

<b>5.1 DANONE'S INTEGRATED VISION OF CORPORATE RESPONSIBILITY</b>	<b>141</b>	<b>5.5 PROMOTING SUSTAINABLE, INCLUSIVE GROWTH WITH SUPPLIERS</b>	<b>178</b>
Sustainable value creation: Danone's integrated approach	141	Responsible sourcing-milk	178
Danone Way and B Corp™: two key initiatives to achieve Danone's ambitions	141	Responsible sourcing-supplies other than milk	179
Co-creating with stakeholders	142	<b>5.6 METHODOLOGY NOTE</b>	<b>182</b>
Identifying material issues and risks	142	Consolidation scope and coverage	182
Vigilance plan	143	Like-for-like changes in scope (constant scope)	183
Sustainability governance	146	Definition of the Businesses	183
Danone's social innovation funds	147	Data collection	183
Responsible practices: ethics and integrity	148	Information regarding methodologies	184
<b>5.2 OFFERING SAFE, HEALTHY PRODUCTS</b>	<b>150</b>	<b>5.7 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.</b>	<b>188</b>
Sustainable product portfolio	150		
Responsible communication	153		
Marketing of breast milk substitutes	154		
<b>5.3 PRESERVE AND RENEW THE PLANET'S RESOURCES</b>	<b>155</b>		
Environmental strategy	155		
Fight against climate change	156		
Transition toward regenerative agriculture that includes organic agriculture	162		
Circular economy	163		
Water stewardship	166		
<b>5.4 BUILDING THE FUTURE WITH DANONE EMPLOYEES</b>	<b>169</b>		
Danone's employment approach	169		
Inclusive talent development	170		
Social relations	174		
Employee security	177		

5

SOCIAL, SOCIETAL  
AND ENVIRONMENTAL  
RESPONSIBILITY

This section describes Danone's commitments and accomplishments in the area of social, societal and environmental responsibility. 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;*
  - *Act L. 225-37-4 6 of the French Commercial Code regarding "results of gender diversity in the top 10% of positions with greater responsibility";*
  - *1 of Act no. 2017-399 referred to as the law on the duty of vigilance of parent companies and ordering companies;*
  - *173 of Act 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 section 2 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 2019 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 2019 Integrated Annual Report in which quantitative results and practices are described based on the 2030 Company Goals, the Global Reporting Initiative indicators, the Global Compact guiding principles and the United Nations Sustainable Development Goals (SDG).*

## 5.1 DANONE'S INTEGRATED VISION OF CORPORATE RESPONSIBILITY

### Contents

<b>Sustainable value creation: Danone's integrated approach</b>	<b>141</b>	<b>Identifying material issues and risks</b>	<b>142</b>
<b>Danone Way and B Corp™, two key initiatives to achieve Danone's ambitions</b>	<b>141</b>	Materiality analysis	142
Continuous improvement with Danone Way	141	Risks identified in connection with Danone's declaration of non-financial performance	142
From Danone Way to B Corp™ certification	141	Materiality and risk analysis cross-reference matrix	143
Be certified as a B Corp™	141	<b>Vigilance plan</b>	<b>143</b>
<b>Co-creating with stakeholders</b>	<b>142</b>	<b>Sustainability governance</b>	<b>146</b>
Innovating for responsible finance and investing for climate	142	<b>Danone's social innovation funds</b>	<b>147</b>
Syndicated facility and social bond	142	Danone Communities	147
Investment to accelerate climate action of Danone's brands for climate	142	Danone Ecosystem Fund ( <i>Fonds Danone pour l'Écosystème</i> )	147
		Livelihoods Carbon fund	147
		Livelihoods Fund for Family Farming	147
		<b>Responsible practices: ethics and integrity</b>	<b>148</b>

### SUSTAINABLE VALUE CREATION: DANONE'S INTEGRATED APPROACH

Danone's mission, as defined in 2006, reflects its commitment to "bringing health through food to as many people as possible", through its brands and a portfolio mainly composed of foods and beverages that can be enjoyed every day.

Flowing from its dual economic and social project and its "One Planet. One Health" vision, the Company 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 (see section 2.2 *Strategic priorities*).

Building on a unique social innovation heritage, Danone gives each employee the opportunity to co-own the roadmap to its 2030 Goals, at both the global and local level, with its "One Person, One Voice, One Share" program (see section 5.4 *Inclusive talent development*).

### DANONE WAY AND B CORP™, TWO KEY INITIATIVES TO ACHIEVE DANONE'S AMBITIONS

#### Continuous improvement with Danone Way

Under the Danone Way program, the Company's entities conduct an annual self-assessment to measure how they are performing against its sustainability commitments and priorities. Danone Way is thus underpinned by a set of guidelines centered on the 2030 Goals (see Danone's website for more information).

The results of the 2019 self-assessment allowed Danone to identify strengths and sustainable development challenges at local level and incorporate them into the entities' process for setting strategic priorities.

#### From Danone Way to B Corp™ certification

In 2015, Danone began working with B Lab® to move its Danone Way program towards B Corp™ certification, later adding efforts to give multinationals better access to the B Corp™ certification process.

Under this partnership, Danone joined the Multinationals and Public Markets Advisory Council (MPMAC) to share lessons learned from its experience with Danone Way.

#### Focus – B Lab®, B Corp™ certification body

B Lab® is a nonprofit organization that serves a movement of people using business as a force for good™. B Lab® grants B Corp™ certification to for-profit companies that demonstrate high standards of social and environmental performance to create shared and sustainable prosperity. To obtain B Corp™ certification, a company must complete a B Impact Assessment, and earn a minimum score of 80

out of 200 points after verification by B Lab®. Thereafter, it must go through this process again every three years to be recertified. This assessment evaluates a company's environmental, social, governance, community (impact on local community and its suppliers) and customer practices.

#### Be certified as a B Corp™

The Company aims to be certified as a B Corp™ by 2030 and aims to obtain certification of its Waters Reporting Entity by 2022 (see Danone's website for more information).

As of December 31, 2019, 20 Danone entities are B Corp™ certified and more than a third of its consolidated sales were covered by B Corp™ certification.



## CO-CREATING WITH STAKEHOLDERS

Danone partners with stakeholders at the global, regional and local level, working to create shared solutions and reach the Company's 2030 Goals. This collaboration is given considerable weight in its strategy, primarily through the specific 2030 Goal: "Serve the food revolution with partners".

In 2019, Danone spearheaded two international coalitions that promote collective action to achieve a greater impact and bring about transformational change:

- the Business for Inclusive Growth (B4IG) initiative led by Danone with the OECD to promote inclusive growth resulted in the launch of a coalition of international companies at the G7 in Biarritz in August 2019. The members of this coalition (40 at the end of 2019) signed a pledge to demonstrate their commitment to fighting inequalities and promoting inclusive growth (see Danone's website for more information);

### Innovating for responsible finance and investing for climate

#### Syndicated facility and social bond

Since 2018, Danone's syndicated credit facility has included a mechanism for upward or downward adjustment of payable margins, reviewed at least once a year, on the basis of:

- the scores granted to Danone by two extra-financial rating agencies, Vigeo-Eiris and Sustainalytics; and

### Investment to accelerate the action of Danone's brands for climate

In light of the urgency for climate action and in line with its ambition to lead the way to create and share sustainable value, Danone is taking further steps, with the support of its Board of Directors, to better connect environmental, social, and governance metrics and financial performance, starting with carbon.

Danone shows for the first time a "carbon-adjusted" recurring earnings per share (EPS) evolution that takes into account an estimated financial cost for the absolute GHG emissions on its entire value chain, it is defined in section 5.3 *Preserve and renew the planet's resources*.

Moreover, Danone is stepping up the speed and increase the depth of its transformation actions to put climate further at the core of its

- the One Planet Business for Biodiversity (OP2B) coalition with the World Business Council for Sustainable Development (WBCSD) was launched at the UN General Assembly in September 2019 and aims to protect and restore cultivated and natural biodiversity. Twenty companies had signed on by the end of 2019 (see section 5.3 *Preserve and renew the planet's resources*).

Marking 100 years since the creation of its first yogurt, Danone opened access to its historical collection of 1,800 strains for research purposes. This includes granting access to its current collection of 193 lactic and bifidobacteria ferment strains and 1,600 strains to researchers around the world.

Other examples of initiatives can be found in the 2019 Integrated Annual Report in the extra-financial performance section, in line with the 2030 Goal "Serve the food revolution with partners".

- the percentage of its consolidated sales covered by B Corp™ certification.

Danone also issued a €300 million social bond to support its investments to create sustainable value. The proceeds of the issue are allocated to projects that have a positive social impact for its stakeholders. The 2019 allocation report has been published in the 2019 Integrated Annual Report.

growth model. This will translate into an accelerated investment plan of around €2 billion cumulative over the 2020-2022 period on brands, climate and agriculture, packaging (about €900 million) and digitalization.

In its transformation acceleration plan, Danone will invest by 2025:

- €200 million in its investment and incubation fund, Danone Manifesto Ventures, to support innovative companies in the food industry;
- €200 million in a fund dedicated fund to explore next generations of packaging materials and models.

## IDENTIFYING MATERIAL ISSUES AND RISKS

### Materiality analysis

Danone relies on its materiality analysis to set its sustainable development priorities. It can be found in full in the 2019 Integrated Annual Report. The analysis highlighted the 14 material priorities for Danone's business success and for external stakeholders, as listed in the table below.

### 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. The top 13 sustainability risks shown below are detailed throughout section 5 *Corporate social and environmental responsibility*.

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 and the Audit Committee (see section 6.1 *Governance bodies*).

Danone sets its sustainability approach based on the complementarities between the risk analysis and materiality analysis processes, enabling it to identify, first, the challenges to its operations and

value chain and, second, stakeholders' expectations with regard to its sustainability objectives.

The matrix below shows the relationship between the 14 material priorities (horizontal axis) and the 13 priority themes derived from its

risk analysis (vertical axis). In addition to these 13 themes, Danone has also identified the fight against climate change as a major topic spanning all environmental themes.

### Materiality and risk analysis cross-reference matrix

		DANONE'S MATERIAL PRIORITIES													
		Integration of sustainable development within the Company	Responsible leadership and governance	Product safety and quality	Portfolio improvement towards healthier products	Food and nutrition accessibility and affordability	Transparent product labeling	Product and packaging ecodeign and circular economy	Responsible marketing and consumer awareness	Diversified product portfolio in line with local needs and diets	Responsible raw materials sourcing	Sustainable procurement and supply chain management	Fair pricing policies and relationships with farmers and suppliers	Diverse and locally relevant models of sustainable farming and land use	Local economic contribution and inclusive growth
DANONE PRIORITY THEMES DERIVED FROM ITS RISK ANALYSIS	<b>COMPLIANCE</b>														
		Responsible practices: ethics and integrity	•	•								•	•		
	<b>HEALTH AND NUTRITION</b>														
		Sustainable product portfolio	•		•	•	•	•	•	•	•	•		•	•
		Responsible communication	•					•	•						
		Marketing of breast milk substitutes	•						•						
	<b>ENVIRONMENT</b>														
		Fight against climate change	•						•			•	•	•	•
		Regenerative agriculture	•									•	•	•	•
		Circular economy	•						•						•
		Water stewardship	•											•	•
	<b>SOCIAL</b>														
		Inclusive talent development	•	•											
		Social dialogue	•	•											
		Employee security <sup>(a)</sup>	•												
	<b>RESPONSIBLE SOURCING &amp; HUMAN RIGHTS</b>														
		Business practices and price fixing	•									•		•	•
	Responsible sourcing	•					•				•	•	•	•	
	Human rights	•									•	•	•	•	

(a) Health at work and safety issues are linked to the security risk of Danone employees.

### 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, 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</li> </ul>
<b>Activities of suppliers and sub-contractors</b>	<i>Risk mapping in 2017 on the 20 purchasing categories with highest exposure</i>		
	<b>Analysis of top non-financial risks in 2018</b>		
	<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>	<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> <li><i>Priority given to regenerative agriculture issues for milk procurement</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 and 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:

- *Preserve and renew the planet's resources;*
- *Focus - Respecting and promoting human rights in Danone operations;*
- *Workplace health and safety (Action plans section);*
- *Responsible sourcing-milk (Action plans and outcomes section);*
- *Responsible sourcing-supplies other than milk (Environmental and labor 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> </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): two-year audit plan for the most at-risk sites</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>Cool Farm tool and 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): assessment within the two-year audit plan for the most at-risk sites in terms of human rights</i></li> </ul>

In 2019, Danone strengthened its procedures for assessing human rights risks in its operations by developing guidelines and a self-assessment tool for risks to help its subsidiaries implement its in-house Global External Workforce Policy. With regard to its direct suppliers, the Company continued to implement the audit plan launched in 2018 for sites identified as being the most at risk following the above-referenced geographic and sector-based risk analysis. Lastly, the work done in 2018 and 2019 to identify its water risks is now giving Danone a detailed picture of the water footprint of its operations and supply chain.

For more information, see the following sections:

- *Preserve and renew the planet's resources;*
- *Focus - Respecting and promoting human rights in Danone operations;*
- *Workplace health and safety (Action plans section);*
- *Responsible sourcing-milk (Action plans and outcomes section);*
- *Responsible sourcing-supplies other than milk (Environmental and labor risk-mapping and Traceability of agricultural raw materials 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>• Internal 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, ISO14001, GEMI Local Water Tool, 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, 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> </ul>	<ul style="list-style-type: none"> <li>• <i>Appropriate mitigation plans in connection with Cool Farm Tool and the Animal Welfare 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>

In 2019, Danone raised awareness among its employees and enhanced their training. This was the case for its buyers in particular. The Company has developed an e-learning training course on human rights and forced labor which will gradually be rolled out to the Procurement, Human Resources and General Secretary teams. Online seminars and workshops have also been held with buyers and local suppliers in countries considered to be at risk (China, India, Indonesia, Mexico and Russia) to significantly increase buyers' involvement and encourage discussions about local conditions.

For more information, see the following sections:

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

## Whistleblowing system

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
<b>Danone activities</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>Activities of suppliers and sub-contractors</b>	<ul style="list-style-type: none"> <li>• Danone Ethics Line is accessible to third parties including suppliers</li> </ul>		

In 2019, Danone received 355 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, 20 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.

For more information, see the following sections:

- [Responsible practices: Ethics and Integrity \(Mechanism section\)](#);
- [Workplace health and safety \(Action plans section\)](#);
- [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>• Reporting Entity-level tracking of GREEN audit action plans and 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>• <a href="#">Tracking of RESPECT program performance indicators</a></li> <li>• <a href="#">Increase in milk volumes covered by CPM contracts</a></li> <li>• <a href="#">Improved traceability of priority ingredients</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Performance monitoring using the Cool Farm Tool and the Animal Welfare tool</a></li> <li>• <a href="#">Improved traceability of priority ingredients</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Tracking of RESPECT program performance indicators</a></li> </ul>

In 2019, Danone increased the traceability of ingredients such as palm oil, cane sugar, cocoa and soy.

For more information, see the following sections:

- [Preserve and renew the planet's resources](#);
- [Focus - Respecting and promoting human rights in Danone operations](#);

- [Workplace health and safety \(Outcomes section\)](#);
- [Responsible sourcing-milk \(Action plans and outcomes section\)](#);
- [Responsible sourcing-supplies other than milk \(Traceability of agricultural materials and Tracking and assessing the effectiveness of supplier programs sections\)](#).

## SUSTAINABILITY GOVERNANCE

At Danone, sustainability governance is based largely on the structure and entities depicted hereinafter:

### Purpose and Engagement Committee

An offshoot of the Board of Directors, its missions and work in 2019 are detailed in section 6.1 *Governance bodies*.

### One Planet. One Health Integration and Investment Board

This Board works to ensure the integration and consistency of Danone's social, environmental and nutrition commitments, in relation to its 2030 Goals, in order to support its activities and, more specifically, its brands. It makes recommendations to the social innovation funds' decision-making bodies. It is made up of internal experts on environmental, social and nutrition issues, the Chief

Growth Officer of each Reporting Entity, and representatives from the Marketing, Strategy and Procurement functions. It is chaired by the EVP, Essential Dairy & Plant-Based, who is a member of the Executive Committee, and by the General Secretary. It has replaced the Sustainability Integration Committee.

### Sustainability Integration Department

The Sustainability Integration Department is part of the General Secretary function. It works with the environmental, social and nutrition teams and with sustainability representatives in each Reporting Entity to coordinate the Company's sustainability commitments and monitor its performance in meeting them. This department also

oversees the Danone Way program and coordinates a worldwide network of local sustainability representatives at subsidiary level.

## 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, 2019, the Danone Communities SICAV fund had a total of €78.8 million in assets under management. Of that total, 19% was held by Danone and 30.5% 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, 2019, Danone also held 59% of the capital in the FPS.

### 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

### 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 investors in proportion to their investments. As such, the Livelihoods Carbon Fund fights climate change while improving living conditions for local communities.

### 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 small farmers to adopt more sustainable practices and boost revenue, thanks to good connections with markets. These projects also help to preserve ecosystems through farming practices combining productivity and respect for the environment.

Danone Communities and its partners invest in businesses that have a significant social impact in line with Danone's mission, 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 drinking water—two levers to reduce poverty.

FPS Danone Communities backs 12 social companies in 15 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, 2019, total investments in these businesses came to €12.8 million for the Danone Communities FPS fund (€11.9 million in 2018).

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. The salaries and travel expenses of these employees, which totaled €1.4 million in 2019 (€1.5 million in 2018), are charged to the Fund in full by Danone.

As of December 31, 2019, the Danone Ecosystem Fund had 36 active projects worldwide, representing a total commitment of €77 million (€77 million in 2018).

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, 2019, investors have pledged to invest:

- a total of €45 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 €55 million in LCF compartment 2 (with Danone accounting for €25 million of that amount). This compartment 2 had approved five projects as of December 31, 2019.

As of December 31, 2019, 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, rice and watershed protection.



## RESPONSIBLE PRACTICES: ETHICS AND INTEGRITY

### Definition

Danone works actively against corruption, 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.

<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, the environment 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>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, medicine and healthcare.</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 Directive</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>	<ul style="list-style-type: none"> <li>• Describes the behaviors expected of Danone employees who work with various stakeholders:                             <ul style="list-style-type: none"> <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 it;</li> <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 (Haute Autorité Française pour la Transparence de la Vie Publique, or HATVP).</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;</li> <li>• Danone updated this policy in 2019, it is available on its website.</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.

At the local level, Danone has a global network of local compliance officers (see section 2.7 *Internal control and risk management*).

Responsibility for internal evaluations of alleged or suspected compliance failures lies with the Danone Ethics Line Committee, made up of the Chief Compliance Officer and the integrity, internal audit, human resources compliance and safety directors.

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 findings related to human resource alerts from the Danone Ethics Line twice per year (see hereinafter). It also reports on its work to the Purpose and Engagement Committee.

## Action plans

Danone assesses compliance risks, in particular those related to corruption. Accordingly, audits are conducted on these major risks (interactions with government officials, gifts and hospitality, sponsorships, subsidies and donations, public tenders and confidentiality of personal data) by both the internal audit and compliance teams, as needed.

### Whistleblowing system: Danone Ethics Line

Danone has developed a confidential whistleblowing system for employees, suppliers and 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.

### 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

When responding to alerts, Danone enforces a clear policy of not retaliating against whistleblowers if they report a genuine concern in line with the Code of Business Conduct (see section 2.7 *Internal control and risk management*).

### Employee training and information

Danone has rolled out a worldwide communication campaign to inform employees, when they are hired, of the importance of the Code of Business Conduct and their obligation to follow it.

More generally, its goal is to use in-person training conducted at the local level or e-learning to educate all employees about its responsible practices policies. Priority is given to businesses deemed at highest risk. This approach extends coverage to every Danone employee.

With respect to data confidentiality, Danone has held training sessions for all of its compliance officers around the world to raise their awareness of the importance of this issue. Similarly, communication and ongoing training on data protection were provided at the local level for employees in Europe. Danone is rolling out mandatory e-learning on the European personal data protection regulation to continuously raise European employees' awareness of the importance of protecting personal data.

## Outcomes

In 2019, Danone received 355 alerts on various issues, including human resources, corruption and fraud. None of these cases had a significant impact on the Company's consolidated accounts.

Over the year 2019, 19% of Danone's total employees have been trained at least once on compliance through an in-person training or an e-learning module. The targeted population of these trainings are the 65% of Danone's employee having access to a laptop, other employees were nevertheless able to take part in these training sessions".

the year and on the Company's tax policy. The Vice-President, Tax 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 BEPS (Base Erosion and Profit Sharing) initiative. In 2019, it entered into a partnership 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

<b>Sustainable product portfolio</b>	<b>150</b>	<b>Responsible communication</b>	<b>153</b>
Offering consumers healthy products	150	<b>Marketing of breast milk substitutes</b>	<b>154</b>
Ensuring food safety	152		

### SUSTAINABLE PRODUCT PORTFOLIO

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

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

#### Offering consumers healthy products

##### Definition

Through its mission, Danone is committed to "bringing health through food to as many people as possible" through its brands. Its health and nutrition strategy thus consists of offering a better portfolio of products that contribute to a balanced diet. The continuous improvement in nutritional value is based primarily on reformulating and innovating on its product range. Danone also draws on its in-depth knowledge of eating habits, local cultural traditions and public health concerns.

- the One Planet. One Health Integration and Investment Board (see section 5.1 *Danone's integrated vision of corporate responsibility*);
- the Product Compliance Board, a multiyear decision-making body that deals mainly with health and nutrition issues;
- the Danone Nutrition Steering Committee, which is responsible for monitoring progress on these issues and making recommendations to the various management bodies at headquarters and at the Reporting Entities.

##### Governance

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. Health and Nutrition governance is also supported by:

##### Policies, action plans and outcomes

The "Impact people's health locally" 2030 Goal related to nutrition has been incorporated into Danone's strategy. The commitments are structured in three pillars: better products and better choices encourage better consumption. This breaks down into six commitments and nutritional targets for end of 2020 that Danone has set for its product portfolio.

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

##### 2020 TARGETS

Danone will bring 100% of its products into compliance with its absolute nutritional target values.

##### ACTION PLANS AND OUTCOMES

In 2019, 90% of product volumes sold are in healthy categories versus 89% in 2018 (see health and nutrition scope, Methodology Note). The other categories are mainly low-sugar drinks and occasional "indulgence" products.

In 2019, Danone updated its nutritional targets to incorporate criteria for its plant-based product portfolio.

In 2019, 72% of entities put in place an active reformulation plan to achieve the 2020 nutritional targets, defined jointly with the Research and Innovation, Marketing and General Secretary functions (see Danone Way scope, Methodology Note).

The indicator of compliance with the nutritional targets can be found in the 2019 Integrated Annual Report.

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

##### 2020 TARGETS

Top Danone brands will contribute to providing healthier alternatives in consumers' diet.

##### ACTION PLANS AND OUTCOMES

Since 2018, plain dairy product offers have been launched by several brands, including *Oikos* in Canada, *YoPRO* in Spain and *Le Bio* in France.

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

2020 TARGETS	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.	Through the Nutriplanet program, Danone gains detailed knowledge of all aspects of local food cultures. In 2019, 56 countries were covered by Nutriplanet studies, compared with 57 in 2018 (see health and nutrition scope, Methodology Note).

**Commitment No. 4: contribute to address local public health challenges on which Danone, with its partners can have significant impact**

2020 TARGETS	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.	In 2019, 79% of Danone’s entities engaged in favor of a public health cause (see Danone Way scope, Methodology Note).  In 2019, Danone had 23 active education and information programs, versus 30 in 2018. 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 12 million people in 2019, versus 35 million in 2018 (see health and nutrition scope, Methodology Note).

**Commitment No. 5: develop even more responsible marketing practices, particularly towards children**

2020 TARGETS	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.	See section 5.2 <i>Responsible Communication</i> .

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

2020 TARGETS	ACTION PLANS AND OUTCOMES
100% of Danone products will display comprehensive nutritional information to guide consumers, in particular regarding portion guidance.	Danone supports Nutri-Score and is gradually rolling it out to the product portfolio of the Essential Dairy & Plant-Based Reporting Entity.  In 2019, Nutri-Score was adopted in Austria, Belgium, France, Germany, Luxembourg, Slovenia, Spain and Switzerland.

**Opportunities**

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

offer to respond to rising consumer trends such as flexitarianism. It also offers new categories of products with probiotics, nutrients and proteins.

**Focus – Accessible, affordable nutrition**

As reflected in its mission 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 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 platforms.

Danone also relies on improving its portfolio by enriching selected products with key nutrients and/or making them more affordable. For instance, its Argentinian Essential Dairy & Plant-Based subsidiary offers a *Danonino* range, fortified with vitamins A and D, calcium, zinc and iron.

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.

Lastly, it 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 small farmers become more resilient and develop subsistence farming strategies that improve their diets.



## Ensuring food safety

### Definition

Danone's priority is to prevent all health risks associated with using, handling, preparing, consuming and storing products along its entire value chain.

### Policies

Food quality and safety are crucial to fulfilling Danone's mission, as reflected in the "Offer superior food experiences and innovate, always" 2030 Goal.

In 2018, Danone published its commitments on food quality and safety, based on four core principles:

- be trusted: design, manufacture and deliver products and services that comply with applicable regulations and meet the highest standards for food quality and safety;
- be preferred: continuously improve consumer satisfaction and play a key role in the food revolution;
- be efficient: develop robust and effective operating processes and target sustainable operational excellence while fostering collective intelligence and expertise;
- be proud: make Danone's employees informed ambassadors for its products and services.

Danone has also established several policies for micronutrients, genetically modified organisms and animal testing. Details of these policies can be found on Danone's website.

### Governance

Responsibility for implementing the strategy lies with:

- the Food Safety Department, which reports to the EVP, Human Resources and General Secretary, who is a member of the Executive Committee, ensuring independence from the operational teams. It is tasked with defining the Company's commitments, as well as the applicable standards and methods, and it is responsible for the food safety management system and its continuous improvement;
- the Reporting Entities' Food Quality and Safety Departments, which are responsible for implementing the policies and standards applicable to their entities. The General Manager of each subsidiary is responsible for ensuring that the products on the market comply with the host country's applicable laws and regulations. The subsidiaries must apply the stricter of either local regulations or Danone's own food safety policy.

In addition, (i) the Food Quality and Safety Committee sets the strategy and oversees the global roadmap and (ii) the Product Compliance Board is responsible for monitoring the risks identified and ensuring that the Company can manage them.

### Action plans

#### Strengthen the food quality and safety culture

##### *iCare quality culture program*

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

- 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.

In 2019, Danone strengthened the food safety component of the program.

Danone conducts assessments to measure the maturity of the quality culture every two years. The last assessment was in 2018 and showed a significant improvement.

##### *Employee training and awareness*

Danone relies on numerous initiatives and training courses to educate and train all its employees and thereby strengthen the food quality and safety culture within the Company. In 2019, it expanded its training offer to include e-learning modules that are accessible to all.

##### *Identifying emerging and evolving issues*

Danone developed the Horizon Scanning process to identify emerging and evolving food safety issues and assess their potential impact on its products and activities. It covers risks related to the safety of raw materials, ingredients, packaging materials that come into contact with products, production processes and finished products. The process also considers issues that are not associated with any proven food safety risk but are perceived by civil society as such.

Based on the risks identified at the Company level, each Reporting Entity assesses the potential impact on its activities and product categories and works with its quality department to define the action plans needed to prevent these risks.

##### *Internal food safety management system*

Danone's objective is to earn FSSC 22000 certification (a standard recognized by Global Food Safety Initiative [GFSI]) for all production sites by the end of 2020.

The Company has decided to go beyond this certification and has also developed an audit guide that incorporates its own requirements. The Company also requires third-party stakeholders to earn certification in accordance with a set of food safety standards recognized by GFSI.

##### *Food fraud management systems*

In 2017, Danone implemented an internal directive on preventing food fraud at its production sites under the responsibility of a central team, encompassing all the Reporting Entities, and local teams.

On-site 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.

##### *Food defense management system*

Since 2017, Danone has been implementing a food defense directive and audit checklist to stiffen requirements for the physical protection of production and logistics sites. The Food Safety and Security Departments are collaborating on this and helping all Company subsidiaries develop and deploy preventive and protective measures.

### Outcomes

Danone thus reached a site certification rate of 86% (74% in 2018).

In 2019, 175 FSSC 22000 certification audits were conducted by independent certification bodies (159 in 2018). As of December 31, 2019, when these audits were complete, 167 sites were certified and 8 were in the process of certification (see Production Site Food Safety scope, Methodology Note).

Also in 2019, the Global Food Safety Audit team conducted 34 in-house food safety audits (27 in 2018, see Production Site Food Safety scope, Methodology Note).

## Opportunities

Anticipating the food quality and safety risks gives Danone the opportunity to improve and reformulate its products. It also enables

## RESPONSIBLE COMMUNICATION

### Definition

Danone's goal is responsible marketing and communications for all. In particular, it is committed to ensuring that its marketing 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 foods and beverages that consumers can enjoy every day, Danone spends the majority of its marketing budget on healthy products.

An internal directive, applicable to all Reporting Entities, was developed to ensure that the Health and Nutrition claims in Danone's communications are consistent and have a scientific basis.

In its advertising, Danone has pledged to apply the International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication (ICC Code), aiming for compliance across all of its communications campaigns. Non-compliance can occur from time to time; when it does, the Company takes corrective action.

Danone is a member of many pledges, including the EU Pledge program, which Danone co-founded in 2007, and local pledges that it joins when they are consistent with its position on responsible communication and marketing to children (Danone Pledge). The Danone Pledge, which the Company updated in 2019, can be found on its website. In most of the countries involved, compliance with this pledge is certified by an external agency.

Danone is also a member of the International Food and Beverage Alliance (IFBA) and a signatory to its Global Policy on Marketing Communications to Children.

This is reflected in the following rules:

<b>Licensed characters, celebrities, influencers and premiums</b>	<ul style="list-style-type: none"> <li>no use of celebrities or licensed characters, or of premiums that appeal primarily to children under the age of 12, except in the case of products meeting the Danone Pledge nutritional criteria. This rule applies to communications on packaging and in points of sale.</li> </ul>
<b>Schools and other locations</b>	<ul style="list-style-type: none"> <li>no marketing of products close to or in primary or secondary schools;</li> <li>communication for educational purposes and product sampling only where specifically requested by, or agreed with, the school administration, and only for products complying with the Danone Pledge nutritional criteria;</li> <li>no product sampling or communication at daycare centers, summer camps or child and family services centers, except for products meeting the nutritional criteria and with the consent of the administration of these institutions.</li> </ul>

The Danone Pledge, as updated in 2019, will undergo 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 2019 audit conducted in France, Germany, Hungary, Italy, Portugal and Spain, Danone's television advertising was found to be 99.8% compliant with the EU Pledge criteria across all six countries.

In the area of subsidiary websites and brand profiles on social networks, 100% of the websites audited and one influencer profile analyzed were compliant in all eight audited countries: Czech Republic, France, Germany, Greece, Italy, the Netherlands, Spain and Sweden.

the Company to respond proactively to consumer questions and their need for transparency.

### Governance

Under the internal directive described above, the Director 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 limits marketing aimed at children under the age of 12, ensuring that they are exposed only 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.

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

Danone has established the following principles for marketing to children:

- no misleading messages;
- no undermining of parental influence;
- no suggestion of a time/sense of urgency or a price minimization pressure;
- no exploitation of a child's imagination or inexperience;
- no encouragement of unhealthy dietary habits;
- no blurring of the boundary between marketing and branding.

### 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 5.2 *Sustainable product portfolio*).



## 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.

In 2016, 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, Danone developed a local guide for the countries where each entity is committed to complying with the BMS Policy and local regulations.

### 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. It 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 compliance failures.

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 2019, 4,786 employees were trained on Danone's Policy for the Marketing of Breast-Milk Substitutes.

The Access to Nutrition Index (ATNI) ranked Danone in the top 3 among top-performing food companies in 2018 and first for the marketing of breast milk substitutes. At the same time, in 2019 Danone remained in the FTSE4Good index calculated by FTSE Russell.

## 5.3 PRESERVE AND RENEW THE PLANET'S RESOURCES

### Contents

<b>Environmental strategy</b>	<b>155</b>	<b>Circular economy</b>	<b>163</b>
<b>Fight against climate change</b>	<b>156</b>	Packaging	163
<b>Transition toward regenerative agriculture that includes organic agriculture</b>	<b>162</b>	Waste management	165
		Reducing food waste	165
		<b>Water stewardship</b>	<b>166</b>

### ENVIRONMENTAL STRATEGY

Danone defined its environmental strategy based on four main priorities:

- fight against climate change;
- transition toward regenerative agriculture that includes organic agriculture;
- circular economy;
- water stewardship.

#### Governance

Danone's environmental strategy is sponsored by the EVP, Chief Financial Officer, Technology & Data, Cycles and Procurement, a member of the Executive Committee who sits on the Board of Directors.

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

- the Chairman and Chief Executive Officer and the EVP, Chief Financial Officer Technology & Data, Cycles and Procurement, who review the implementation of the environmental strategy, its priorities and key challenges on a quarterly basis;

#### Focus – Training and awareness programs

Danone raises awareness and trains its employees with respect to environmental issues, mainly through its "One Planet, One Health" platform, which enables employees to receive training on these topics (see section 5.4 *Inclusive talent development*).

In 2019, as part of the deployment of a new environmental performance monitoring tool, all environmental performance managers at

#### Environmental management systems and tools

Danone developed its environmental management system based on the international standard ISO 14001.

Danone also has its major production sites certified according to ISO 14001. This certification is a prerequisite for obtaining the highest performance level (excellence level) in the GREEN audit (see following section).

- the Purpose & Engagement Committee of the Board of Directors (see section 5.1 *Sustainability governance*);
- the Executive Committee, which oversees the annual strategic planning process establishing the operational roadmaps and action plans to achieve the Company's commitments, working with the Strategy and Risks Department;
- the Risk Committee, which oversees the risk review at the Company level and identification of emerging risks;
- the Nature & Water Cycle Department, which reports to the Cycles and Procurement Department, implements Danone's environmental strategy, manages its performance, designs and supports environmental innovation programs using a financing mechanism in partnership with the social innovation funds. It is backed by the sustainable development departments of each Reporting Entity and each strategic cycle (plastic, water, milk). It therefore works closely with the purchasing teams responsible for the main resources (milk, sugar, fruit, packaging, etc.);
- at the subsidiaries, nearly 100 correspondents direct the environmental programs of their respective Reporting Entity.

local and Reporting Entity levels participated in a training seminar that included a session focused on Danone and its environmental challenges.

This new tool, which was launched at all subsidiaries, makes it possible to monitor environmental performance at every decision-making level of the organization.

At certain production sites, Danone also applies ISO 5001 related to efficient energy management.



Year ended December 31

	2018	2019
<b>ISO 14001 certification <sup>(a)</sup></b>		
Number of certified sites	86	85
Percentage of certified sites	46%	46%
Percentage of volumes covered	68%	67%
<b>ISO 50001 certification <sup>(a)</sup></b>		
Number of certified sites	8	8
Percentage of certified sites	4%	4%
Percentage of volumes covered	10%	6%

(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 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. Since 2018, the GREEN audit framework includes a water risk assessment based on the Water Risk Filter (WRF) developed by the WWF (see section *Water stewardship*).

Action plans are deployed at non-compliant sites in order to remediate non-conformities.

Year ended December 31

	2018	2019
<b>Sites having undergone a GREEN audit</b>		
Number of sites	124	126
Percentage of sites	66%	68%
Percentage of production covered by a GREEN audit	79%	79%
<b>Compliance with GREEN standards</b>		
Number of compliant sites	104	109
Percentage of compliant sites	84%	87%
Percentage of compliant production	94%	95%

### Environmental expenditures and investments

In 2019, investments in environmental protection totaled more than €27 million, or approximately 2.9% of consolidated capital expenditures (€31 million in 2018, or approximately 3.4%). These investments focused mainly to reductions in water and energy consumption and carbon emissions as well as water quality improvements.

Environmental-related operating expenses totaled €117 million in 2019 (€123 million in 2018): €36 million for waste management and water and air; €55 million for contributions paid for the collection and recycling of packaging; €26 million for other expenditures.

In 2019, Danone defined new investment approval rules, such that all investments exceeding €5 million are subject to an environmental impact assessment (water, climate, etc.) reviewed by the Head of Nature for each Reporting Entity and must be approved by Nature & Water Cycle Vice President.

### 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, 2019 (unchanged from December 31, 2018).

## FIGHT AGAINST CLIMATE CHANGE

### Definition

Danone 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 (see section *Water stewardship*);

- price volatility for its product packaging materials and impacts on its activities;
- financing the transition toward more sustainable agricultural practices (see section *Transition toward regenerative agriculture that includes organic agriculture*).

## Policies and action plans

In its 2015 Climate Policy, Danone set a target of carbon neutrality emissions across its entire value chain by 2050. This objective covers its entire value chain: scopes 1, 2 and 3, *i.e.* all its direct and indirect emissions, including those of suppliers and consumers.

In order to reach this goal, Danone has developed the following strategy:

- cutting emissions;
- transform the agricultural practices of its supply chain;
- keeping more carbon in the ground;
- eliminate deforestation from its supply chain by 2020;
- offsetting remaining emissions.

In addition to its Climate policy, Danone showed in 2019 for the first time a 'carbon-adjusted' recurring EPS evolution that takes into account an estimated financial cost for the absolute GHG emissions on its entire value chain<sup>(a)</sup>. This 'carbon-adjusted' recurring EPS grew in 2019 at +12%, faster than the +8.3% recurring EPS growth reported by the company given the +9% carbon productivity delivered in 2019.

Going forward, as full scope carbon emissions peak was reached in 2019 and GHG emissions in absolute levels are set to decrease, Danone's 'carbon-adjusted' recurring EPS is set to grow faster than recurring EPS (see section 3.2 *Consolidated net income review*).

(a) Carbon-adjusted recurring EPS is equal to the recurring EPS less an estimate financial cost for carbon / number of shares after dilution (see section 3.2 *consolidated net income review*). The estimated financial cost for carbon is based on Danone's full scope (1, 2 and 3) carbon emissions of 27.2 mT for 2019 (26.3 mT for 2018) x a constant carbon cost estimate of 35€/ton, aligned with CDP disclosure.

## Cutting emissions

Danone aligned its greenhouse gas reduction targets on the global target of the United Nations Framework Convention on Climate Change (UNFCCC), which seeks to limit the increase in temperature to less than 2° Celsius.

In 2017, Danone's emissions reduction targets were approved by the Science-Based Targets (SBTi) initiative:

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

In 2019, Danone pledged to define targets for reducing greenhouse gas emissions in line with a 1.5° Celsius climate scenario, heeding the call of the UN Global Compact and initiatives of Science-Based Targets and We Mean Business. Danone is currently working on these new reduction targets with the SBT initiative.

Lastly, as part of the RE100 initiative, Danone has made a commitment to shift to 100% renewable electricity by 2030, with an interim target of 50% by 2020.

## Transformation of agricultural practices

Danone has placed agriculture at the center of its low-carbon strategy, notably through the implementation of regenerative agriculture (see section *Transition toward regenerative agriculture that includes organic agriculture*).

### Keeping more carbon in the ground

Danone promotes regenerative agriculture that contributes to reducing carbon levels in the atmosphere by sequestering it in the ground. By adopting regenerative agricultural practices, partner producers reduce their greenhouse gas emissions, thereby improving

soil quality and soil carbon sequestration (see section *Transition toward regenerative agriculture that includes organic agriculture*).

In 2019, Danone, joined Gold Standard's "Value change interventions" program aimed at establishing a methodology for measuring soil carbon sequestration.

## Eliminating of deforestation from the supply chain by end of 2020

### Forest footprint policy

Through its Forest Footprint Policy, Danone has made a commitment to eliminate deforestation from its supply chain by end of 2020. The policy prioritizes six major commodities: palm oil, soy, paper and cardboard packaging, wood biomass, cane sugar and bio-based plastics for packaging.

The specific policies for palm oil, soy and paper and cardboard packaging, summarized hereinafter, were assessed by the Global Canopy Program. These policies can be seen in their entirety on Danone website.

### Palm oil policy

Since 2015, Danone has committed to the traceability and provenance of palm oil used. It must come from plantations whose expansion does not threaten forests rated as High Conservation Value (HCV) and High Carbon Stock (HCS), nor tropical peatland, and the plantations must respect the rights of indigenous peoples and local communities as well as the rights of all workers.

In 2019, Danone used approximately 68,000 tons (71,443 tons in 2018).

Since 2014, 100% of the palm oil purchased for its Early Life Nutrition activities was certified "RSPO segregated" (traceable back to the plantations, with the backing of EarthWorm). In 2019, 48% of the palm oil purchased by Danone was certified RSPO segregated, and 51% was certified RSPO Mass Balance (meaning that the palm oil used originates mainly from sustainably managed plantations but without strict separation along the supply chain).

In addition, since 2018, the Company has been publishing on its website a list of its palm oil direct suppliers and mills.

### Soy policy

Danone pledged to contribute to the development of a more responsible soy value chain. Its soy policy consists of improving transparency across the entire supply chain and promoting local protein-rich crops, alternatives to soy imports that help local farmers to become more autonomous in animal feed production. It is also designed to ensure the traceability of soy used in animal feed for dairy cows from regions with low deforestation risk or soy that is produced in accordance with certification standards such as ProTerra or RTRS.

Danone's soy consumption 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 seeks to guarantee the circularity of its packaging and accelerate the transition toward a circular economy on a global scale (see section *Circular Economy*).

Danone also developed a special paper and cardboard packaging policy with several leading NGOs (notably Rainforest Alliance), with three objectives:

- switch to lighter-weight packaging across its products range;
- use recycled fiber wherever possible;
- where that is not possible, use FSC certified virgin fiber.

Information about the quantitative results is available in the 2019 Integrated Annual Report.

### Offsetting emissions

Danone pledges to offset remaining greenhouse gas emissions while implementing solutions that seek to improve the quality of life of the most vulnerable communities. Thus, the Company participates in reforestation and natural ecosystem restoration projects, notably through the Carbon Livelihoods fund (for more information, see 2019 Integrated Annual Report).

### Carbon neutrality of its brands

Danone also seeks to have its leading brands participate in its goal of carbon neutrality.

Starting in 2013, Danone decided to offset emissions from the *evian* brand along with its other emissions reduction measures, such that all *evian* products worldwide would be carbon neutral in 2020. In 2019, the emissions of products sold in 2018 in North America, Germany and Switzerland were offset.

In 2019, three other Waters Reporting Entity brands pledged to achieve carbon neutrality: *Volvic* by 2020, *Lanjarón* by 2025 and *Font Vella* by 2030.

## Outcomes

### Global recognition

Danone obtained "triple A" score by the non-profit organization CDP, for CDP Climate Change, CDP Forests and CDP Water questionnaires, for its transparency and environmental performance in the fight against climate change and deforestation and water resource preservation.

Since 2018, Danone has included an environmental performance criterion in its Group Performance Shares plans for 1,600 senior executives. This criterion is based on the CDP Climate Change score attributed to Danone (see section 6.4 *Detailed information on long-term compensation plans*).

In 2019, the Company was also recognized by CDP as a global leader for its strategy and commitments with suppliers across its entire supply chain regarding the fight against climate change. Danone thus joins the list of companies making up the CDP Supplier Engagement Board.

Meanwhile, Danone's commitments to eliminating deforestation from its supply chain were recognized by CDP in its "CDP No Wood for Trees" report. The Company received the highest position worldwide in this ranking, which analyzes the actions of 22 companies to fight against deforestation.

### Greenhouse gas emissions

Danone measures the greenhouse gas emissions of its value chain (scopes 1, 2 and 3) based on the international GHG Protocol developed by the World Resources Institute (see Methodology note).

In 2019, Danone introduced a new tool globally to measure and monitor its environmental performance. At that time, the Company completely updated its carbon accounting referential, whose compliance with the GHG Protocol was confirmed through a third-party (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 set its emissions reduction targets for scopes 1 and 2 based on the GHG Protocol market-based methodology in order to reflect the share of renewables in its energy mix (see Methodology note).

Total emissions in metric tons of CO<sub>2</sub> equivalent for scopes 1 and 2 fell by 8.5% between 2018 and 2019, mainly due to purchases of electricity from renewable energy sources and energy efficiency improvements. On a like-for-like basis, these emissions decreased by 10.4% relative to 2018 and by 29.1% relative to 2015.

Scopes 1 and 2 emissions market-based (in ktCO <sub>2</sub> )	2018	2019
Scope 1	753	722
Scope 2	679	588
<b>Total Scopes 1 &amp; 2</b>	1,432	<b>1,310</b>
<b>Absolute emissions reduction, scopes 1 and 2, market-based since 2015</b>	<b>20.3%</b>	<b>29.1%</b>

[a] Greenhouse Gas scope (Methodology note).

**Greenhouse gas emissions on scope 3:**

Danone measures indirect emissions from the scope 3 categories described hereinafter (see Methodology note).

<i>(in ktCO<sub>2</sub> eq)</i>	<b>2018</b>	<b>2019</b>
Purchased goods and services	19,055	20,628
Upstream transportation and distribution of goods	629	382
Downstream transportation and distribution of goods	1,886	2,199
Use of sold products	1,577	1,922
End-of-life treatment of sold products	1,004	245
Fuel and energy related activities	330	320
Waste generated by operations	405	173
<b>Total Scope 3</b>	<b>24,886</b>	<b>25,869</b>

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

<i>(in ktCO<sub>2</sub> eq)<sup>(a)</sup></i>	<b>2018</b>	<b>2019</b>
Scope 1	753	722
Scope 2 <sup>(b)</sup>	679	588
Scope 3	24,886	25,869
<b>Total Scopes 1, 2 and 3</b>	<b>26,318</b>	<b>27,179</b>
<b>Ratio of total emissions scopes 1,2,3</b> <i>(in grams of CO<sub>2</sub>eq/kg of product sold)</i>	<b>711.0</b>	<b>740.1</b>
<b>Reduction in emissions intensity ratio, scopes 1, 2 and 3 since 2015</b>	<b>15.6%</b>	<b>24.8%</b>

(a) Greenhouse Gas scope (see Methodology note).

(b) Market-based.

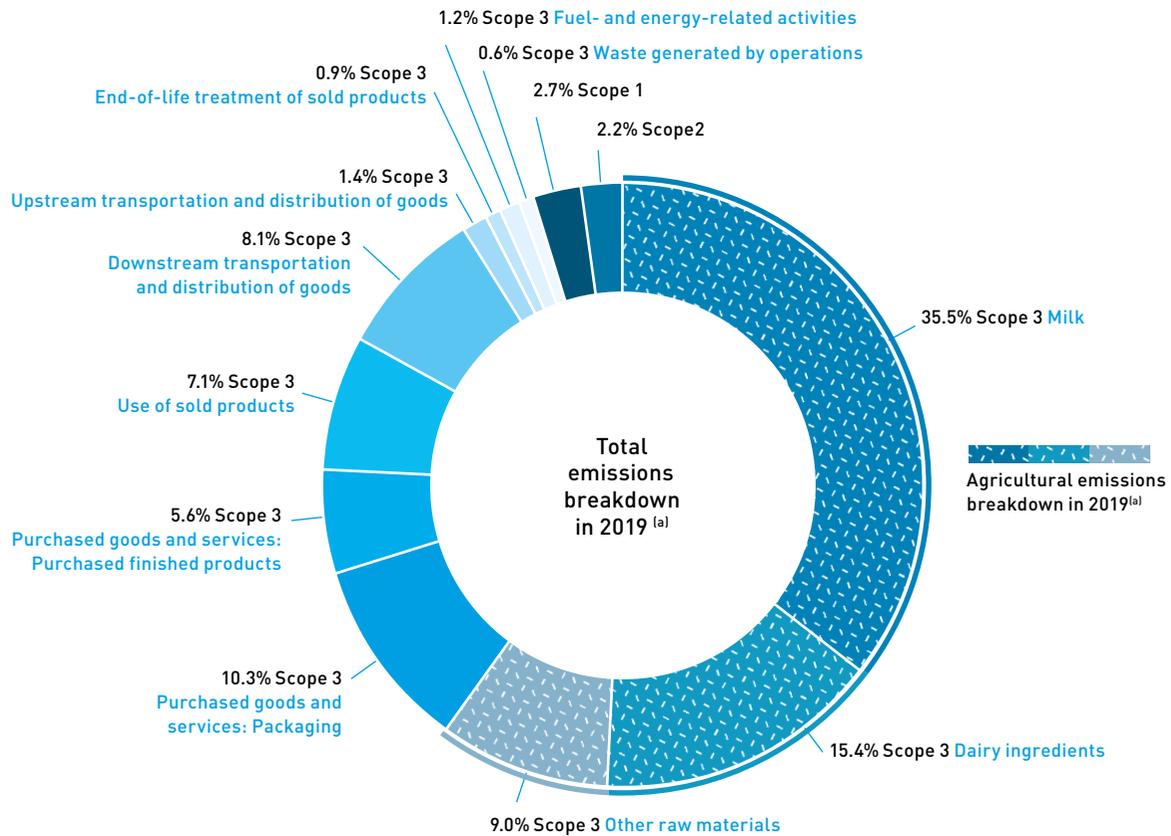
Danone's total emissions across its value chain scopes 1, 2 and 3 totaled 27.2 million metric tons of CO<sub>2</sub> equivalent, compared with 26.3 metric tons in 2018, mainly due to the extension of the measurement scope of emissions for the Reporting Entity Specialized Nutrition activity and changes in the measurement methodology (see Methodology note).

The ratio of its total emissions across its value chain scopes 1, 2 and 3 increased by 4.1% between 2018 and 2019. On a like-for-like

basis, this ratio fell by 9.4% relative to 2018 and by 24.8% relative to 2015, mainly as a result of productivity gains among producers from whom Danone purchases its milk directly and the milk supply chain at the global level, as well as increased electricity purchases from renewable sources.

With 95.2% of Danone's total emissions across its value chain, scope 3 represents the largest contributor, more than emissions from scope 1 (2.7%) and scope 2 (2.2%).





(a) Greenhouse Gases scope, (see Methodology Note).

Danone estimates that the peak of its carbon emissions on Its full scope was reached by the end of 2019, five years ahead of its original plans and commitments (2025) and one year prior the 1.5°C Science-Based Targets commitment.

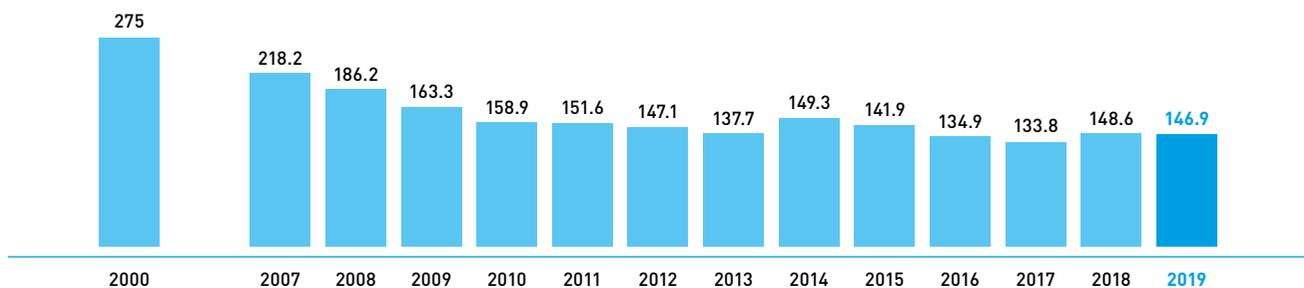
### Energy efficiency and renewable energies

	Year ended December 31	
(MWh)	2018	2019
Thermal energy (a)	3,395,125	3,298,502
Electricity (a)	2,181,458	2,122,809
<b>Total</b>	<b>5,576,583</b>	<b>5,421,311</b>
Energy consumption intensity (kWh per metric ton of product)	148.6	146.9
<b>Total reduction in energy intensity since 2000 (kWh per metric ton of product)</b>	<b>46%</b>	<b>47%</b>

(a) Production Site Environment scope (see Methodology note).

Energy consumption intensity fell by 1.1% in 2019. On a like-for-like basis, this ratio fell by 0.7% between 2018 and 2019.

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



At end-2019, total energy consumption intensity at production sites declined by 47% relative to 2000, compared with 46% in 2018.

#### Energy efficiency initiatives

Danone relies on two main mechanisms to improve its energy efficiency: optimization of energy production at its sites and energy use.

This trend is also enhanced by systematic sharing of best practices among production sites.

#### Renewable energy use

	Year ended December 31	
	2018	2019
Production sites purchasing 100% renewable electricity <sup>(a)</sup>	40	50
Percentage of renewable electricity <sup>(a)</sup>	34.2%	42.4%
Percentage of renewable energy <sup>(a)</sup>	16.2%	19.7%

(a) Production Site Environment scope (see Methodology note).

As part of the RE100 initiative, in 2019, 50 production sites purchased electricity from 100% renewable sources (wind, hydro, etc.), which represents a total of 42.4% of Danone's electricity purchases in 2019, compared with 34.2% in 2018.

In 2019, total energy consumption from renewable sources (electricity and thermal) represented 19.7% of total energy consumed by Danone, compared with 16.2% in 2018.

#### Opportunities

Working closely with all parties making up the value chain, Danone strives to strengthen the traceability of its supplies in order to bolster the resiliency of the producers and secure its purchases.

Furthermore, Danone's 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 makes it possible to respond to new consumer trends, thus the Company diversified its plant-based product portfolio, thereby helping to reduce its carbon footprint.

### 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 put forth by 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's 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-related 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	2.7
<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 opportunities and Company's performance against these targets	5.3, 6.4

## TRANSITION TOWARD REGENERATIVE AGRICULTURE THAT INCLUDES ORGANIC AGRICULTURE

### Definition

Agriculture constitutes Danone's leading source of greenhouse gases emissions for its full scope, accounting for 60% of emissions in 2019. It is also the leading source of water consumption. Agriculture represents part of the solution for the Company with respect to climate-related challenges, and the goal is to transform agricultural models to protect nature's regenerative ability, notably by promoting practices that contribute to the transition of agricultural models.

### Policies

The transition toward regenerative agriculture is based on the following principles and commitments:

- Danone White Paper on sustainable agriculture, which lists the key principles for the increased sustainability of agricultural supplies;
- three pillars of regenerative agriculture:
  - protecting soils, water and biodiversity;
  - empowering a new generation of farmers;
  - respecting animal welfare.

These principles are also reflected in Danone's commitment to enhancing its product lines comprising organic and plant-based products.

In addition to the regenerative agriculture principles, Danone's Reporting Entities have undertaken a series of commitments disclosed in the Animal Welfare Position Paper, among them:

- cover 80% of fresh milk collected in 14 countries through the dedicated animal welfare assessment tool (for dairy cows) or through Validus certification by 2020;
- use 100% cage-free eggs and egg ingredients by the end of 2019 for its entire product portfolio.

Each year, Danone also publishes its animal welfare progress report, which summarizes the progress with respect to each of its commitments, with annual scopes and targets defined.

### Action plans and outcomes

In 2019, 76% of the entities developed concrete projects in line with at least one of the three pillars of the regenerative agriculture framework regarding the main raw materials it uses (see *Danone Way scope*, Methodology note).

#### Protecting soils, water and biodiversity

Danone integrated soil health into its regenerative agriculture approach and has committed to promote practices with upstream partners that make it possible to:

- preserve and improve the physical and biological structure of soil (enhancing its organic matter content through reduced soil tillage, crop rotation and planting of permanent cover crops);
- maintain soil's natural capacity to regulate water resources;
- preserve animal and plant biodiversity by limiting the use of inputs (mineral fertilizers, pesticides and other chemical products) and by increasing protected wildlife habitats for animals (increase in buffer strips and hedges between parcels whenever possible).

These measures reduce greenhouse gas emissions from farms and increase the rate of soil carbon sequestration, thus contributing to Danone's carbon neutrality objective. In that regard, Danone works directly with farmers to develop action plans and help them implement these new practices.

Danone works with numerous partners to promote a better understanding of agricultural practices that help protect soil health. For example, since 2018 Danone North America has worked with researchers from Cornell University's carbon sequestration center in order to identify ways to regenerate soils and enhance their carbon content.

In 2019, Danone stepped up its contribution to biodiversity protection, notably by initiating the One Planet Business for Biodiversity (OP2B) coalition with the World Business Council for Sustainable Development (WBCSD). As of December 31, 2019, this coalition comprises 19 companies, mainly in the food and beverage sector, seeking to protect and restore biodiversity in their supply chains and product portfolios. The Company also endeavors to raise biodiversity protection awareness among employees at its production sites.

Examples of other initiatives are available on Danone's website.

#### Empowering a new generation of farmers

Since farmers are the main players in the transition toward regenerative agriculture, Danone seeks to build long-term relationships to support them in this process. To that end, Danone established long-term Cost Performance Model (CPM) contracts, which make it possible to guarantee stable income for farmers and long-term collaboration on sustainability issues (see section 5.5 *Responsible sourcing-milk*).

Another way Danone is working to empower farmers is by facilitating access to training, equipment and financing, notably through its brands and social innovation funds created by Danone. For example, in France, the *Blédina* brand has invested since 2018, 40 million euros which allowed to convert nearly 60% of its raw materials to regenerative agriculture practices. Moreover, Dan Trade, the Danone Ecosystem Fund and other public- and private-sector organizations created the "Madre Tierra" project, which enables Mexican strawberry producers to receive financial, technical and technological support as well as training in soil sustainability, water resource management and fertilization. These measures make it possible to promote long-term and local sourcing. The "Madre Tierra" project helped 78 producers in 2019, and the goal is to increase that number to nearly 150 producers by 2023.

#### Respecting animal welfare

Danone developed its animal welfare approach in collaboration with the NGO Compassion In World Farming (CIWF). It is based on the internationally recognized five freedoms for farm animals developed by the Farm Animal Welfare Council and is formalized in Danone's Animal Welfare Position Paper. In 2018 and 2019, Danone reached the level of Tier 2 of the Business Benchmark on Farm Animal Welfare (BBFAW). This report provides an annual rating of the leading companies' performance with respect to their animal welfare strategy.

Danone has also committed to strengthening its practices by signing the Broiler Chicken Act aimed at improving conditions for raising broiler chickens by 2026. The Company thus works with its suppliers on improving the living conditions of animals (natural light, perches, etc.) and stocking density.

With respect to the Essential Dairy & Plant-Based Reporting Entity's milk sourcing, some 81% of fresh milk volume collected in 2019 was covered by the dedicated animal welfare assessment tool or Validus certification, which represents more than 2,000 audits performed on farms. This tool also makes it possible to assign a score to audited farms. Audited partner farms received an average score of 65 points on a scale of 100, illustrating their best practices. The country with the highest score was Belgium, with an average of 75 points.

With respect to Specialized Nutrition, 100% of sheep and beef cattle had access to pasture in 2019. As for eggs and egg ingredients, more than 80% come from cage-free farms. Danone is still working on transitioning the remaining volumes in light of changes to its product portfolio in some countries.

### Opportunities

Regenerative agriculture therefore makes it possible to have healthier and more sustainable ecosystems and to satisfy consumer demands.

## CIRCULAR ECONOMY

### Packaging

#### Definition

Recognizing 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 order to accelerate the elimination of single-use plastics, Danone pursues its investments to innovate other packaging alternative

In Canada, for example, Danone is working together with more than 30 member farms of the Nutrinor Coopérative network to ensure a transition toward regenerative agriculture that makes it possible to guarantee milk traceability all the way down to the consumer. Danone Canada and Nutrinor Coopérative are already committed to sustainable agriculture and want to share and explore opportunities for improving soil health, conditions for farmers and animal welfare.

to plastics (such as glass, cans, and paper) and rethink business models for hydration. Those initiatives will be supported by the launch of a dedicated fund to explore next generations of packaging materials and models.

Danone has defined a series of commitments in its packaging policy in 2018, completed in 2020, detailed below. Each Reporting Entity iterates these commitments by establishing local roadmaps.

PILLARS	ACTIONS PLANS AND OUTCOMES
<p><b>Packaging designed for circularity</b> By 2025:</p> <ul style="list-style-type: none"> <li>design all packaging so that it is 100% recyclable, reusable or compostable;</li> <li>develop alternatives to plastic packaging or single use packaging in all principal markets of the Waters Reporting Entity;</li> <li>act to eliminate problematic or unnecessary plastic packaging.</li> </ul>	<p>In 2019, Danone used 800,000 metric tons of plastic (794,000 in 2018)</p> <p>Danone strives to make its packaging more easily recycled through:</p> <ul style="list-style-type: none"> <li>innovation: for example, the new <i>Actimel</i> black bottle uses special pigments that can be detected using infrared, thus facilitating sorting and recycling;</li> <li>optimization of materials used. In Indonesia, the <i>Aqua</i> brand launched a new line of label-free water bottles.</li> </ul> <p>In addition, the Company is developing reusable packaging as well as innovative distribution and consumption models. By participating in the global purchasing system Loop™ in partnership with Terracycle, Danone provides consumers with access to a variety of products in personalized, sustainable packaging that are collected, cleaned, filled and reused.</p> <p>In 2019, 81% of Danone's packaging are recyclable, reusable or compostable (87% in 2018). This decrease was due to a strict application of the new definition of recyclability promoted by the Ellen MacArthur Foundation (EMF) for the circular economy and its change in approach with the adoption of a new tool to monitor environmental performance. On a like-for-like basis, the rate increased from 80.3% to 81.3% between 2018 and 2019 (see Packaging scope, Methodology note).</p> <p>For plastic packaging, 67% are recyclable, reusable or compostable (65% in 2018 on a like-for-like basis).</p>



PILLARS	ACTIONS PLANS AND OUTCOMES
<p><b>Packaging that is reused, recycled or composted in practice</b></p> <p>By 2025:</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 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 sales.</i></li> </ul>	<p>Danone supports the development of efficient and inclusive value chains that increase collection and recycling (e.g. systems that promote greater responsibility of producers and packaging deposit systems, taking into account the local context).</p> <p>At the local level, inclusive recycling projects supported by Danone and the Danone Ecosystem Fund since 2014 have enabled to support and develop the competencies of nearly 6,500 people and made it possible to recycle more than 48,000 metric tons of waste in 2019 (for more information, see 2019 Integrated Annual Report).</p> <p>On a larger scale, Danone invests in private initiatives that support circular infrastructures, notably in countries where formal networks are lacking or still being established, or where the risk of dumping in natural ecosystems is high. In 2019, Danone committed to investing USD 15 million over five years in the Circulate Capital fund for the large-scale development of recycling and circular economy infrastructure in Southern and South-East Asia.</p> <p>In 2019, 90% of the entities set up an assessment of recycling systems (collection, sorting and recycling) and identified the main stakeholders to improve the recycling and/or regulations (see Danone Way scope, Methodology note).</p>
<p><b>Preserve natural resources</b></p> <p>Starting from April 2020:</p> <ul style="list-style-type: none"> <li>• <i>evian and Volvic brands will act to offer 100% rPET bottles<sup>(a)</sup></i></li> </ul> <p>By 2021:</p> <ul style="list-style-type: none"> <li>• <i>market 100% recycled PET bottles in all major Danone markets;</i></li> </ul> <p>By 2025:</p> <ul style="list-style-type: none"> <li>• <i>use 25% recycled materials in its plastic packaging;</i></li> <li>• <i>use 50% recycled materials in its water and other beverage bottles;</i></li> <li>• <i>reach 100% rPET in Europe for Waters Reporting Entity;</i></li> <li>• <i>zero polystyrene worldwide by 2025, and zero polystyrene in Europe by 2024, starting with Alpro brand by 2021</i></li> </ul>	<p>Danone works to reintegrate recycled materials in its own packaging and to develop the use of renewable materials.</p> <p>In 2019, Danone achieved the following results:</p> <ul style="list-style-type: none"> <li>• 10.6% recycled materials on average in its plastic packaging (6.4% in 2018);</li> <li>• 16% recycled PET used on average by the Waters Reporting Entity (12% in 2018) and 20.5% in countries where local standards and regulations allow (17% in 2018).</li> </ul> <p>In 2019, all <i>evian</i> bottles contain an average of 31% rPET across the entire range (up from 28% in 2018). In 2019, Danone also launched several bottles made from 100% recycled PET: Volvic 8L (France), <i>Zwyjec Zdrój</i> (Poland), <i>Aqua d'Or</i> (Denmark).</p> <p>(a) <i>evian</i> and <i>Volvic</i> brands will act to offer, starting from April 2020, 100% rPET bottles: <i>Volvic</i> full range in Germany, all <i>evian</i> and <i>Volvic</i> small and XXL formats in France, and all <i>evian</i> on the go formats in the UK.</p>

Along with its commitments, Danone continues to work actively with the EMF to promote the circular economy.

### Opportunities

Danone brands strive to get consumers involved and support research and innovation. Danone relies notably on alliances to find innovative solutions to manage plastic waste.

For example, *evian* participates in a research mission in partnership with The Ocean Cleanup, a non-profit Dutch start-up that develops innovative and high-impact solutions to eliminate plastic in the oceans. In 2019, the *Aqua* subsidiary joined the pilot project launched in Indonesia. In effect, *Aqua* pledged to recover more plastic waste litter in Indonesia than plastic used, in equivalent volume, by 2025.

## Waste management

Danone also monitors waste production and recovery through recycling, reuse, composting and waste-to-energy. The 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.

	2018	2019
<b>Industrial waste</b>		
Total quantity of industrial waste ( <i>in ktons</i> )	452	511
Total quantity ratio of industrial waste per tons of products ( <i>in kg/tons</i> )	12.1	13.8
Proportion of industrial waste recovered	88.3%	90.1%
<b>Packaging industrial waste</b>		
Total quantity of packaging industrial waste ( <i>in ktons</i> )	119	122
Total quantity ratio of packaging industrial waste per tons of products ( <i>in kg/tons</i> )	3.2	3.3
Proportion of packaging industrial waste recovered	96.8%	95.3%
Proportion of plastic packaging waste recovered	95.4%	95.8%

The ratio of waste produced per ton of product increased by 14.8% between 2018 and 2019, mainly due to the impact of new product range launches in the United States and the boycott in Morocco of the EDP Reporting Entity's activities. In 2019, the recovery rate for

industrial waste increased from 88% to 90% (see Production Sites Environment scope, Methodology note).

The recovery rate for packaging waste at the production sites totaled 95.3% in 2019 (96.8% in 2018). In 2019, 5% of post-industrial packaging waste was sent in landfill. The goal is to achieve 0% by 2025.

## Reducing food waste

### Definition

Danone seeks to reduce waste at its operations and supply chain levels, notably by recovering food waste. Danone measures food waste at all its production sites, with the exception of the 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).

### Policies and outcomes

In line with the Food Waste Resolution adopted by the Consumer Goods Forum in 2015, Danone has pledged to reduce its unrecovered food waste (*i.e.* waste sent in landfill, incinerated without energy recovery or discharged in wastewater) by 50% by 2025, compared with a 2016 baseline.

### Outcomes

	Year ended December 31	
	2018	2019
<b>Food waste management at production sites<sup>(a)(b)</sup></b>		
Total quantity of food waste generated ( <i>in ktons</i> )	331	386
Ratio of total quantity of food waste per ton of products ( <i>in kg/tons</i> )	37.7	45.0
Ratio of total quantity of food waste recovered per ton of products ( <i>in kg/tons</i> )	32.3	39.9
Proportion of waste recovered	85.5%	88.6%

(a) Production Site Environment scope (see Methodology note)

(b) Excludes Waters Reporting Entity sites.

The ratio of food waste generated per ton of product increased by 19% between 2018 and 2019, mainly due to the launch of new product ranges in the United States and the boycott in Morocco of EDP activities. The recovery rate increased from 85.5% to 88.6%.

In 2019, 74% of the entities or supply points implemented at least one concrete measure to improve the food waste recovery rate. This measure had a significant impact (see Danone Way scope, Methodology note).

### Action plans

Danone strives to reduce food waste in its operations and across the entire value chain.

At its production sites and distribution centers, Danone reduces food waste, donates its unsold consumables and recovers products unfit for human consumption, preferably to be used in animal feed. For example, the Essential Dairy & Plant-Based Reporting Entity implements its Zero Waste program aimed at reducing food waste by:

- eliminating waste through optimized production and distribution processes;



- increasing the volume of donations to food banks and alternative food distribution channels with a social purpose.

Danone also works with its partners, consumers and charitable organizations. For example, the Company works closely with distributors to optimize transportation, in-store packaging systems and restocking of products and to anticipate demand, including for promotions and inventory management.

## WATER STEWARDSHIP

### Definition

Since stewardship of the water resource is an essential issue for Danone's activities and supply chain, the Company is committed to protecting this resource and therefore works to identify at-risk areas and support solutions adapted to the local context.

### Policies

Danone has developed a special Groundwater Protection Policy, with the goal of ensuring resource sustainability and protecting and optimizing aquatic and marine ecosystems in areas where it operates.

### Action plans

Danone established an overall and systematic assessment process for water risks that takes into account physical, regulatory and reputational risks. It is based on a two-step process: (i) identification of at-risk geographic regions and anticipation of changes over the medium term using the Aqueduct Water Risk Atlas of the World Resources Institute; then (ii) identification of water risks at the level of the operating sites with the Water Risk Filter (WRF) developed by the WWF. This second stage is integrated into the GREEN environmental audit process in order to assess water risks systematically for all Company production sites.

In 2019, 44% of the production sites were located in high or extreme risk areas, according to the Aqueduct Water Risk Atlas. Moreover, 76% of Danone's sites were audited for water risk in 2019 using the Water Risk Filter. This audit revealed that 19% present a significant risk to the Company (see Environment Production Site scope, Methodology note).

This process makes it possible to obtain a water risk map and identify sites that present potentially major risks. Danone further enhanced the process by using a third tool, the GEMI Local Water Tool for a detailed assessment of sites identified as at-risk and to develop appropriate action plans.

Since 2018, Danone extended the identification of water risks to its value chain using the Aqueduct Water Risk Atlas. Danone began its assessment with the supply chain for fresh liquid milk. This analysis covered more than 20 countries, involved more than 8,000 collection centers and farmers and is based on projected changes to water stress through 2030. It enabled Danone to establish a detailed map of milk suppliers and farmers dealing with challenges of resource availability.

In 2019, the identification of water risks was also implemented for other Danone agricultural commodities.

Today, these efforts provide Danone with a detailed view of the water footprint of its activities and those of its supply chain.

To support vulnerable communities, Danone also developed structured food product donation programs, notably agreements with specialized charitable organizations such as food banks. For example, the French supply chain of the Essential Dairy & Plant-Based Reporting Entity joined with the French Federation of Food Banks in order to optimize the security and traceability of distribution for consumers in need.

Based on the findings of these efforts, in 2019 Danone redefined its water strategy, which will be implemented as part of its 2030 Goals. Water Cycle, a dedicated team, is responsible for its implementation based on three key objectives covering Danone's entire value chain:

- preserve and restore water resources in agriculture and watersheds;
- ensure that not a drop is wasted in operations;
- enable access to water.

### Action plans and outcomes

#### Preserve and restore water resources in agriculture and watersheds

##### *Stewardship of the water resource in watersheds*

For several years, the subsidiaries of the Waters Reporting Entity have deployed the internal tool for water resources management known as SPRING (Sustainable Protection and Resources managING), developed with the Ramsar Convention and International Union for Conservation of Nature. This tool makes it possible to assess the physical, regulatory and community-based management of the sites' aquifers and watersheds, assign a level of excellence to each site and establish appropriate improvement plans. Since 2017, 100% of the Waters Reporting Entity sites are covered.

Meanwhile, the analysis of water risks makes it possible to fine-tune the diagnostic and implement action plans that address regional challenges.

##### *Risk management related to water in agriculture*

Based on the risk map for the value chain (see above), Danone has defined priority regions and mobilized its teams to develop specific action plans.

The Company also deploys various initiatives for other commodities. In Spain, the *Alpro* subsidiary works with the NGO WWF and almond producers to develop a methodology for managing water allocation in watersheds and ensure a more fair and sustainable allocation among all constituent groups.

#### Ensure that not a drop is wasted in operations

Danone systematically controls the use and quality of water in its activities to achieve the following two main objectives by end-2020:

- reduce water consumption in the production processes of the production sites by 60% relative to 2000. To achieve this goal, Danone deploys its so-called 4R strategy: Reduce, Reuse, Recycle, Recover, with a greater emphasis on its sites with high water risk;
- achieve 100% compliance with Danone Clean Water Standards, (Danone wastewater treatment standards, which are based on International Finance Corporation standards) at all sites that discharge wastewater directly into natural environments.

### Means and programs for reducing water consumption in the production activities

The production sites use several specialized tools and programs depending on their activity.

For example, the Essential Dairy & Plant-based Reporting Entity developed the Aquathon program to map water use at its sites and define action plans for water reuse or recycling. In addition, the audit program conducted with Veolia makes it possible to establish action plans related to the technical and managerial aspects of

water management. Finally, the Triple Zero program seeks to launch innovations to reduce water and energy consumption.

The Waters and Specialized Nutrition Reporting Entities also deploy programs related to water consumption at their production sites.

In 2019, Danone established a global tool designed to share, water management, best practices for operations and launched a content platform to raise awareness among all employees on the preservation of this resource.

## Outcomes

### Water use in operations

	Year ended December 31	
(thousands of m <sup>3</sup> )	2018	2019
<b>Water drawn from the surrounding area <sup>(a)</sup></b>		
River water	2,937	3,038
Municipal water	23,395	22,751
Well water	48,161	47,276
<b>Total water drawn volume</b>	<b>74,493</b>	<b>73,064</b>

(a) Production Site Environment scope (see Methodology note).

	Year ended December 31	
	2018	2019
<b>Water related to the production processes <sup>(a)</sup></b>		
Consumption (thousands of m <sup>3</sup> )	43,311	41,773
Intensity of consumption (m <sup>3</sup> /ton of product)	1.15	1.13
<b>Reduction in water consumption intensity since 2000</b>	<b>48%</b>	<b>49%</b>

(a) Production Site Environment scope (see Methodology note).

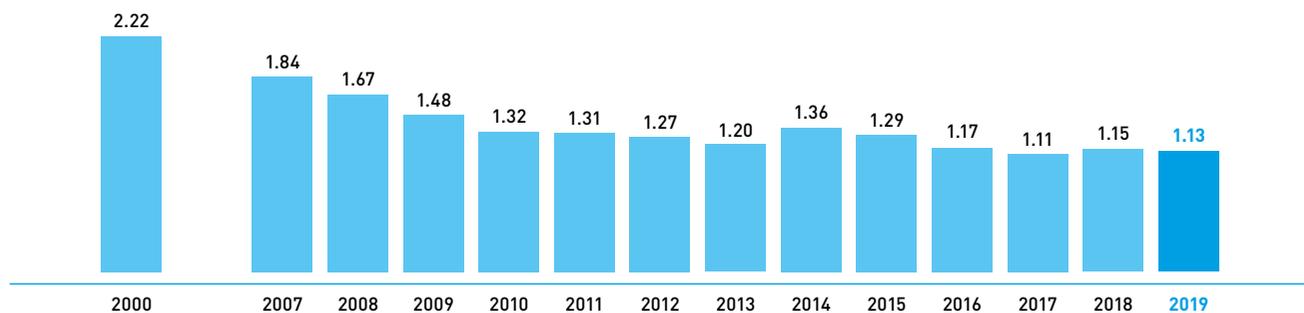
In 2019, the quantity of water extracted fell by 1.9% relative to 2018.

- approximately 43% of the volume of water drawn (31,292,000 m<sup>3</sup>) went into finished products, mainly at bottling plants, or was used for by-products (0.4% of volumes) (31,182,000 m<sup>3</sup> in 2018). This quantity remained stable (0.4%) relative to 2018;

- the remaining 57% of extracted water volume (41,773,000 m<sup>3</sup>) was used in production processes (43,311,000 m<sup>3</sup> in 2018). The intensity per ton of product fell by 1.9% relative to 2018. On a like-for-like basis, this intensity decreased by 1.5% (see Methodology note).

### Water consumption intensity related to industrial processes at the production sites

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



Water consumption intensity related to the industrial process at the production sites fell by 49% at end-2019 compared with 2000 (48% in 2018).

### 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

	2018	2019
Final discharge of chemical oxygen demand (COD) <sup>(a)</sup> <i>(in thousands of tons)</i>	6.63	6.38
Net COD ratio <sup>(a)</sup> <i>(kg/ton of product)</i>	0.18	0.17

(a) Production Site Environment scope (see Methodology note).

## Enable access to water

### **Access to drinking water, sanitation and hygiene**

Danone's goal is for all employees to have access to 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.

### **Water kiosk model**

Danone works with local communities and NGOs to jointly create as many drinking water access projects as possible. Starting in 2016, for example, the *Volvic* brand made a commitment with UNICEF to improve access to drinking water in Niger and Ethiopia.

The Danone Communities fund supports the water kiosk model to help local entrepreneurs sell drinking water to their communities at affordable prices.

In 2019, all of Danone Communities' investments in social businesses enabled more than 5 million people around the world to have access to drinking water. Notably, in 2019, Danone Communities contributed to bringing drinking water to more than 19,000 schools through its investment in Impact Water Nigeria.

## Opportunities

Danone contributes to the collective effort at the local level and acts as a catalyst for projects, encouraging multi-party initiatives that seek to rebalance the use of water resources in local communities. The Company also makes its hydrogeology expertise available to third parties to develop the most appropriate solutions.

Its actions help not only to ensure sustainable supply of water for its activities but also help to mitigate the impacts of climate change, preserve biodiversity, develop local subsistence means and supply chain resiliency.

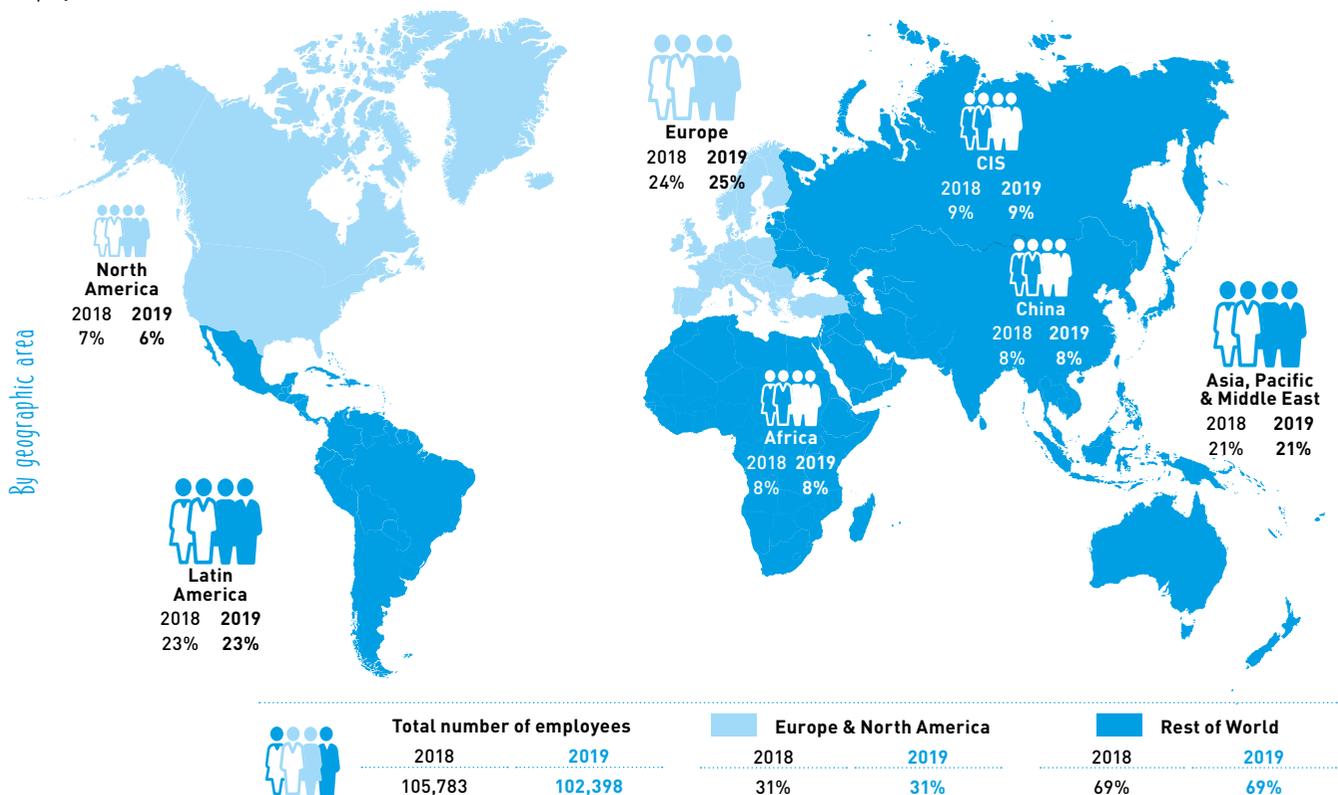
## 5.4 BUILDING THE FUTURE WITH DANONE EMPLOYEES

### Contents

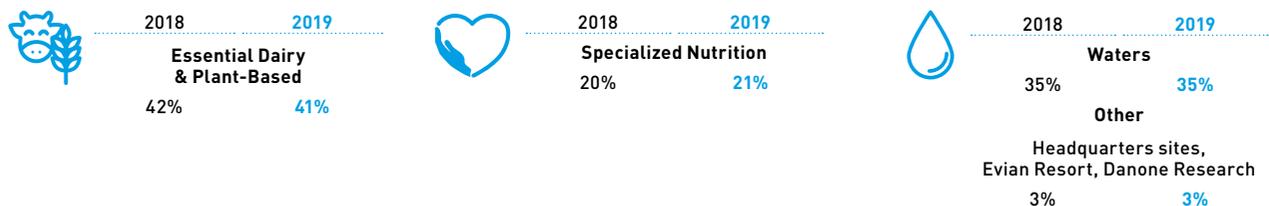
<b>Danone's employment approach</b>	<b>169</b>	<b>Social relations</b>	<b>174</b>
Employees	169	Social dialogue	174
Percentage of women in the organization	170	Workplace health and safety	175
Conditions and organization of Danone's working time	170	<b>Employee security</b>	<b>177</b>
<b>Inclusive talent development</b>	<b>170</b>		
Career development	170		
Compensation and benefits	171		
Employee training and development	171		
Inclusive Diversity	172		

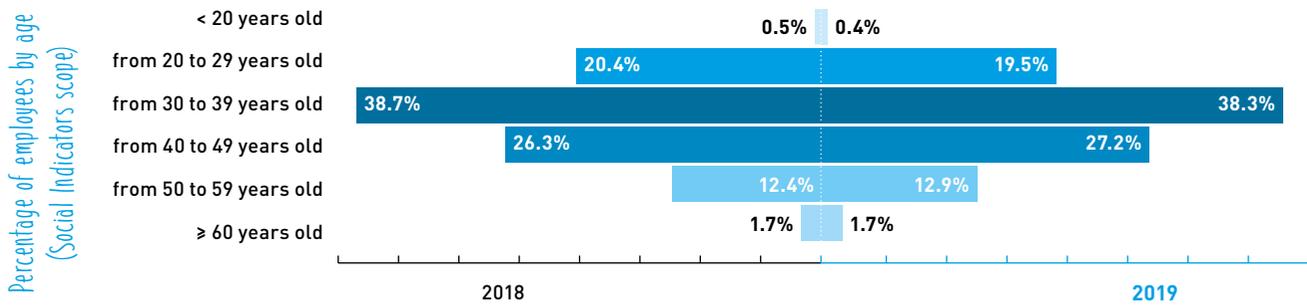
## DANONE'S EMPLOYMENT APPROACH

### Employees



### By Reporting Entity





## Percentage of women in the organization

	2018		2019	
	Total	% women	Total	% women
Board of Directors	16	43%	16	43%
Executive Committee	6	33%	7	43%
Managers, directors and executives	22,297	50%	22,699	51%
<i>Senior managers: executives (excluding Executive Committee) and directors</i>	1,789	39%	1,753	40%
<i>Other managers</i>	20,508	51%	20,946	52%
Non-managers employees	83,476	25%	79,692	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

	2018	2019
New hires <sup>(a) (b)</sup>	15,208	13,202
Dismissals <sup>(a) (b)</sup>	4,635	6,146
Absenteeism rate <sup>(a)</sup>	2.4%	2.4%
Employee turnover rate <sup>(a)</sup>	16%	17%
Part-time employees <sup>(a)</sup>	3%	3%

(a) Social Indicators scope, (see Methodology note).

(b) The decrease in new hires and the increase in dismissals is mainly due to internal reorganization projects in Danone's Reporting Entities

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

### 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

Danone has structured its managerial process such that employees define their goals and are able to achieve them for the long term, that they are assessed fairly and that they have a customized career development plan. Several meetings or discussions are held over the course of the year in order to define and assess these goals and identify the necessary training and development actions.

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

- In 2019, 95% of entities planned an annual development meeting for each executive, member of the entity's committee of directors, director or manager, making it possible to assess their functional skills and define a development plan (see Danone Way scope, Methodology note).
- In 2019, 84% 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 (see Danone Way scope, Methodology note).

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

## Compensation and benefits

### Compensation

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

- business targets, measuring how well Danone performed financially and how targets were met; and
- targets measuring social progress, skill-building and efficiency as defined with each employee's immediate manager.

For the past 10 years, Danone has gradually incorporated environmental and social performance criteria (e.g. reducing the Company's carbon footprint, health and safety, and diversity) in the variable compensation components for approximately 1,600 senior executives (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.

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.

## Employee training and development

### Definition

Danone is committed to supporting all employees develop their professional skills. The Company thus offers a series of in-house training programs open to all employees, regardless of their position within the organization, as well as personalized managerial support.

### Policies

Danone strives to have employees develop and enhance their competencies throughout their careers, not just during training sessions, notably by promoting learning with its program "One Learning a Day" program at the corporate offices and production sites.

Meanwhile, Danone offers managerial and functional training to enable employees to train according to their needs, notably using digital tools.

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

In 2019, the Company deployed the new version of this model, CODES Focus, which defines expectations for employees regarding individual and collective expected leadership competencies, in order to support its goals over the long term with five key attitudes (i) focus on the person (consumers, patients, employees), (ii) be inclusive and a team player, (iii) be courageous and have empathy, (iv) be agile and (v) be responsible and decisive.

### 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.

Danone also offers its employee 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.

Employees of Danone's French companies can also subscribe 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 United Kingdom – to subscribe new Danone shares (see section 7.8 *Share ownership structure of the Company as of December 31, 2019*).

### 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, 2019 and the expenses for the year are presented in Note 8.3 of the *Notes to the consolidated financial statements*.

### Governance

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

### Action plans

Danone looks to offer its employees the opportunity to develop their skills through various approaches:

- Campus X, its new digital learning platform launched in 2019, which provides customized access to a lot of in-house and external content, thereby complementing the available classroom training sessions;
- the "One Planet. One Health" platform, which enables employees to access content developed with partners such as the United Nations Institute for Training and Research (UNITAR) or the Ellen MacArthur Foundation;
- Learning Weeks were held in all regions in 2019, with a goal of mobilizing participants to participate in their development. These events involve training sessions along with conferences, meetings to share information and networking.



## Outcomes

	2018	2019
Number of permanent employees who took at least one training course <sup>(a)</sup>	94,125	81,628
Total number of training hours <sup>(a)</sup>	2,479,826	2,246,183
Percentage of employees trained <sup>(a)</sup>	94%	83%
Average number of hours per person trained <sup>(a)</sup>	25	23

(a) See Social Indicators scope, Methodology Note.

## Inclusive Diversity

### Definition

Danone's goal is for each employee to feel included and be able to contribute in his or her own way to its 2030 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. More

specifically, Danone's Chief Executive Officer and its Executive Committee pledged that by 2020, 30% of the Company's executives would be women and 30% of its executives would include under-represented nationalities (*i.e.* people from the following regions: Africa, Asia, Americas, Oceania and Eastern Europe).

In 2019, Danone published a position paper on inclusive diversity, which focuses on three overall priorities: promoting inclusive behaviors, gender equality and culture and nationalities. The Company defined commitments for each priority:

Priority	Goal by 2020	Situation in 2019
Promotion of inclusive behaviors	Score of 90% on the Inclusion index	Score of 86.5% on the Inclusion index <sup>(a)</sup>
Gender equality	42% female directors	42% female directors
	30% female executives	27% female executives
Culture and nationalities	50% directors from under represented nationalities	48% directors from under represented nationalities
	30% of executives from under represented nationalities	30% executives from 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 10.4% positions with greater responsibility at Danone (10.5% in 2018), which include executives, directors and a portion of other senior-level managers, 49% of these employees were women (48% in 2018).

#### Disability

Moreover, Danone encourages the sharing of best practices among its subsidiaries for people with disabilities.

In Brazil, the Essential Dairy & Plant-Based subsidiary, 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 the 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.

Danone's goal is to deploy this parental benefits policy in every country where it does business by 2020. In 2019, Danone implemented its Parental policy in 18 countries (9 in 2018).

### 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 200 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 2019, Danone also held several events:

- for the International Women's Rights Day, the Company encouraged the sharing of best practices of various countries regarding gender equality;
- in North America (including Mexico) and Italy, some brands have joined in pride celebrations;

- the first week dedicated to Inclusive Diversity to raise awareness and the commitment of Danone employees, with in particular: workshop on unconscious biases; sharing of a local roadmap for Inclusive Diversity and motivational sessions led by outside speakers. This week will be celebrated every year.

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 launch of the Company's parental policy marked a new milestone in gender equality for Danone. Recognizing the expected impact of the Company's parental policy, the HeForShe movement of UN Women named Emmanuel Faber, Chairman and Chief Executive Officer of Danone, as a Thematic Champion.

#### **External recognition**

Danone maintained its position in the Bloomberg Gender-Equality 2020 index. The Company is ranked 39<sup>th</sup> in the Top 100 World for gender equality by Equileap.

In France, the subsidiaries Danone Produits Frais France, Blédina and Société Anonyme des Eaux Minérales d'Évian, received scores of 97/100, 98/100 and 89/100, respectively, in the gender equality index established by the French government.

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

As part of its innovative governance model and commitment “One Person, One Voice, One Share” Danone established 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 second edition of this consultation was thus held in 2019.

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

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 offices 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.

all Danone employees and share ideas with 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 Goals.

In 2019, Danone also granted 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

Since 1989, 10 agreements have been signed between Danone and 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 union rights (1994)
5. Agreement on the event of changes in the 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)

---

#### UN Global Compact and the ILO's fundamental conventions

- 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 (see 5.5 *Responsible sourcing – supplies other than milk*).
- These principles constitute the basis of the RESPECT program, one of whose goals is to extend these principles to Danone suppliers (see 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 Human Resources Department, which reports to the EVP Human Resources and General Secretary of Danone, 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;
- two Directors representing employees who sit on the Board of Directors are appointed by the Company's Social and Economic 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*);

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

Both Danone and the IUF are committed to reducing precarious employment through precise definitions, methodology, and processes.

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 annual number of meetings between site managers and employee representatives.

Danone also offers social relations training programs within its entities to give their teams the resources they need to address challenges and stay ahead of critical issues.

## Outcomes

In 2019, 78% of employees were covered by collective bargaining agreements (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 2019, a total of 60 site visits were made.

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

In November 2017, as part of a Consumer Goods Forum (CGF) group initiative on forced labor, Danone pledged to adopt policies to embed the CGF's principles throughout its own operations through concrete actions. The focus is on two groups: workers at Danone sites provided by staffing agencies, and employees of subcontractors working on Danone sites.

In 2018, Danone deployed its Global External Workforce Policy, a set of internal guidelines that require staffing agencies to respect the fundamental rights and freedoms of workers, focusing especially on such practices as forcing workers to pay recruitment fees. To support the subsidiaries with the implementation of this policy,

## 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.

the Company developed the principal guidelines as well as a risk self-assessment tool in 2019.

In 2019, as part of the B4IG coalition and its engagement manifesto, Danone pledged to advance the cause of human rights across its entire value chain.

Meanwhile, the Company also developed an e-learning training program on human rights and the fight against forced labor, which is intended to be deployed globally to the Procurement, Human Resources and General Secretary functions. Lastly, the Company continues to monitor the performance of its subsidiaries with its Danone Way program, for which the section on human rights was strengthened in 2019.

## 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.

#### Policies

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

<b>Objectives</b>	By 2020: zero fatal accidents and 50% reduction relative to 2014 in workplace accidents requiring medical absence.
<b>Application scope</b>	Monitoring of types of accidents (fatal accident, 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>	WISE <sup>2</sup> is a worldwide program that seeks to continuously reduce the number of workplace accidents through two approaches: (i) promote the culture of workplace health and safety at all Company sites (ii) ensure compliance with standards for the most critical risk situations. The Company strives to enhance compliance by continuously defining new standards, and more recently those related to risks specific to the sales and office activities (ergonomics, remote work, hotels and travel, etc.) or those related to machine safety in the plants in 2019.

#### Governance

Managed by Human Resources Department, the WISE<sup>2</sup> program is deployed for each Reporting Entity at the production sites, logistics warehouses and in 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 EVP Human Resources 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).
- WISE<sup>2</sup> audits are also performed for certain administrative headquarters.

Lastly, for several years Danone has included the management of working conditions in the WISE<sup>2</sup> action plans, with initiatives on the evaluation of ergonomic risks, training on repetitive motions and posture and work station configurations. The Reporting Entity design units increasingly share their design rules pertaining to safety and ergonomics and train their project engineers.



Lastly, Danone implements initiatives 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

<i>(number of accidents, except frequency rate in percentages)</i>	2018			2019		
	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	–	211	2.3	–	157	1.6
Waters	1	102	1.2	1	103	1.2
Specialized Nutrition	–	46	0.9	–	50	1.0
Corporate functions	1	35	2.4	–	46	2.9
<b>Total</b>	<b>2</b>	<b>394</b>	<b>1.6</b>	<b>1</b>	<b>356</b>	<b>1.4</b>

(a) Safety scope, see Methodology note.

	2018	2019
Frequency rate 2 (FR2) <sup>(a)</sup>	1.7	1.24
Severity rate <sup>(a)</sup>	0.06	0.06

(a) Safety scope, see Methodology note.

## 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.

### 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.

### 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 2019, 84% of Danone's employees had access to at least one free offer of this program in 2019 (see health & nutrition scope, Methodological Note).

## Outcomes

As of December 31, 2019, some 99,627 employees (74,420 employees in 2018) in 53 countries (49 in 2018) received healthcare coverage meeting the criteria defined by Dan'Cares.

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

## Opportunities

Implementing a robust strategy for health and safety in the workplace helps strengthen employee commitment. It also represents an opportunity for the Company to address the changing needs of its employees, such as taking workplace ergonomics into account for an ageing population at its production sites.

## 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 initiated a new training program in Europe for the human resources function that addresses quality of life in the workplace. This program is designed to enhance the skills and ability to take action in this area by employees of this function.

## 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. A set of Global Security Management Directives articulate the principles of the policy, with a special focus on protecting employees, and Danone's Security and Health Policy for Travelers rounds out the Company's corporate travel policy with a set of security guidelines.

In 2019, Danone also formalized security operating procedures for the production sites which are currently in the process of 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 CSO is supported by a network of regional Security Directors, tasked with deploying Danone security directives in the various regions where the Company operates. This team is also responsible for managing risks related to business travel and providing employees with the information they need to travel safely.

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.

### 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. In 2019, the security team held 110 general awareness sessions on travel risk management for Company employees. An e-learning module on this subject is also being developed and will be deployed in 2020;

- 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. As of December 31, 2019, 91% of Danone production sites had conducted a security self-assessment of the sites (scope: 175 production sites), compared with 83% in 2018 (scope: 190 production sites).
- 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 2019, Danone's Security Operational Center (SOC) noted 59 important or urgent events. Of that total, 23 were reported to the Company's security team, since employees were identified as being in the area of the event. On 6 occasions, the security team decided to contact all employees potentially affected by the event.

### 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 trading and pricing practices, responsible sourcing, and human rights. These risks are addressed hereinafter, first for milk and then for all other ingredients. This section is designed to cover the steps involved in complying with 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.

#### Governance

Danone has a dedicated milk cycle team, which reports to the Cycles and Procurement Department. This team oversees milk supplier relations and the rollout of the Company's roadmap. The milk departments in each country where Danone operates implement this roadmap with their local milk suppliers.

#### Policies

Danone sources local, raw milk from 58,000 farms in around twenty countries, both directly and indirectly. Milk collection methods reflect the broad diversity of the world's production systems.

About 80% of producers Danone is working with, own small farms with fewer than ten cows, and these suppliers 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 farm producers with herds ranging from a few dozen to thousands of cows. These producers represent about 20% of the Company's suppliers and nearly 70% of milk volumes, and the Company generally collects milk directly from them.

In regions without a strong tradition of milk production, such as North America and certain Middle Eastern countries, Danone works with larger farms to ensure reliable access to sufficient volumes of quality milk.

#### Action plans and outcomes

Danone's partnerships with milk producers cover a number of themes, ranging from technical factors, such as milk quality and business performance, to environmental and societal concerns. Because farmers play a key role in the sustainability of the agricultural sector, Danone uses its programs and social innovation funds to support a number of projects that help farmers develop their skills over the long term. Danone thus supports initiatives that seek to advance sector practices.

For example, the Company was involved in the creation of the "Farming for Generations" alliance which aims to identify best practices and innovations across different farming models, farm sizes and geographies. In 2019, Danone also helped define and design the Sustainable Dairy Partnership, which aims to develop a more sustainable dairy industry by requiring participating processors to address the prevention of deforestation and the protection of animal welfare and human rights, as well as to ensure compliance with local legislation.

#### MilQSat

The Essential Dairy & Plant-Based Reporting Entity and its partner farmers have launched MilQSat, a farming and milk collection initiative that assesses the performance of farmers that sell milk directly to Danone for quality, food safety and traceability.

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 *Danone's integrated vision of corporate responsibility*).

Danone has simultaneously implemented several specific tools dedicated to areas such as animal welfare, greenhouse gas emissions (Cool Farm Tool and Cap2Er) and water consumption. The Company is also developing a methodology for working conditions.

These tools are all complementary and Danone's milk cycle ensures global coordination to enable optimum access to the data they collect (see Integrated Annual Report 2019 for more information).

#### Animal welfare

Danone launched its animal welfare tool in 2016. It was designed and piloted in Spain for two years before its worldwide rollout in 2018. It has now been implemented in 14 countries. In 2019, the volume of fresh milk from farms that are assessed using this animal welfare tool or covered by the Validus certification was 81% for the 14 countries.

#### Cool Farm Tool and Cap2Er

Danone has rolled out Cool Farm Tool, which calculates greenhouse gas emissions from livestock. In 2019, the tool was implemented at 14 entities, covering the majority of Danone's sourcing.

To align with dairy sector practices in France, Danone's entities measure emissions with Cap2Er, a tool developed by the French Livestock Institute (Idele) and used throughout the sector.

#### Assessment of water risk in relation with milk sourcing

In 2018, Danone used WRI's Aqueduct Water Risk Atlas to begin assessing water risk all along its value chain. The first assessment focused on the Company's fresh liquid milk supply chain, whose water footprint was calculated as part of the process. Regions with high supply and fodder risks, including physical risks such as water shortages, were identified. Action plans are currently being developed for at-risk regions (see section 5.3 *Water Stewardship*).

#### Cost Performance Model (CPM)

Danone works with producers in Europe, the United States, and Russia to develop innovative contracts that reduce milk price volatility, offering farmers greater financial stability and enabling them to plan ahead.

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

#### 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 the mounting social and environmental challenges. It is also strengthening its brand positioning to meet consumers' responsible sourcing expectations. Thus, since March 2019, all of French subsidiary Les Prés Rient Bio's products manufactured at the Molay-Littry production site in Normandy have borne the Fair for Life fair trade label.

## 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 direct suppliers. To limit these violations, Danone has established a set of fundamental principles and has made specific public commitments. It fulfils these commitments by working with suppliers towards more responsible practices.

### Policies

#### Sustainability principles

Danone responsible sourcing approach is based on the Company's Sustainability Principles that covers 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, use of chemicals, climate change and greenhouse gas emissions, environmental management, and animal welfare;
- principles of business ethics for fair, lawful transactions, expanded in 2017 to 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. Under 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 of its suppliers in particular.

The Company has pledged to eliminate deforestation from its supply chain by the end of 2020. To meet this pledge, the Company has focused on six priorities: paper and cardboard packaging, palm oil, soy, wood biomass, sugar cane and bio-based raw materials for packaging. Three of these categories – palm oil, soy and paper and cardboard packaging – are covered by specific policies that grew out of Danone's Forest Footprint Policy (see section 5.3 *Preserve and renew the planet's resources*).

#### Human rights

As part of Danone's commitment to human rights, in 2016 the Company joined the Consumer Goods Forum's collective effort to eradicate forced labor from global supply chains. To meet this goal, in 2017 Danone incorporated the three priorities identified by the Consumer Goods Forum into its fundamental social principles: every worker should have freedom of movement; no worker should pay for a job; and no worker should be indebted or coerced to work. In 2018, Danone formalized this commitment in the Danone statement on forced labor.

In 2019, Danone participated in the launch of the Business for Inclusive Growth coalition coordinated by the OECD and led by Danone, which aims to scale up industry's actions on inclusive growth and in particular on human rights throughout the value chain.

### Governance

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

The Executive Committee reviews implementation of the human rights pillar of the vigilance plan on an annual basis. The 2019 accomplishments will be presented in first-half 2020.

#### Due diligence in responsible procurement

Danone implements responsible purchasing 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 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 its RESPECT policy towards a more 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 (UNGP).

#### Labor and environmental risk-mapping

In 2017, Danone updated its global materiality and risks analysis, which highlighted the importance of responsible purchasing and respect for human rights.

More specifically, the Company mapped major potential risks for the 20 purchasing categories with the highest exposure in terms of social and environmental impact. Danone analyzed these risks with a checklist derived from the ISO 26000, GRI G4 and SA 8000 standards, integrating the potential impacts of purchased products on labor and human rights, local communities, consumers, fair trade practices and the environment.

This work helped identify the categories of purchased goods and services to be treated as human rights priorities, namely workers employed through outside labor providers, together with four agricultural raw materials: palm oil, cocoa, cane sugar and fruit.

In the agricultural categories, potential risks identified are mainly in farms and plantations at 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, and paper and cardboard packaging).

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

In 2018, the Company, with the assistance of an outside third party, stepped up its approach with its direct suppliers, conducting a risk analysis using geographic and sector-based data for the 4,000 Danone supplier sites registered on the Sedex platform (see hereinafter). An expert, multi-criteria filter (including the Global Slavery Index and Transparency International) made a first cut, and then the purchasing teams in each category made a second cut based on their knowledge of local risks.



### Traceability of agricultural raw materials

With input from independent experts, Danone has launched traceability initiatives in these five priority categories:

- **palm oil:** Danone works with Earthworm Foundation (former The Forest Trust) to ensure traceability of palm oil. In 2019, 48% of the palm oil that Danone sourced was RSPO Segregated and 51% was RSPO Mass Balance (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 2019, 100% of Danone's fruit supplies are traceable to the Company's Tier 2 suppliers;
- **cocoa:** in 2018, Danone reached 70% country-level traceability, a figure it maintained in 2019;
- **cane sugar:** Danone works with the NGO ProForest to ensure traceability of this ingredient. In 2019, Danone reached 86% traceability, of which 36% mill-level traceability and 50% plantation-level traceability;
- **soy:** Danone estimates that soy accounts for less than 5% of 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. In Europe, Danone has worked with Transparency for Sustainable Economies (Trase) to ensure the traceability of soy imported from Brazil, which could come from regions at risk of deforestation. To mitigate this risk, Danone has adopted action plans consistent with its soy policy and aims to promote use of soy or local alternatives. The soy used in Danone North America products made with vegetable protein (from the WhiteWave portfolio) is grown exclusively in the United States, and the soy used by the subsidiary Alpro comes mainly from Austria, Belgium, France, Italy, the Netherlands and Canada, all viewed as regions with very low deforestation risk.

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

Danone asks its suppliers to join the Sedex (Supplier Ethical Data Exchange) collaborative platform and complete a self-assessment questionnaire evaluating their sustainability performance. At the end of 2019, 4,062 supplier sites had joined the platform, versus 4,043 in 2018.

On human rights, Danone has worked to refine its assessment procedure by adopting a selective approach with two aims: (i) concentrate on high-risk regions and categories and (ii) become more effective in helping suppliers improve their performance. Care was also taken to include small suppliers to better understand their risks. Based on its 2018 risk analysis, the Company identified some 200 sites that may be at risk and are covered by a two-year audit plan (2018-2019). The audits were conducted by third-party organizations in accordance with the SMETA (Sedex Members Ethical Trade Audit) protocol. Danone continued to implement this audit plan in 2019.

Through the Sedex platform, Danone also has access to audits of shared suppliers by peer companies, and it participates, too, in mutual audit recognition through the AIM-Progress forum. In 2019, a total of 573 SMETA audits were carried out on Danone suppliers, either by the Company itself or by its peers.

Danone's goals are to establish regular dialogue with its direct suppliers on their responsible purchasing processes and to implement corrective action plans for audited suppliers, including when the audits of shared suppliers are conducted by peer companies.

### Mitigating risk and preventing serious violations

#### Training and engagement

Danone trains its buyers on the RESPECT program and ensures they are aware of forced labor-related risks and the CGF's three priorities. In 2019, the central team in charge of the RESPECT program stepped up this training by increasing the number of online seminars (more than 70 buyers trained) and leading workshops with more than 130 buyers and local suppliers in high-risk countries (China, India, Indonesia, Mexico, and Russia). These workshops and seminars significantly strengthened buyers' engagement and fostered discussions about local constraints.

In 2019, Danone also developed an e-learning training course on human rights and forced labor (see section *Focus – Respecting and promoting human rights in Danone operations*).

#### 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 (see section 5.3 *Transition towards regenerative including organic agriculture*). For example:

- to counter forced labor and informal employment abuses in the recycled plastic sector, the Company has worked with the Danone Ecosystem Fund and local partners to develop cooperatives for waste-pickers. These organizations enable their members to move from the informal economy to paid jobs that are recognized by public authorities and include benefits. To enhance its due diligence process, in 2019 the Company developed a human rights evaluation and grid for the waste-pickers who supply the sorting centers. The information gathered via self-assessment for projects supported by the Fund has helped identify risks, and remediation plans have now been implemented (for more information, see 2019 Integrated Annual Report);
- the Livelihoods Fund for Family Farming is supporting a vanilla plantation project in Madagascar involving 3,000 family farms. Its aim is to develop solutions that improve the quality and traceability of vanilla production, boost food security for farmers and preserve biodiversity (for more information see 2019 Integrated Annual Report).

#### Collaborative initiatives

Danone participates in several dedicated palm oil platforms such as POIG, SASPO and RSPO, 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 Consumer Goods Forum.

#### 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*).

In 2019, 20 reports were made at the global level in the "human rights" category. This category includes violations in the areas of child labor, forced labor, right to collective bargaining, working time and wages. The category is selected by the whistleblower, and the reports received in 2019 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.

The reporting process was developed in consultation with employee representatives and ensures that whistleblowers are protected.

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 2019, Danone also published on its website the grievance mechanism it developed, with Earthworm Foundation’s support, to handle allegations of non-compliance with the Company’s palm oil policy.

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

Since 2019, Danone has tracked indicators that show (i) supplier registration on the Sedex platform; (ii) completion of its audit plans;

**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 (iii) on-time closure by the auditors of audits that identified critical non-conformities. Danone introduced this third indicator in 2019 to improve its tracking of supplier audits.

Following the launch of the audit plan, 82% of audits were completed in 2018 and 2019 and the remaining audits are scheduled for the first quarter of the next year.

Based on the audits conducted under this audit plan and those conducted of Danone suppliers by its peers, the percentage of on-time closures by the auditors of audits that identified critical non-conformities was 64% for 2018 and 2019. Audits that have not been closed continue to be monitored. In most cases, critical non-conformities were related to safety, working hours and compensation.

	2019
Total number of critical non-conformities identified	277
Percentage of critical non-conformities related to:	
• forced labor	1%
• child labor	1%
• health and safety	51%
• discrimination	0%
• freedom of association and the right to collective bargaining	2%
• working hours and compensation	27%
• the environment	8%
• business ethics	5%
• other	5%

The critical non-conformities identified and reported above have been resolved or are being remedied with the suppliers. The child labor non-conformities correspond to incomplete documentation on age in the employee files. The non-conformities resolved to date have not revealed any confirmed cases of child labor. The non-conformities related to forced labor correspond to fees charged to workers by the recruitment agency in excess of the legal threshold and to a lack of on-site procedures to ensure that overtime is actually voluntary.



## 5.6 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, 2019 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:

INDICATORS	SCOPE
<b>Production Site Food Safety</b>	In 2019, 195 production sites were included in the scope considered for FSC22000 certification. These sites correspond to the production sites for all of Danone's Businesses and do not include the production sites of co-manufacturers and suppliers.
<b>Total Company Headcount Social Indicators</b>	In 2019, 168 entities representing 99.9% of Danone's total headcount reported social indicators.
<b>Safety</b>	In 2019, 210 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, 2018 is reported up to the date of their deconsolidation but is not included in the headcount as of December 31, 2018.
<b>Production Site Environment</b>	Danone monitors the environmental performance of its production sites using an operational control approach. In 2019, 185 (of Danone's 190) production sites representing approximately 99% of its total production of its industrial sites 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 scopes 1 and 2 emissions, the environmental impact is considered as non-significant.
<b>Greenhouse Gases</b>	The presentation of greenhouse gas emissions has changed to ensure consistent monitoring of the reduction target set by Danone in 2015 and approved by the international Science-Based Targets initiative in 2017. The Company's total emissions consist of: <ul style="list-style-type: none"> <li>• scope 1 greenhouse gas emissions, comprising 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 greenhouse gas emissions, including 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 greenhouse gas emissions, comprising 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. These emissions are calculated using the finished product life cycle analysis approach set out in the GHG Protocol established by the World Resources Institute (WRI), which takes into account emissions at every stage.</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 section <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 Corporate Value Chain (Scope 3) Accounting and Reporting Standard of the GHG Protocol. This approach takes into account emissions at each stage of the Company's value chain.</p> <p>Emissions from the purchase of finished products were calculated for all Danone entities included in Greenhouse Gases reporting scope including production sites, except Damavand (Waters, Iran), Danone Iran (EDP, Iran), IBIC (Waters, Brunei), Danone Proviva AB (EDP, Sweden) et Sirma (Waters, Turkey) entities in 2019, for which only scope 1 and scope 2 emissions are calculated.</p> <p>Within the Specialized Nutrition Reporting Entity, scope 3 emissions for all plants and for the 20 sales entities, located mainly in Oceania, South America, the Middle East and Europe, were included in scope 3 reporting in 2019. Scope 3 emissions for the Milupa Austria Baby and Milupa Switzerland Baby entities, which were included in 2018 and represented less than 1% of Danone's sales volumes, were excluded.</p> <p>The Fan Milk Ghana and Nigeria entities were also included in scope 3 in 2019, as were the scope 1 and 2 emissions from the Fan Milk Nigeria plant.</p> <p>For the EDP Reporting Entity, the scope 3 emissions from operations related to the sales entity in Iran (included in 2018), Earthbound Farm (sold in April 2019), the Vega brand, and the WhiteWave production site in Mexico were excluded. These emissions represented less than 1% of Danone's sales volumes.</p> <p>Upstream scope 3 emissions (physical flows entering the plants) cover a scope representing approximately 96% of Danone's production volumes in 2019.</p> <p>In 2019, downstream scope 3 emissions (physical flows exiting the plants) covered a scope representing approximately 94% of Danone's sales volumes (compared with 93% in 2018).</p>

INDICATORS	SCOPE
<b>Packaging</b>	In 2019, data on packaging is collected from all Danone production entities, representing 99% of Danone's production volumes.
<b>Health and nutrition</b>	In 2011, Danone created a series of performance indicators (One Health Scorecard) to measure improvements and progress made regarding health and nutrition, particularly product composition and responsible communication. These indicators are consolidated for a scope of 21 countries covering all of Danone's Businesses and geographic regions. In 2019, 66 entities representing about 74% of consolidated sales reported health and nutrition indicators (65.2% in 2018). The health and nutrition indicators scope excludes entities from the WhiteWave portfolio.
<b>Danone Way</b>	In 2019, 155 entities conducted a Danone Way self-assessment, representing 99% of Danone's consolidated sales (compared with 66.7% in 2018). This program also covers 98% 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 2019 data has been restated using the same consolidation scope and constant methodology as that of 2018.

## DEFINITION OF THE BUSINESSES

<b>Essential Dairy &amp; Plant-Based</b>	Production and distribution of fresh fermented dairy products and other dairy specialties, plant-based products and drinks, and coffee creamers and organic products.
<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, nutrition and Danone Way data are available on request from the Sustainability 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. The 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, 2019. Lastly, the 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.

Scope 3 greenhouse gas emissions data, including packaging data, were reported for the first year 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 Essential Dairy & Plant-Based Products 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 Sustainability Integration Department is responsible for the Danone Way indicators. These 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.

## 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.

### 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, 2019.

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, 2019.

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.

In 2019, certain subsidiaries were not included in the calculation of the number of training hours and number of permanent employees trained, as the local information collection processes could not ensure the traceability and complete reliability of the data as defined in the social data reporting guidelines. These included the Aqua activities (Waters, Indonesia), Nutricia Indonesia Sejahtera Baby, Sari Husada Indonesia Baby, and Sugizindo Indonesia Baby (Specialized Nutrition, Indonesia). The scope covered nevertheless represents more than 85% of Danone's total headcount. The efforts to strengthen the collection of this information at these entities should help establish a coverage scope equivalent to that of the other social indicators.

### 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 nevertheless represents about 95% of Danone's total headcount.

### General collective agreement

Collective agreements result from collective bargaining between an employer, a group of employers or employers organizations on 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. Regarding the number of lost days taken into account in the calculation of the severity rate and given the limited availability of data in certain countries, Danone provided estimates for this indicator as of December 31, 2019.

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.

Reclassifications have occurred for accidents with medical leave, which has a negligible impact on the values published in 2018 in this document:

- in 2018, four accidents with medical leave were recorded in addition to the reported values; including them increases Danone's frequency rate (FR1) from 1.59 to 1.61. Similarly, adjustments to lost days after including these accidents with medical leave increase the severity rate (SR) from 0.058 to 0.059.

Within the safety indicators scope, the Merchandisers (workers employed through staffing agencies) in the Mexican subsidiary of the Essential Dairy & Plant-Based Products Reporting Entity (EDP, Mexico) were included in 2019.

## 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.

## Scope 1 and 2 greenhouse gas emissions

Scope 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 (2018 publication of energy mixes in 2016);
- 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

In 2019, Danone shifted its method for measuring its scope 3 emissions from a product approach to an entity-based organization approach. In this context, emissions for the 2018 financial year have been recalculated according to this new approach in order to distinguish variations due to the methodological change from variations due to performance.

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 Cool Farm tool.

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.



## 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 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 aluminium: 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, Danone focused on the most substantial categories (food waste and packaging waste) and excluded hazardous waste and other non-hazardous waste, representing 9% of total quantities of waste in 2018, 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 at all Danone plants 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 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.

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.

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 is 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.

### 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 Specialized Nutrition Reporting Entity's early life nutrition activities who were trained on Danone's policy on the marketing of breast milk substitutes over a two-year period.

### 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 marketed by the Early Life Nutrition Reporting Entity), including products marketed by the Africa strategic business unit, and all waters and beverages (aquadrinks) with 0% sugar. This indicator is calculated in the One Health Scorecard scope.

### 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 consumers for the Essential Dairy & Plant-Based Products and Waters Reporting Entities, and parents, patients and caregivers for the Specialized Nutrition Reporting Entity.

The subsidiaries counted the people affected by the program in 2019. But 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.

## 5.7 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, 2019

To the Shareholders,

In our capacity as Statutory Auditor of Danone (hereinafter the "entity"), appointed as an independent third party and accredited by COFRAC under number 3-1060 rév.2 (whose scope is available at [www.cofrac.fr](http://www.cofrac.fr)), we hereby report to you on the consolidated non-financial information statement for the year ended December 31st, 2019 (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 the article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with the 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, 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: Alpro Comm VA Belgium (Belgium), Aqua (Indonesia), Bonafont (Mexico), Danone Tikvesli (Turkey), Danone Hayat (Turkey), Danone North America (United States of America), Danone Poland (Poland), Danone South Africa (South Africa), Nutricia Bago Argentina Baby (Argentina), Sari Husada Indonesia Baby and Nutricia Indonesia Sejahtera Baby (Indonesia), Fan Milk Ghana (Ghana), SA Des Eaux Minérales d'Evian (France), Salus (Uruguay), Sirma (Turkey), SHS International Great Britain Medical (United Kingdom), Volvic (France). This selection covers between 20% and 38% 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 2019 and February 2020 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 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 2, 2020

**One of the Statutory Auditors**

**PricewaterhouseCoopers Audit**

François JAUMAIN  
Partner

Sylvain LAMBERT  
Sustainable Development Partner

## APPENDIX: LIST OF THE INFORMATION WE CONSIDERED TO BE THE 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	<b>Section 5.1 Danone's integrated vision of corporate responsibility</b> Including the KPIs: <ul style="list-style-type: none"> <li>• % of Danone's total employees have been trained at least once on compliance</li> </ul>
Sustainable product portfolio	<b>Section 5.2 Offering safe, healthy products</b> Including the KPIs: <ul style="list-style-type: none"> <li>• % of volumes sold corresponding to healthy categories</li> <li>• % of entities put in place an active reformulation plan to achieve the 2020 nutritional targets</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>• Site certification rate</li> </ul>
Responsible communication	<b>Section 5.2 Offering safe, healthy products</b> Including the KPIs: <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> <li>• Compliance rate from the brand profiles to the EU Pledge criteria</li> </ul>
Marketing of breast milk substitutes	<b>Section 5.2 Offering safe, healthy products</b> Including the KPIs: <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	<b>Section 5.3 Preserve and renew the planet's resources</b> Including the KPIs: <ul style="list-style-type: none"> <li>• Total Scope 1 &amp; 2 emissions</li> <li>• Percentage of renewable energy</li> </ul>
Transition toward regenerative agriculture that includes organic agriculture	<b>Section 5.3 Preserve and renew the planet's resources</b> Including the KPIs: <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>

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>Circular economy</b>	<p><b>Section 5.3 Preserve and renew the planet's resources</b></p> <p>Including the KPIs:</p> <ul style="list-style-type: none"> <li>• Tons of plastic used"</li> <li>• % of Danone's packaging that is recyclable, reusable or compostable</li> <li>• % of plastic packaging that is recyclable, reusable or compostable</li> <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>• % recycled materials on average in its plastic packaging</li> <li>• % recycled PET used on average by the Waters reporting entity</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>
<b>Water management</b>	<p><b>Section 5.3 Preserve and renew the planet's resources</b></p> <p>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>
<b>Inclusive talent development</b>	<p><b>Section 5.4 Building the future with Danone employees</b></p> <p>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>• 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> </ul>
<b>Social dialogue</b>	<p><b>Section 5.4 Building the future with Danone employees</b></p> <p>Including the KPIs:</p> <ul style="list-style-type: none"> <li>• % of employees covered by collective bargaining agreements</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>Employee security</b>	<b>Section 5.4 Building the future with Danone employees</b> Including the KPIs: <ul style="list-style-type: none"> <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> <li>• Frequency and severity rate</li> </ul>
<b>Business practices and price fixing</b>	<b>Section 5.5 Promoting sustainable, inclusive growth with suppliers</b> Including the KPIs: <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>	<b>Section 5.5 Promoting sustainable, inclusive growth with suppliers</b> Including the KPIs: <ul style="list-style-type: none"> <li>• % of country-level traceability for cocoa</li> <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>	<b>Section 5.3 Preserve and renew the planet's resources</b> Including the KPIs: <ul style="list-style-type: none"> <li>• Total number of ISO 14001 certified sites</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
  - Sustainable product portfolio
  - 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 & human rights
  - Business practices and price fixing
  - Human rights