the largest purchase amounts to better understand the coverage rate of its suppliers in terms of Sedex registration and auditing (the previous 2018 risk analysis included small suppliers). As a result, 838 suppliers were measured based on this human rights impact score, representing approximately 26% of purchase amounts.

### Regular risk map-based evaluation procedures for direct suppliers

Danone asks its direct suppliers to register on the Sedex collaborative platform and complete a self-assessment questionnaire evaluating their sustainability performance. At the end of 2020, 3,891 supplier sites were registered on the platform vs. 4,062 in 2019 (this drop was mainly due to tightening of the registration renewal rules), and 57% had completed the new 2020 questionnaire.

Regarding on-site assessments, Danone conducted the remaining six audits from its 2019 audit plan in the first quarter of 2020 using the SMETA (Sedex Members Ethical Trade Audit) protocol. As travel was restricted due to the Covid-19 pandemic, Danone focused mainly on (i) improving its assessment procedure to identify high-impact suppliers in regions and for the priority categories and (ii) providing resources to help suppliers improve their performance. Based on its 2020 impact analysis, the RESPECT team worked with purchasing departments around the world to co-develop the 2021 audit plan, selecting 119 potentially at-risk and commercially important sites. The Company plans to implement virtual audits in 2021 conducted by third-party organizations in accordance with the Sedex Virtual Audit (SVA) protocol.

Through the Sedex platform, the Company can also access audits of shared suppliers by peer companies and participates in mutual audit recognition through the AIM-Progress forum. As a result, in 2020 Danone had access to 309 SMETA audits carried out on its suppliers, either by the Company itself or by its peers.

With regard to continuous supplier improvement and audit closure, Danone's goal is to establish regular dialogue with its direct suppliers on their responsible purchasing processes and monitor audit effective remediation, including when audits of shared suppliers are conducted by peer companies. In 2020, in the context of the Covid-19 pandemic, Danone focused on developing new processes to increase the robustness and sustainability of its supplier remediation plans. The Company relied on dedicated experts in China and Mexico to help suppliers develop their corrective action plans. Audit closure is monitored through the RESPECT KPI 3 indicator.

### Mitigating risk and preventing serious violations

#### Training and engagement

Danone trains its RESPECT champions and buyers on the RESPECT program and ensures that they are aware of risks related to forced labor and the CGF's three priorities. In 2020, the central team in charge of this program stepped up this training by organizing monthly training webinars and sessions regarding audits. They included more than 327 buyers, champions or purchasing managers, with one-third attending more than one session. In 2020, the RESPECT team also developed e-learning modules that will be part of the buyer skills program. These initiatives significantly strengthened buyers' engagement and fostered discussions about local requirements. They supplement the training module on human rights and forced labor already offered online (see section 5.4 *Focus – Respecting and promoting human rights in Danone operations*). At the end of 2020, more than 3,500 Danone employees had completed this training.

#### Certification

The Company uses certification for the following categories: RSPO for palm oil; UTZ for cocoa and for Danone North America's coffee, FSC or equivalent for paper, and RTRS or Proterra for soy.

#### Projects

The Company works directly with selected producers further up its supply chain and has developed many collaborative projects that help producers address environmental and labor issues, such as:

- the launch in 2020 of a third phase of the Cartoneros project which supports waste pickers in Argentina, in collaboration with the Danone Ecosystem Fund and local partners, to counter forced labor and informal employment abuses in the recycling of plastic. The objective is to increase the impact of the project, by raising waste recycling rates while improving the working and living conditions of urban collectors organized into recycling cooperatives, and empower 45,000 people within 40 cooperatives in 35 cities in Argentina;

- a vanilla plantation project in Madagascar supported by the Livelihoods Fund for Family Farming. The aim of this project, which involves 3,000 family farms, is to develop solutions that improve the quality and traceability of vanilla production, boost food security for farmers and preserve biodiversity;
- participation in a multi-stakeholder holistic project in the Siak and Pelalawan districts in Indonesia to support deforestation-free palm oil and improve the livelihoods of small farmers. The aim of this initiative is to develop sustainable and inclusive production models in these regions.

#### **Collaborative initiatives**

Danone participates in several dedicated palm oil platforms such as POIG, SASPO and RSP0, as well as more generic platforms such as the Sustainable Agriculture Initiative (SAI). The Company also contributes to collaborative food and beverage sector initiatives such as AIM-Progress and the CGF.

#### **Whistleblowing system**

Since 2017, the Danone Ethics Line has also enabled whistleblowers to report suspected environmental and human rights violations (see section 5.1 *Responsible practices: ethics and integrity*). The reporting process was developed in consultation with employee representatives and ensures that whistleblowers are protected.

In 2020, 31 reports were made in the "human rights" category. This category selected by whistleblowers includes violations in the areas of child labor, forced labor, right to collective bargaining, working time and wages. The reports received in 2020 came from 14 countries and covered routine human resources matters, including in particular working time (nearly 50%) and wages and, in some cases, trade unions and unfair dismissal. None of them qualified as human rights violations, but all have been or are being pursued in thorough internally investigations. Thus, 24 cases have been closed and 7 are still under investigation.

All reports received in the "human rights" category are initially reviewed by the Human Resources function. If serious violations are identified based on a report, the Sustainability, Human Resources

and General Secretary departments come together to review them and determine appropriate action plans.

In 2020, eight reports were made in the "environmental violations" category, all of which were investigated and plans for mitigation measures were developed as necessary. All cases have been closed.

All reports received in the "environmental violations" category are initially reviewed by Danone's Compliance Department and, when necessary, sent to the relevant function or department in order to investigate and, where applicable, mitigate the potential problem.

In addition, in 2019 Danone published on its website the grievance mechanism it developed, with Earthworm Foundation's support, to handle allegations of non-compliance with the palm oil policy. In 2020, the Company strengthened its process to address human rights violation allegations coming from channels other than Danone Ethics Line by formalizing a human rights grievance reporting template and following up on them through weekly grievance meetings.

#### **Tracking and assessing the effectiveness of supplier programs**

Danone tracks its RESPECT program using three indicators that measure (i) suppliers' registration on the Sedex platform (KPI 1), (ii) the audit plan completion rate (KPI 2), and (iii) on-time closure by auditors of audits that identified critical non-conformities (KPI 3). Due to the pandemic, in 2020 the latter two indicators were converted to resources indicators, which helped strengthen the involvement of the purchasing teams.

Instead of plan completion, the KPI 2 indicators measured the purchasing teams' efforts to work together to develop the 2021 audit plan combining risk and commercial significance. This indicator was 89% for the regions in 2020. Instead of audit closure, the KPI 3 indicator measured the purchasers' involvement with their suppliers in the closure of critical non-conformities, with the help of expert resources. This indicator was 74% in 2020.

These RESPECT indicators are included in the calculation of the variable compensation of the regional purchasing teams and the RESPECT team, including for their managers.



**Breakdown of critical non-conformities identified**

Analysis focused solely on critical non-conformities from SMETA audits (or those conducted using a similar methodology) of Danone suppliers in 2019 and 2020.

	<b>2019</b>	<b>2020</b>
Total number of critical non-conformities identified	277	126
Percentage of critical non-conformities related to:		
• forced labor	1%	1.6%
• child labor	1%	0%
• health and safety	51%	49.2%
• discrimination	0%	0%
• freedom of association and the right to collective bargaining	2%	2.4%
• working hours and compensation	27%	33.3%
• the environment	8%	4.8%
• business ethics	5%	4%
• other	5%	4.8%

The critical non-conformities identified and reported above have been resolved or are being remedied with the suppliers.

The two non-conformities related to forced labor have been resolved. One was related to mandatory overtime at a production site in the

United States: corrective measures included notably implementing a new clocking system and training supervisors to manage working hours more effectively. The second was related to the lack of a reimbursement policy for employee training expenses in Indonesia: corrective measures included updating the terms of the contract.

## 5.6 DANONE'S SOCIAL INNOVATION FUNDS

### DANONE COMMUNITIES

In 2007, Danone created the Danone Communities SICAV (Société d'Investissement à Capital Variable) and the Danone Communities FPS (Fonds Professionnel Spécialisé, or specialized professional investment fund). The SICAV invests (i) at least 90% of its assets in money market instruments, bonds and other vehicles that emphasize socially responsible investment, and (ii) no more than 10% in the FPS.

As of December 31, 2020, the Danone Communities SICAV fund had a total of €92 million in assets under management. Of that total, 16.3% was held by Danone and 41.85% was held by its employees through Danone Communities Solidaire, an employee investment fund (fonds commun de placement d'entreprise, or FCPE). As of December 31, 2020, Danone also held 71.73% of the FPS.

Danone Communities and its partners invest in businesses that have a significant social impact in line with Danone's purpose, primarily in emerging countries, of "bringing health through food to as many people as possible". In particular, Danone Communities backs social entrepreneurs who are working to reduce malnutrition and improve access to safe drinking water, two levers to reduce poverty.

FPS Danone Communities backs 12 social companies in 17 different countries. To date, Danone is also a shareholder in three of these social businesses: Grameen Danone Foods Limited in Bangladesh; La Laiterie du Berger in Senegal; and Nutrigo in China.

As of December 31, 2020, total investments in these businesses came to €14 million for the Danone Communities FPS fund (€12.8 million as of December 31, 2019).

### DANONE ECOSYSTEM FUND (FONDS DANONE POUR L'ÉCOSYSTÈME)

The Company created the Danone Ecosystem Fund in 2009, with initial funding of €100 million. An endowment fund headed by a board of directors, it is tasked with strengthening and expanding community service activities within the Danone ecosystem. A guidance committee, composed of representatives of Danone and non-Company members, establishes the fund's major strategic guidelines, especially with regard to priorities and resource allocation principles. An investment committee is responsible for proposing investment projects for the endowment to the board of directors and overseeing their deployment.

Once projects are selected, they are deployed by non-profits and/or by the fund directly. Since its creation, the fund has supported

projects in five key areas: sustainable sourcing, micro-distribution, recycling, personal care, and sustainable management of land and catchment areas.

The fund has no employees: Danone staff members are assigned to manage its day-to-day operations and administrative activities. Their salaries and travel expenses, which totaled €1.4 million in 2020 (€1.4 million in 2019), are charged to the fund in full by Danone.

As of December 31, 2020, the Danone Ecosystem Fund had 34 active projects worldwide, representing a total commitment of €78.6 million (€77 million as of December 31, 2019).

### LIVELIHOODS CARBON FUND

The Livelihoods Carbon fund (LCF) is an investment fund, SICAV-SIF (Société d'Investissement à Capital Variable-Fonds d'Investissement Spécialisé), dedicated to restoring ecosystems and carbon assets. It seeks to invest in three types of projects in Africa, Asia and Latin America: (i) restoration and preservation of natural ecosystems; (ii) agroforestry and soil restoration through sustainable agricultural practices; and (iii) access to rural energy to reduce deforestation. The carbon credits generated by the fund are certified, then allocated to its investors in proportion to their investments. As such, the Livelihoods Carbon Fund fights climate change while improving living conditions for local communities.

Building on the results achieved by the Livelihoods Carbon Fund, which was created in 2011 by ten private investors, in 2017 eight of these investors created a second compartment to step up their efforts to fight climate change and protect vulnerable people.

As of December 31, 2020, investors have pledged to invest:

- a total of €45.9 million in LCF compartment 1 (with Danone accounting for €13.8 million of that amount). This compartment 1 currently supports nine projects;
- a total of €65 million in LCF compartment 2 (with Danone accounting for €25 million of that amount). This compartment 2 had approved six projects as of December 31, 2020.

### LIVELIHOODS FUND FOR FAMILY FARMING

The Livelihoods Fund for Family Farming (L3F) was launched by Danone and Mars Inc. in 2015 and joined by Veolia and Firmenich in 2016. It enables companies to secure overtime their supply, both in terms of quality and quantity by granting small farmers access to more sustainable practices and higher revenues, thanks to good connections with markets. These projects also help to preserve ecosystems through farming practices combining productivity and respect for the environment.

As of December 31, 2020, investors had pledged to invest a combined total of €36 million in the Livelihoods Fund for Family Farming, with Danone accounting for €15 million of that amount. To date the fund's investment committee has approved six projects focusing on coconut, vanilla, shea and watershed protection.

## 5.7 VIGILANCE PLAN

In compliance with the March 2017 French Duty of Vigilance Law, the table below summarizes Danone's Vigilance Plan, which governs its activities and those of its sub-contractors and suppliers. It was developed based on a dialogue with its stakeholders.

For its supply chain as a whole, the Company takes a continuous improvement approach and tailors the requirements to its specific challenges and risks. Danone practices the due diligence required of parent companies and ordering companies under France's Duty of Vigilance Law for a scope limited to direct suppliers with which it has long-standing business relationships.

### Risk mapping

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
<b>Danone activities</b>	<b>Materiality analysis in 2017 and its renewal in 2021 (for more information, see the 2020 Integrated Annual Report)</b> <b>Analysis of top non-financial risks in 2018</b>		
	<ul style="list-style-type: none"> <li>Risk mapping has included the situation of temporary workers since 2018</li> </ul>	<ul style="list-style-type: none"> <li>GREEN Program: identification of top environmental risks at production sites, including water risks</li> </ul>	<ul style="list-style-type: none"> <li>WISE<sup>2</sup> safety standards applicable to Danone's various businesses and operations enhanced in the context of Covid-19</li> </ul>
<b>Activities of suppliers and sub-contractors</b>	<b>Risk mapping in 2017 on the 20 purchasing categories with highest exposure</b> <b>Analysis of top non-financial risks in 2018</b>		
	<ul style="list-style-type: none"> <li><i>Direct suppliers: new risk analysis combined with purchase amounts for suppliers registered on the Sedex platform: development of an in-house impact score</i></li> <li><i>Danone's approach to milk procurement with historical social issues factored in</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Analysis of deforestation risks under Forest Footprint Policy</i></li> <li><i>Assessment of water risks linked to the supply chain</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Direct suppliers: analysis of geographic and sector-based risks for suppliers listed on the Sedex platform</i></li> <li><i>Danone's approach to milk procurement with historical social issues factored in</i></li> </ul>

The Company used the risk mapping of the 20 purchasing categories with the highest exposure conducted in 2017 to help it identify the categories of purchased goods and services it would treat as human rights priorities. The priority categories are workers employed through outside labor providers, together with four agricultural raw materials: palm oil, cocoa, cane sugar, fruit. In the agricultural categories, potential risks identified are mainly at the upstream end of its supply chain and include, in particular, the potential risks typical of agricultural chains such as working conditions, health and safety, forced labor and child labor.

For more information, see the following sections:

- 5.3 *Preserve and renew the planet's resources;*
- 5.4 *Focus – Respecting and promoting human rights in Danone operations;*
- 5.5 *Workplace health and safety (Action plans section);*
- 5.5 *Responsible sourcing-milk (Action plans and outcomes section);*
- 5.5 *Responsible sourcing-supplies other than milk (Labor and environmental risk-mapping section).*

## Regular risk map-based evaluation procedures

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
<b>Danone activities</b>	<ul style="list-style-type: none"> <li>Guidelines and self-assessment tool for risks relating to temporary workers at the subsidiaries</li> <li>Danone Way self-assessment including a human rights component</li> </ul>	<ul style="list-style-type: none"> <li>GREEN program: production site audits including water risk assessment criteria</li> </ul>	<ul style="list-style-type: none"> <li>Site-level risk assessment</li> <li>Tracking of workplace accidents</li> <li>Site-level WISE<sup>2</sup> audits</li> <li>Survey on well-being in the workplace and creation of a psychological support unit</li> </ul>
<b>Activities of suppliers and sub-contractors</b>	<b>Direct suppliers excluding raw milk: self-assessment by joining the Sedex platform and SMETA audits for at-risk suppliers under the RESPECT program</b>		
	<ul style="list-style-type: none"> <li><i>Direct suppliers (excluding raw milk): co-construction of the audit plan based on the in-house impact score and support from dedicated experts to help suppliers develop their corrective action plan</i></li> <li><i>Traceability initiative targeting five high-priority agricultural categories: palm oil, fruit, cocoa, cane sugar and soy</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Animal Welfare tool to support and assess direct suppliers of raw milk</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Direct suppliers (excluding raw milk): assessed under the audit plan for the most at-risk sites in terms of human rights</i></li> </ul>

In 2020, as part of the implementation of its in-house Global External Workforce Policy, Danone piloted in Mexico a dedicated methodology for social audits of labor agencies, which was co-developed and implemented by a specialized firm. Regarding its direct suppliers, the Company conducted the remaining six audits from its 2019 audit plan in the first quarter of 2020 using the SMETA (Sedex Members Ethical Trade Audit) protocol. As travel was restricted due to the Covid-19 health crisis, Danone focused mainly on (i) improving its assessment procedure to identify high-impact suppliers in regions and for the priority categories, which has led to the co-construction of the 2021 audit plan, and (ii) providing resources to help suppliers improve their performance. Lastly, Danone uses the results obtained from its water risk analysis to define its priorities and water management plans for ingredients produced in high or extreme water risk areas.

For more information, see the following sections:

- 5.3 *Preserve and renew the planet's resources;*
- 5.4 *Focus – Respecting and promoting human rights in Danone operations;*
- 5.4 *Workplace health and safety (Action plans section);*
- 5.5 *Responsible sourcing-milk (Action plans and outcomes section);*
- 5.5 *Responsible sourcing-supplies other than milk (Labor and environmental risk-mapping and Agricultural supply chain transparency sections).*

## Appropriate measures for risk mitigation and prevention of serious breaches

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
<b>Danone activities</b>	<b>Code of Business Conduct, Sustainability Principles for business partners, also applicable to employees.</b>		
	<ul style="list-style-type: none"> <li>• Agreements between Danone and the International Union of Food Workers (IUF)</li> <li>• In-house Global External Workforce Policy and related guidelines</li> <li>• E-learning training on human rights and forced labor</li> </ul>	<ul style="list-style-type: none"> <li>• Actions taken under Danone's global environmental strategy</li> <li>• Appropriate mitigation plans in connection with the various tools and programs that have been rolled out (GREEN, ISO 14001, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Appropriate mitigation plans under the WISE<sup>2</sup> program and the related audits</li> </ul>
<b>Activities of suppliers and sub-contractors</b>	<ul style="list-style-type: none"> <li>• <i>Code of Conduct for business partners, Sustainability Principles for business partners included in suppliers contract clause</i></li> <li>• <i>Certifications (UTZ, FSC, RSP0, RTRS, Proterra, etc.) and implementation of appropriate action plans following SMETA audits</i></li> <li>• <i>Dialogue with suppliers and interactions with partners within platforms and coalitions (POIG, SASPO, RSP0, AIM Progress, CGF, etc.) or collaborative projects, mainly sponsored by Danone's social innovation funds</i></li> </ul>		
	<ul style="list-style-type: none"> <li>• <i>Cost Performance Model (CPM) contracts with milk suppliers</i></li> <li>• <i>Training of its RESPECT champions and buyers on the RESPECT program</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Appropriate plans in connection with Cool Farm Tool and the Animal Welfare assessment tool</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>WISE<sup>2</sup> program and related audits which are applicable to outside workers at Danone sites</i></li> </ul>

Danone trains its RESPECT champions and buyers on the RESPECT program and ensures that they are aware of risks related to forced labor and the CGF's three priorities. In 2020, the central team in charge of this program stepped up this training by organizing monthly training webinars and sessions regarding audits. In 2020, the RESPECT team also developed e-learning modules that will be part of the buyer skills program. These initiatives significantly strengthened buyers' engagement and fostered discussions about local requirements. They supplement the training module on human rights and forced labor already offered online.

For more information, see the following sections:

- 5.1 Responsible practices: Ethics and Integrity (Policies section);
- 5.3 Preserve and renew the planet's resources;
- 5.4 Social relations (Policies section);
- 5.4 Focus – Respecting and promoting human rights in Danone operations;
- 5.4 Workplace health and safety (Action plans section);
- 5.5 Responsible sourcing-milk (Action plans and outcomes section);
- 5.5 Responsible sourcing-supplies other than milk.

## Whistleblowing system

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
<b>Danone activities</b>	<b>Danone Ethics Line: whistleblowing system that includes, among others, reports of discrimination, issues affecting health and personal safety, human rights violations and environmental violations.</b>		
			<ul style="list-style-type: none"> <li>• Specific procedures for escalating serious accidents or risks</li> </ul>
<b>Activities of suppliers and sub-contractors</b>	<ul style="list-style-type: none"> <li>• <i>Danone Ethics Line is accessible to third parties including suppliers</i></li> </ul>		

In 2020, Danone received 469 alerts on various issues, including human resources, corruption and fraud. None of these cases had a significant impact on the Company's consolidated accounts. Of the alerts received worldwide, 31 were in the "human rights" category. The reports received focused on routine human resources matters. None of them qualified as a human rights violation, but all have been or are being pursued in thorough internal investigations. In addition, in 2020 eight reports were made in the "environmental violations" category, all of which were investigated and plans for mitigation measures were developed as necessary. All cases have been closed.

For more information, see the following sections:

- 5.1 Responsible practices: Ethics and Integrity (Mechanism section);
- 5.4 Workplace health and safety (Action plans section);
- 5.5 Responsible sourcing-supplies other than milk (Whistleblowing system section).

## Monitoring of measures and assessment of their efficiency

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
<b>Danone activities</b>	<ul style="list-style-type: none"> <li>Tracking of Danone Way results, including for the human rights component</li> </ul>	<ul style="list-style-type: none"> <li>Tracking of environmental performance indicators</li> <li>More frequent audits based on the risks</li> </ul>	<ul style="list-style-type: none"> <li>Management of safety performance and tracking of workplace accidents</li> <li>Audits to measure the effectiveness of the WISE<sup>2</sup> program</li> </ul>
<b>Activities of suppliers and sub-contractors</b>	<ul style="list-style-type: none"> <li>Tracking of RESPECT program performance indicators</li> <li>Increase in milk volumes covered by CPM contracts</li> <li>Improved traceability of priority ingredients</li> </ul>	<ul style="list-style-type: none"> <li>Performance monitoring using the Cool Farm Tool and the Animal Welfare tool</li> <li>Improved traceability of priority ingredients</li> </ul>	<ul style="list-style-type: none"> <li>Tracking of RESPECT program performance indicators</li> </ul>

In 2020, Danone increased the traceability of ingredients such as palm oil, cane sugar, cocoa and soy.

For more information, see the following sections:

- 5.3 Preserve and renew the planet's resources;
- 5.4 Focus – Respecting and promoting human rights in Danone operations;

- 5.4 Workplace health and safety (Outcomes section);
- 5.5 Responsible sourcing-milk (Action plans and outcomes section);
- 5.5 Responsible sourcing-supplies other than milk (Agricultural supply chain transparency and Tracking and assessing the effectiveness of supplier programs sections).

## 5.8 METHODOLOGY NOTE

### CONSOLIDATION SCOPE AND COVERAGE

The consolidation scope consists of all Danone subsidiaries that are fully consolidated for the preparation of the consolidated financial statements, in other words, the subsidiaries in which Danone holds, directly or indirectly, exclusive control.

Nevertheless, some subsidiaries do not report all social, safety, environmental, and health and nutrition indicators. These entities

were consolidated for financial reporting purposes as of December 31, 2020 and action plans are planned and/or in progress to ensure the availability and reliability of the data. Lastly, the list of subsidiaries that do not report certain indicators may differ depending on the types of indicators. The coverage scope varies according to the indicator categories, as described in the sections below:

INDICATOR	SCOPE
<b>Production Site Food Safety</b>	In 2020, 191 production sites were included in the scope considered for FSC 22000 certification. These sites correspond to the production sites for all of Danone's Reporting Entities and do not include the production sites of co-manufacturers and suppliers.
<b>Total Company Headcount Social Indicators</b>	In 2020, 161 entities representing 99.9% of Danone's total headcount reported social indicators. This rate may vary depending on the types of social indicators reported (see <i>Information regarding methodologies</i> ).
<b>Safety</b>	In 2020, 195 entities representing approximately 99.8% of Danone's total headcount reported safety-related indicators.  In addition, the safety data of subsidiaries removed from the consolidation scope as of December 31, 2020 is reported up to the date of their deconsolidation but is not included in the headcount as of December 31, 2020.
<b>Production Site Environment</b>	Danone monitors the environmental performance of its production sites using an operational control approach. In 2020, all 180 of Danone's production sites active at end-2020 reported environmental indicators.  The environmental impact of tertiary buildings (offices, research centers, etc.) is not included in the scope of consolidation (except for certain indicators, when these buildings are adjacent to production sites). Given that their greenhouse gas emissions represent less than 5% of Danone's total scope 1 and 2 emissions, the environmental impact is considered as non-significant.
<b>Greenhouse Gases Emissions</b>	The Company's total emissions consist of greenhouse gas emissions within the scope of responsibility: <ul style="list-style-type: none"> <li>• scope 1: these comprise direct emissions from stationary combustion facilities and refrigeration units installed at the industrial sites and warehouses under Danone's operational control, as well as the employee vehicle fleet under the Company's operational control;</li> <li>• scope 2: these include indirect emissions related to the production of electricity, steam, heating and cooling purchased and consumed by industrial sites and warehouses under Danone's operational control;</li> <li>• scope 3: these comprise indirect emissions that are not recognized in scope 2: emissions from raw materials purchasing (including agricultural upstream), packaging, production, transport and distribution, warehousing, product usage and end of useful life.</li> </ul> <p>Scope 1 and 2 emissions are calculated in accordance with the methodology set out in the GHG Protocol Corporate Standard. Danone has elected to consolidate scope 1 and 2 emissions in accordance with the operational control approach and to include all sources of emissions from its industrial sites (see <i>Production Site Environment Scope</i>), warehouses, distribution centers and corporate vehicle fleet. Emissions from offices and research centers are excluded as they represent less than 5% of Danone's total emissions.</p> <p>Scope 3 emissions are calculated in accordance with the methodology set out in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. This approach considers emissions all along the Company's value chain.</p> <p>Scope 3 emissions:</p> <ul style="list-style-type: none"> <li>• upstream emissions (physical flows entering the plants) covered a scope representing approximately 96% of Danone's production volumes in 2020;</li> <li>• downstream emissions (physical flows exiting the plants) covered a scope representing approximately 95% of Danone's sales volumes in 2020.</li> </ul> <p>Only scope 1 and scope 2 emissions are calculated for the Danone Proviva AB (EDP, Sweden), Danone Iran (EDP, Iran), Sirma (Waters, Turkey), Damavand (Waters, Iran) and IBIC (Waters, Brunei) entities.</p> <p>Within the Specialized Nutrition Reporting Entity, scope 3 emissions for the Haps plant in the Netherlands and 12 sales entities, located mainly in South America, Europe and the Middle East, were included in scope 3 reporting in 2020.</p> <p>For the EDP Reporting Entity, scope 3 emissions from operations related to the <i>Vega</i> brand were excluded.</p>
<b>Packaging</b>	In 2020, data on packaging was collected from all Danone production entities, representing 99% of Danone's production volumes. The % recycled PET (rPET) indicator used on average by the Waters Reporting Entity in countries where local standards and regulations allow is calculated excluding China, Iran, and Turkey, where local regulations prohibit the use of recycled materials in plastic bottles.

INDICATOR	SCOPE
<b>Health and Nutrition</b>	In 2011, Danone created a series of performance indicators (One Health Scorecard) to measure progress made regarding health and nutrition, particularly product composition and responsible communication. These indicators are consolidated for a scope of 32 countries covering all of Danone's Reporting Entities and geographic regions. In 2020, 85 entities representing 82% of consolidated sales reported health and nutrition indicators (74% in 2019).  The health and nutrition indicators scope excludes the medical nutrition activities of Specialized Nutrition Reporting Entity in France.
<b>Danone Way</b>	In 2020, 144 entities conducted a Danone Way self-assessment, representing 99,5% of Danone's consolidated sales (99% in 2019). This program also covers 99% of Danone's total headcount.

## LIKE-FOR-LIKE CHANGES IN SCOPE (CONSTANT SCOPE)

Danone measures changes in environmental indicators and in greenhouse gas emissions on a like-for-like basis, *i.e.* at constant consolidation scope and constant methodology. The 2020 data has

been restated using the same consolidation scope and constant methodology as that of 2019.

## DEFINITION OF THE REPORTING ENTITIES

<b>Essential Dairy &amp; Plant-Based (EDP)</b>	Production and distribution of fresh fermented dairy products and other dairy specialties, plant-based products and drinks, and coffee creamers
<b>Specialized Nutrition</b>	Production and distribution of specialized food for babies and young children to complement breast-feeding and for people afflicted with certain illnesses or frail elderly people
<b>Waters</b>	Production and distribution of bottled water, water sold in large containers (jugs), and water sold in small containers

## DATA COLLECTION

To ensure the homogeneity of the indicators across the reporting scope, shared data reporting guidelines for social, safety, environmental, and health and nutrition data are transmitted and updated each year following data consolidation and contributors' comments. These guidelines specify the methodologies to be used for reporting the indicators, including definitions, methodology principles, calculation formulas and standard factors.

These reporting guidelines for social, safety, environmental, GHG, health and nutrition and Danone Way data are available on request from the One Planet. One Health Integration Department.

The social, safety, environmental, and health and nutrition indicators are transmitted by subsidiaries and/or production sites and consolidated at global level by relevant departments. Environmental data are checked at the subsidiary level and then at the Reporting Entity level when reported. Social and safety data are checked at the end of the second quarter and at the time of consolidation as of December 31, 2020. Lastly, health and nutrition data are checked at the subsidiary level and then at the Reporting Entity level when reported.

### Social and safety indicators

The Human Resources Department is responsible for social and safety indicators. The subsidiaries' social data are generally derived from their payroll systems and reported via Danone's financial information consolidation software (SAP/Business Objects Financial Consolidation). Safety indicators are reported monthly by each entity in AIRSWEB, Danone's safety data consolidation system.

### Environmental indicators

The Nature & Water Cycle Department is responsible for environmental indicators. Production Sites Environment indicators are reported by each production site's Environment manager using the new PURE Platform tool implemented in 2018 with UL EHS Sustainability.

This is the second year that scope 3 greenhouse gas emissions data, including packaging data, were reported using this same tool.

### Health and nutrition indicators

The Alimentation Science Department is responsible for health and nutrition indicators. Health and nutrition data are reported by the Scorecard Owners at each subsidiary through a system of standardized forms, which are then consolidated to calculate the global indicators. Product data are generated by Reporting Entity-specific systems (Nutripride for the EDP Reporting Entity, NutreBase for the early life nutrition activities of the Specialized Nutrition Reporting Entity, and Aquamap for the Waters Reporting Entity). Data on volumes are generated by Danone's financial information consolidation software. Lastly, training data are taken from the Human Resources reporting systems. This information and information about consumer programs are reported by Scorecard coordinators at each subsidiary using the UL PURE application.

### Danone Way indicators

The One Planet. One Health Integration Department is responsible for the Danone Way, a qualitative program which guides subsidiaries toward Danone 2030 Company Goals via progressive framework of practices. Danone Way indicators correspond to the percentage of subsidiaries for which it has been determined that one or more practices are applicable and applied. They are reported by the Danone Way coordinators at each subsidiary using the UL Pure data management application. For certain entities (large entities or combinations of entities), a threshold for approving a practice (indicator) has been set at 80% of the entity's sales or headcount.

Regarding, the practice mentioned in the section 5.2 *Offering safe, healthy products* (Commitment No. 3), it was defined that in 2020, any donation to food banks including the ones as a response to Covid-19 justifies its validation.



## INFORMATION REGARDING METHODOLOGIES

The methodologies used for certain social, environmental and nutrition indicators may have limits due to:

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

For these reasons, the definitions and methodologies used for the following indicators are specified.

### Headcount

A negligible portion of the managerial headcount data is not collected during the data reporting period (a few cases of internationally mobile employees on assignment at other Danone entities). Furthermore, some disparities may exist in the headcount accounting methods for expatriate employees (this is the case for expatriate employees who have three-party contracts between the employee, the home subsidiary and the host subsidiary).

Employees on long-term leave (more than 9 months) are not counted in the total headcount at the end of the reporting period.

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

Fixed-term contracts and movements within Danone are not included in the entries/exits.

The first year that entities are included in the reporting scope, they only report total headcount and are not consolidated in the social indicators scope until the first full fiscal year thereafter. In 2020, that was the case for Harrogate Spring Water (Waters, United Kingdom) and Real Food Blends (Specialized Nutrition, United States) for a total headcount of 92 people, *i.e.*, 0.09% of total headcount.

### Number of training hours/Number of permanent employees trained/Percentage of permanent employees trained/Number of training hours per permanent employee

Training data for French subsidiaries includes training that is categorized as ongoing professional training, as well as other types of training.

The number of permanent employees trained takes into account all permanent employees who received at least one training course during the year, including those who were no longer employed as of December 31, 2020.

The number of training hours takes into account all courses during the year, including hours of training received by those who were no longer employed as of December 31, 2020.

Training courses for which supporting documents are not received by the closing date for reporting are included in the following fiscal year.

The percentage of permanent employees trained is equal to the ratio of the number of permanent employees trained to the average permanent employee headcount.

The number of training hours per employee is equal to the ratio of the number of training hours to the average permanent employee headcount.

### Absenteeism

The absenteeism rate is expressed, in percentage, as the total number of hours of absence divided by the total number of theoretical hours worked. The reasons for absence taken into account by

this indicator include sick leave (with or without hospitalization), absences due to work-related illness and injury, absences due to strikes and unauthorized absences. Absences due to maternity/paternity leave, other authorized leave and long-term absences (more than 9 months) are not taken into account.

The assumptions used to calculate the theoretical hours worked are left to the discretion of the subsidiaries on the basis of local specificities, which can lead to minor discrepancies.

Some subsidiaries monitor absenteeism only for employees who are paid on an hourly basis, while other employees are included in a program under which they receive a number of days that can be used for various reasons (vacation, sickness, special leave, etc.). In particular, this is the case for the activities of The Dannon Company Inc. (EDP, United States) and Danone Inc. (EDP, Canada), Danone's subsidiaries in Brazil and in Argentina, and SALUS (Waters, Uruguay). The Danone Japan (EDP, Japan), Danone Waters of America (Waters, United States), Happy Family (Specialized Nutrition, United States), Sequels Natural ULC (EDP, Canada), Vega US LLC DE (EDP, United States), Advanced Medical Nutrition (Specialized Nutrition, Argentina) and Nutricia Bago Argentina Baby (Specialized Nutrition, Argentina) subsidiaries are not included in the scope.

The scope covered represents about 95% of Danone's total headcount.

### General collective agreement

A collective agreement results from collective bargaining between an employer, a group of employers or employers organizations on the one hand, and trade unions or work councils on the other hand.

It refers to a written agreement regarding working conditions and terms of employment. It includes all measures forming a minimum basis, generally more advantageous than the legal requirement, and covering diverse topics, in particular wages, social protection and working conditions.

Collective agreements can be negotiated at Company level (Danone), Region level, Country (or countries cluster) level or entity level.

### Frequency rates of work accidents

The frequency rate of workplace accidents with medical leave (FR1) represents the number of workplace accidents with lost time of one day or more that occur over a 12-month period per one million hours worked.

The frequency rate of workplace accidents without medical leave (FR2) represents the number of workplace accidents without medical leave for every one million hours worked.

The severity rate (SR) represents the number of calendar days of absence due to workplace accidents with medical leave for every 1,000 hours worked.

The hours worked are actual hours worked; by default, theoretical hours worked are taken into account on the basis of local practices and regulations regarding working time.

The assumptions used to calculate the theoretical hours worked are left to the discretion of the subsidiaries on the basis of local specificities, which can lead to minor discrepancies.

Workplace accident indicators also cover accidents affecting temporary employees, workers employed through staffing agencies or service providers working at the sites as well as interns who have an internship agreement with Danone. Temporary employees and workers employed through staffing agencies or service providers are individuals who do not have a work contract with Danone but are under its management, work on a temporary or non-temporary

basis, and for whom Danone is able to collect data on working time (in number of hours). The collection of working hours for temporary employees and workers employed through staffing agencies is under the local responsibility of the subsidiaries. The control of this data by Danone, the wide fluctuation in this population of workers and the disparity of the agencies limit the completeness of data relating to this category.

In 2020, four accidents (three with medical leave and one without) were reclassified, which had a negligible impact on the values published in 2019 in this document. Similarly, adjustments to lost days after reclassifying these accidents with medical leave increased the severity rate (SR) from 0.060 à 0.061.

Within the safety indicators scope, these changes and the improvement in time tracking methods resulted in a revision to hours worked reported in 2019 for workers employed through staffing agencies in the ELN CHINA entity (Specialized Nutrition, China), and the adjustments made to the data increased FR1 from 1.42 to 1.46.

## Production

The production of Danone's industrial sites is the total production of finished and semi-finished products at each of the sites. As some semi-finished products are used as ingredients at other Company plants, total production of the industrial sites is greater than Danone's total production.

Production of by-products such as cream and condensed milk is not included in production volumes.

## Greenhouse gases (GHG)

Results are presented in tons of carbon dioxide equivalent in order to standardize the emissions calculated for carbon dioxide, methane, nitrous oxide and hydrofluorocarbons (HFCs).

### Scopes 1 and 2 greenhouse gas emissions

Scopes 1 and 2 emissions are calculated in accordance with the methodology set out in the GHG Protocol Corporate Standard (January 2015 revised edition). In January 2015, the GHG Protocol published a guidance document on the method used to account for scope 2 greenhouse gas emissions, which introduces dual reporting:

- location-based reporting, which reflects emissions due to electricity consumption from a conventional power grid. It therefore uses primarily an average emissions factor of the country's energy mix;
- market-based reporting, which reflects emissions from energy consumption taking into account the specific features of the energy contracts chosen and also considers the impact of the use of energy from renewable sources.

Danone has set its reduction targets according to the market-based method.

Emissions (scopes 1 and 2) are calculated by applying global warming potentials and emissions factors to the activity data:

- the global warming potentials used for methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) as well as the impact of fugitive emissions of refrigerants correspond to data in the IPCC Fifth Assessment Report (AR5), Climate Change 2013. The IPCC (Intergovernmental Panel on Climate Change) is a group of inter-governmental experts specialized in climate change;
- the emissions factors used to calculate emissions related to energy combustion correspond to data in the 2006 IPCC Guidelines (2006 IPCC Guidelines for National Greenhouse Gas Inventories);
- electricity emissions factors follow the hierarchy defined in the new scope 2 guidance document of the GHG Protocol for market-based reporting. Suppliers' specific factors must be certified by instruments that prove the origin of electricity (guarantee of origin certificates). If some of the electricity used is not of certified origin, the emissions factors used are the national residual mixes published by official bodies such as the Association of Issuing Bodies (AIB) in Europe and Green-e in North America. For countries that do not have green-electricity attribute instruments, the emissions factors used are those used for location-based reporting provided by the International Energy Agency (2019 publication of energy mixes in 2017);
- the factors used for heating and steam are from the UK Department for Environment Food & Rural Affairs' (DEFRA) 2018 publication and the factors used for cooling are from the carbon database of the French Agency for the Environment and Energy Management (ADEME, 2017);
- the emissions factors used to characterize the impact of fugitive refrigerant emissions are based on the IPCC Fifth Assessment Report (AR5), "Climate Change 2013: The Physical Science Basis" published in 2013.

### Scope 3 greenhouse gas emissions

This was the second year that scope 3 emissions were measured using an entity-based organization approach.

Scope 3 emissions are calculated in accordance with the methodology set out in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. These emissions are calculated by applying to each reporting entity's activity data the emissions factors from life-cycle analysis databases (Ecoinvent), professional federations (Plastics Europe, FEFCO, FEVE), the Food and Agriculture Organization of the United Nations (FAO), suppliers that have measured their products, and measures recorded as part of the deployment of the Cool Farm tool.



This is the third year that the Company has used the emissions factors from the Cool Farm tool to calculate emissions for milk used in products, which accounted for 37% of Danone's emissions in 2020. This tool was developed by the cross-sector Cool Farm Alliance, whose members include manufacturers, research centers and non-governmental organizations, with the aim of developing and promoting the use of measurement systems for sustainable agriculture. In France, Danone uses the emissions factors from the Cap2Er tool (automated calculation of the environmental performance of ruminant farming), developed in collaboration with the French Livestock Institute (Idele). By default, Danone uses the FAO's 2019 emissions factors for countries outside of France where the Cool Farm tool has not been implemented.

This is the third year that, in order to calculate emissions for dairy ingredients, which accounted for 15% of Danone's emissions in 2020, the Company has used specific emissions factors that are calculated by its suppliers and take into account emissions related to the milk in dairy ingredients and emissions related to processing techniques, which factor in the energy intensity of production for each ingredient, as well as transportation between the farms and Danone's suppliers. By default, the FAO's 2019 emissions factors are used for suppliers for which these emissions factors are not available.

The updated methodology and rules for calculating scope 3 emissions were documented in a report shared with all contributors to the Company's emissions reporting. An independent third party has confirmed that these carbon accounting guidelines comply with the GHG Protocol.

Danone improved its analysis of the contribution of methodological effects to the change in the ratio of its total scope 1, 2 and 3 emissions between 2019 and 2020. This improvement was also made to the analysis of the methodological effects between 2018 and 2019.

### Carbon-adjusted recurring EPS

To give its stakeholders more visibility on the cost of Danone's scope 1, 2 and 3 emissions as a share of earnings, in February 2020 Danone presented carbon-adjusted recurring earnings per share (EPS). This metric takes into account the estimated financial impact of the cost of carbon on its value chain.

These carbon-adjusted recurring EPS are calculated as the difference between recurring EPS (defined in section 3.6 *Indicators not defined by IFRS*) and the cost of carbon per share. The cost of carbon per share is the product of Danone's total scope 1, 2 and 3 emissions (see section 5.3 *Preserve and Renew the Planet's Resources*) by the cost per ton of carbon, divided by the number of shares after dilution (see section 3.2 *Consolidated net income review*).

The cost per ton of carbon is estimated at €35/t, a figure that Danone has used internally since 2015 as well as in its reporting to the Carbon Disclosure Project. This estimate is corroborated by the cost per ton of carbon (i) on the regulated ETS markets, (ii) on the voluntary carbon credit market, and (iii) by a benchmark of companies that provide information on cost per ton of carbon.

### Packaging

The data on packaging concern primary, secondary and tertiary packaging (excluding pallets) purchased for Danone's operations and are given in tons of material. Packaging purchased for subcontractors who manufacture finished products for Danone is excluded.

Calculations relating to the recyclability rates of Danone packaging are based on the new definition of recyclability as a proportion of the type of packaging recommended by the Ellen MacArthur Foundation (EMF) for the circular economy. According to this methodology, a packaging is recyclable if post-consumer collection, sorting, and recycling is proven to work in practice and at scale, which means it achieves a 30% post-consumer recycling rate in multiple regions, collectively representing at least 400 million inhabitants.

The calculation of recycled components for cardboard and plastic materials is based on actual volumes used.

Assumptions for the calculation of recycled components for glass and metal materials are based on the best available data as well as supplier data:

- Recycled components for glass: 50% worldwide
- Recycled components for metal and aluminum: 40% worldwide

### Waste

Following the application of a new standard, the Food Loss and Waste Protocol (version 1.0 of June 2016), since 2016 Danone has consolidated the quantities of waste generated according to the following categories: treatment facilities' sludge, whey waste, food waste collected on site and food waste discharged with wastewater, packaging waste, hazardous waste and, lastly, other non-hazardous waste. In 2019 and 2020, Danone focused on the most substantial categories (food waste and packaging waste) and excluded hazardous waste and other non-hazardous waste, representing 10% of total quantities of waste produced at production sites in 2020, from the consolidation scope.

The Food Loss and Waste Protocol is the first international standard for measuring food losses not used for human consumption. It was established under a partnership between the Consumer Goods Forum, the Food and Agriculture Organization of the United Nations, the United Nations Environment Programme, the World Business Council for Sustainable Development (WBCSD), and the World Resources Institute.

Food waste is consolidated for the Product Sites Environment scope with the exception of the Waters Reporting Entity plants. It includes finished product, raw material and by-product (whey not used for human consumption) losses. This waste may be collected or discharged with wastewater, or form part of the wastewater treatment plant sludge:

- whey and okara collected on site and not used for human consumption is reported as dry matter content;
- waste collected on site is reported in real weight, *i.e.* weight as shown in on-site waste removal orders;
- waste discharged with wastewater and recovered in the sludge at treatment facilities is reported as a percentage of dry-matter content in sludge;
- waste discharged with wastewater and not recovered in the sludge at treatment facilities is calculated in tons of chemical oxygen demand (COD) discharged.

In 2020, Danone also introduced reporting that consolidates food waste from its production sites with food waste generated in the scope 3 downstream sub-scope within the Greenhouse Gas scope.

None of the products and by-products that are used for human consumption (production of lactose or cheese from whey, etc.) are included. Data related to waste recovery includes materials recovery (recycling, composting, reuse, animal feed, sludge used in agricultural applications, etc.) and energy recovery (methanation, incineration with energy recovery). Unused waste is waste that is sent to landfill, discharged to the sewer or incinerated without energy recovery.

As a reminder, in 2018, sludge from wastewater treatment in external wastewater treatment plants started to be included in the indicator of recovered waste, when the traceability of this recovery was available. The completeness of this data was improved in 2019.

### Water consumption

The definitions and the method of accounting for various uses of water (including run-off, water pumped from and discharged into streams, water used in the composition of finished products, recycled/reused water, water given to a third party, etc.) are specified in the technical environmental guide prepared by Danone and provided to its subsidiaries. The amount of water withdrawn corresponds mainly to water used for industrial processes and in finished product formulation.

Water used in once-through cooling systems (in which the water withdrawn is returned to its original environment after it has passed through the system once without recirculating) is not taken into account in the total amount of water withdrawn.

Rainwater is not taken into account in the total amount of water withdrawn. It is included in volumes of recycled/reused water only if it is used by the site.

For the Waters Reporting Entity sites, volumes of water withdrawn but not consumed by the site are not taken into account due to losses or to overflow upstream from the plant (losses or overflow at the well or spring level).

When logistics centers are located adjacent to industrial sites, their water consumption is taken into account if the site is unable to subtract this consumption.

### Energy consumption

This indicator mainly covers consumption at the production sites. When Research and Development centers or warehouses are located adjacent to production sites, estimates may be made for a given production site to take into account only its own energy consumption (estimate and deduction of the amount of energy consumed by the non-industrial sites adjacent to the production site).

In some cases, the energy consumption of buildings located adjacent to an industrial site is taken into account if the site is unable to subtract its consumption.

The rules for conversion between the different units used to track energy consumption (m<sup>3</sup>, liters, Btus, etc.) and the standard reporting unit (MWh) are specified in the technical environmental guide prepared by Danone and provided to its subsidiaries. In certain cases, the subsidiaries use conversion factors provided by their suppliers.

### Wastewater

The net Chemical Oxygen Demand (COD) data presented correspond to wastewater after internal and/or external treatment. In case of external treatment reported by the site, a purification rate of 90% is assumed.

### Percentage of volumes sold corresponding to healthy categories

Volumes sold in healthy categories correspond to fresh dairy products intended for daily consumption, Specialized Nutrition Reporting Entity products (except biscuits and beverages for children under

3 years of age and foods for children over 3 years of age in the early life nutrition activities), and all waters and flavored waters with 0% sugar. This indicator is calculated in the One Health Scorecard scope.

### Percentage of volumes compliant with Danone's 2020 nutritional targets

This percentage is calculated for the One Health Scorecard scope. It includes all product categories except mineral water, cooking aids and products for which a target has not yet been defined. Products must meet all the nutrient thresholds for their category in Danone's 2020 nutritional targets. Compliance is weighted by volumes of products sold. This rule applies at both the portfolio and the product (e.g., multipack) level.

If a local regulatory constraint applies to a nutrient, it is excluded from compliance. All the information on Danone's 2020 nutritional targets can be found on its website.

### Percentage of product volumes with no added sugars

This percentage is calculated for all product categories in the EDP, Waters and Specialized Nutrition Reporting Entities for its early life nutrition activities; its medical nutrition products are excluded.

The products included in this indicator are those whose added sugar content is equal to zero grams.

### Volumes that display on-pack nutritional information/Volumes that display off-pack nutritional information/Volumes that display information on portion size

This percentage is calculated for the health and nutrition scope for the EDP Reporting Entity (plant-based products are excluded), the Specialized Nutrition Reporting Entity and aquadrinks (not relevant for waters, which are subject to separate regulations). For medical nutrition products, 100% is applied by definition as the products are prescribed by healthcare professionals and the labeling must comply with local legislation. All volumes distributed through out-of-home distribution channels (restaurants, cafeterias, etc.) are evaluated "as is" when they leave Danone's production site, as the way the products are ultimately served to consumers is out of Danone's control and at that stage there may be no nutritional labeling: a restaurant can serve products in individual dishes without their original cardboard packaging or (for bulk products) in another container.

### Volumes that display nutritional information on the front of the packaging

This percentage is calculated for the health and nutrition scope for the EDP Reporting Entity (excluding plant-based products) and aquadrinks (excluding countries where regulations prohibit the publication of this information).

### Number of countries covered by Nutriplanet studies

Every year, the Alimentation Science department compiles an updated list of countries covered by Nutriplanet studies, including:

- summaries of the local nutrition/health context (Nutritional Situations);
- more detailed surveys on food and/or fluid intake (Food Habits);
- socio-anthropological studies (Food Cultures).

### Number of active education and information programs during the year/Number of people potentially impacted

A program is any initiative that addresses a local public health cause and that has (i) defined a clear objective relating to this cause or its

determinants, (ii) been developed in collaboration with the academic world and/or the government, (iii) targeted a population group and (iv) defined certain measurable impact indicators [whose initial status has been documented with a baseline and whose impact is measured]. A program can be counted as such only if these criteria are met.

The impact does not have to be measured every year.

The people considered to be potentially affected are (i) consumers for the EDP and Waters Reporting Entities, and (ii) parents, patients and caregivers for the Specialized Nutrition Reporting Entity.

The subsidiaries counted the people affected by the program in 2020. If a subsidiary can prove that people are not double-counted, it can aggregate the number of people affected since the start of

a program. People who are affected by several programs can be counted several times.

A person is considered to be potentially impacted if he or she has received the program's messages. Subsidiaries are thus far not required to prove that these people have actually been affected, *i.e.* that they have changed their eating and drinking consumption habits.

### **Number of employees trained on the WHO Code and Danone's BMS Policy in the last two years**

This indicator tracks the number of unique employees working in the early life nutrition activities within the Specialized Nutrition Reporting Entity, who were trained on Danone's policy on the marketing of breast milk substitutes over a two-year period.

## 5.9 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT INCLUDED IN THE MANAGEMENT REPORT

*This is a free translation into English of the Statutory Auditor's 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 standards applicable in France.*

For the year ended December 31, 2020

To the Shareholders,

In our capacity as Statutory Auditor of Danone (hereinafter the "entity"), appointed as an independent third party and accredited by Cofrac (accreditation Cofrac Inspection n°3-1060 whose scope is available at [www.cofrac.fr](http://www.cofrac.fr)), we hereby report to you on the non-financial information statement for the year ended December 31<sup>st</sup>, 2020 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

### The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are available on request from the company's head office.

### Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

### Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225-105 I, 3 and II of the French Commercial Code, *i.e.*, the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- The entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- The compliance of products and services with the applicable regulations.

### Nature and scope of our work

The work described below was performed in accordance with the provisions of articles A. 225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*.

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and, where applicable, the impact of these activities on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II;

- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, *i.e.*, all the companies included in the scope of consolidation in accordance with article L. 233-16 within the limitations set out in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities: Danone Germany (Germany), Font Vella (Spain), Danone de Mexico (Mexico), Nutricia Russia Baby (Russia), Danone Russia (Russia), Centrale Danone (Morocco), AQUA (Indonesia), Danone Japan (Japan), Fan Milk Nigeria (Nigeria), Danone Canada (Canada), Danone Djurdjura Algeria (Algeria), Blédina France Baby (France), Fan Milk Ghana (Ghana), Nutricia Wexford Supply Point Baby (Ireland), Nutricia Macroom Supply Point Baby (Ireland), Danone Spain (Spain), Zywiec Zdroj (Poland), et Danone Brazil Dairy (Brazil). This selection covers between 16% and 41% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

## Means and resources

Our work was carried out by a team of 10 people between September 2020 and October 2021 and took a total of 25 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted some 15 interviews with about 20 people responsible for preparing the Statement, representing the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures.

## Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, March 3<sup>rd</sup>, 2021

**One of the Statutory Auditors**

**PricewaterhouseCoopers Audit**

François JAUMAIN  
Partner

Sylvain LAMBERT  
Sustainable Development Partner

## APPENDIX: LIST OF THE INFORMATION WE CONSIDERED MOST IMPORTANT

Selection of qualitative and quantitative information, associated to the policies, actions and results relating to the main thirteen risks identified for Danone's activities, presented in the following sections of the management report:

Main risks or opportunities identified (Danone's material issues)	Sections of the management report presenting the associated policies, actions and results reviewed in the context of our work
Responsible practices: ethics and integrity	<p><b>Section 5.1 An integrated approach of sustainable business model</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• % of Danone's total employees have been trained at least once on compliance</li> </ul>
Unique product portfolio to impact people's health	<p><b>Section 5.2 Offering safe, healthy products</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• % of volumes sold corresponding to healthy categories</li> <li>• % of volumes sold that comply with Danone nutritional targets</li> <li>• % of volumes sold without added sugars</li> <li>• % of Danone's entities engaged in favor of a public health cause</li> <li>• Number of active education and information programs</li> <li>• Potential audience reached by these active education and information programs</li> <li>• % of volumes sold with nutritional information on the front of the packaging</li> <li>• Site FSSC 22 000 certification rate</li> </ul>
Responsible communication	<p><b>Section 5.2 Offering safe, healthy products</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• Compliance rate from Danone's television advertising to the EU Pledge criteria</li> <li>• Compliance rate from the subsidiary websites to the EU Pledge criteria</li> </ul>
Marketing of breast milk substitutes	<p><b>Section 5.2 Offering safe, healthy products</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• Number of employees trained on Danone's policy on breast milk substitutes</li> </ul>
Fight against climate change	<p><b>Section 5.3 Preserve and renew the planet's resources</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• Total Scope 1 &amp; 2 emissions</li> <li>• % of renewable energy</li> </ul>
Transition toward regenerative agriculture that includes organic agriculture	<p><b>Section 5.3 Preserve and renew the planet's resources</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• % of the entities developed concrete projects involving at least one of the three pillars of the regenerative agriculture framework and on the main commodities used</li> <li>• % of volume of fresh milk from farms that are assessed using the animal welfare tool developed by Danone or covered by the Validus certification</li> </ul>
Circular economy	<p><b>Section 5.3 Preserve and renew the planet's resources</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• % of entities which set up an assessment of recycling systems (collection, sorting and recycling) and identified the main participants to improve the recycling and/or regulations</li> <li>• Proportion of industrial waste recovered</li> <li>• Proportion of packaging waste recovered</li> <li>• Proportion of food waste recovered</li> <li>• % of the entities or supply points implemented at least one concrete measure to improve the food waste recovery rate</li> </ul>
Water management	<p><b>Section 5.3 Preserve and renew the planet's resources</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• Water drawn from the surrounding area</li> <li>• Water related to the production processes</li> <li>• Final discharge of chemical oxygen demand (COD) in tons</li> </ul>

Main risks or opportunities identified (Danone's material issues)	Sections of the management report presenting the associated policies, actions and results reviewed in the context of our work
<b>Inclusive talent development</b>	<p><b>Section 5.4 Building the future with Danone employees</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• Total headcount and breakdown by gender, by age and by geographic regions</li> <li>• Hiring and dismissals</li> <li>• Turnover rate</li> <li>• Absenteeism rate</li> <li>• % of part-time employees</li> <li>• % of entities planned an annual development conference for each manager, member of the entity's management committee, senior manager or manager, making it possible to assess their functional skills and define a development plan</li> <li>• % of the entities planned a development conversation with each employee at least once every two years in order to provide feedback, come up with an individual development plan and provide visibility on potential future development opportunities</li> <li>• % of the entities anticipated the need to pass on rare competencies specific to their activities</li> <li>• Training hours</li> <li>• Gender equality Index</li> </ul>
<b>Social dialogue</b>	<p><b>Section 5.4 Building the future with Danone employees</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• % of employees covered by collective bargaining agreements</li> </ul>
<b>Employee security</b>	<p><b>Section 5.4 Building the future with Danone employees</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• Frequency and severity rate</li> <li>• Number of events noted by the SOC (Security Operational Center) as important or urgent</li> <li>• Number of important or urgent events reported to the Company's security team, since employees were identified as being in the area of the event</li> <li>• Number of occasions when the security team decided to contact all employees potentially affected by the event</li> </ul>
<b>Business practices and price fixing</b>	<p><b>Section 5.5 Promoting sustainable, inclusive growth with suppliers</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• % of milk collected by Danone which comes from producers with CPM contracts</li> </ul>
<b>Responsible sourcing and Human Rights</b>	<p><b>Section 5.5 Promoting sustainable, inclusive growth with suppliers</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• % of the palm oil sourced by Danone certified RSPO Segregated</li> <li>• % of the palm oil sourced by Danone certified RSPO Mass Balance</li> <li>• Number of supplier sites which joined the Sedex platform</li> <li>• Number and Breakdown of non-conformities identified during SMETA audits</li> </ul>
<b>Other indicators <sup>(a)</sup></b>	<p><b>Section 5.3 Preserve and renew the planet's resources</b> Including the KPIs:</p> <ul style="list-style-type: none"> <li>• % of ISO 14001 certified sites</li> <li>• % of production sites compliant with GREEN standards</li> </ul>

(a) Indicators reviewed and linked to policies, actions and results not related to the thirteen main risks of Danone

**Qualitative information (actions and results)**

- Compliance: Responsible practices: ethics and integrity
- Health and Nutrition
  - Unique product portfolio to impact people's health
  - Responsible communication
  - Marketing of breast milk substitutes
- Environment
  - Fight against climate change
  - Transition toward regenerative agriculture that includes organic agriculture
  - Circular economy
  - Water management
- Social
  - Inclusive talent development
  - Social dialogue
  - Employee security
- Responsible sourcing and Human Rights
  - Responsible sourcing: Business practices and price fixing
  - Human rights