

5.3 PRESERVE AND RENEW THE PLANET'S RESOURCES

Contents

Environmental strategy	160	Circular economy	170
Fight against climate change	162	Circularity of packaging	170
Transition toward regenerative agriculture	168	Waste management	172
		Reducing food waste	172
		Preservation of the water resource	173

ENVIRONMENTAL STRATEGY

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

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

Governance

In 2021, Danone's environmental strategy is sponsored by the CEO and the COO End-to-End and Design-to-Delivery who is a member of the Executive Committee. In coordination with the Chief Cycles & Procurement Officer and the VP Nature and Water Cycle, they review its implementation, priorities and key issues on a quarterly basis.

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

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

Focus – Training and awareness programs

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

In 2020, Danone launched an e-learning course on the transition to carbon neutrality. This course, available on the Company's training platform, is built around a general-purpose module directed at all employees and includes more technical modules particularly intended for employees responsible for leading the environmental performance of the Company. In 2021, an additional e-learning module on net zero emission was made available to all its employees to support Danone's 2050 commitment.

Environmental management systems and tools

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

- the Executive Committee, which oversees the annual strategic planning process establishes the operational roadmaps and action plans to achieve the Company's commitments, working with the Strategy and Risks Department;
- the Audit Committee, which oversees the Company's risk review and identifies emerging risks.

Furthermore, the strategy is monitored through the following global and local departments:

- the Cycles and Procurement Department, which ensures the long-term availability and viability of resources (milk, sugar, fruit, packaging, etc.) for the Company's operations;
- the Nature & Water Cycle Department, reporting to the Cycles and Procurement Department, which manages the performance and designs and supports environmental innovation programs through a funding mechanism in partnership with the social innovation funds. It relies on the Sustainability Department of each Reporting Entity as well as the teams of each strategic cycle (packaging, water and milk) and works with the procurement teams responsible for the main resources;
- the Reporting Entities and subsidiaries, which apply the operational, prevention and risk management action plans, and employ nearly a hundred correspondents.

In addition, Danone launched a new training course to support the launch of Danprint 2.0, the upgraded version of its carbon footprinting tool. The software facilitates the measurement of a product's carbon footprint over its entire life cycle and allows the comparison of the impact of various design scenarios.

The Nature & Water Cycle Department continues to train employees involved in the Reporting Entities and subsidiaries on the methodology to use to monitor environmental performance and its recent developments.

Year ended December 31

	2020	2021
ISO 14001 certification^(a)		
Number of certified sites	82	83
Percentage of certified sites	46%	46%
Percentage of volumes covered	65%	65%

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

GREEN audit program

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

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

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

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

Year ended December 31

	2020	2021
Sites having undergone a GREEN audit		
Number of sites	121	129
Percentage of sites	67%	72%
Percentage of production covered by a GREEN audit	79%	81%
Compliance with GREEN standards		
Number of compliant sites	104	108
Percentage of compliant sites	86%	84%
Percentage of compliant production	94%	91%

Focus – Application of the European Taxonomy to Danone's activities

Under European Regulation 2020/852 (the "Taxonomy" Regulation) on the establishment of a framework to facilitate sustainable investments in the European Union (EU), Danone is required to publish performance indicators for fiscal year 2021 for its entire financial consolidation scope. These indicators must show the share of its eligible net sales, capital expenditures (CapEx) and operating expenditures (OpEx) derived from products and/or services associated with economic activities qualifying as sustainable within the meaning of this Regulation for two climate objectives: climate change mitigation and climate change adaptation.

The eligibility of Danone's activities was assessed and its indicators for 2021 were defined (i) based on the provisions relating to application of the Taxonomy Regulation, *i.e.* the Climate Delegated Regulation of June 4, 2021 and the Delegated Act of July 6, 2021, and (ii) in accordance with the methodology described in section 5.8 *Methodology note*.

Presentation of Danone's Taxonomy indicators

Sales

For the first two climate objectives applicable as of 2021, the European Commission prioritized business sectors that contribute significantly to greenhouse gas emissions at the EU level. As the food and beverage sector is not regarded as contributing substantially to

these first two objectives, Danone's activities are not eligible within the meaning of the Taxonomy Regulation. Consequently, no eligible sales were identified in 2021. Danone will therefore carefully monitor the future publication of regulatory texts relating to the four other environmental objectives in the Taxonomy Regulation and their application to its activities.

Operating expenditures (OpEx)

The amount of OpEx within the meaning of the Taxonomy Regulation represents less than 3% of Danone's operating expenditures for fiscal year 2021 and is not considered to be significant.

Capital expenditures (CapEx)

Because its activities are not eligible, Danone's eligible CapEx (i) does not include CapEx associated directly with its activities and (ii) only concerns CapEx used for "individually sustainable measures", as defined in the Taxonomy Regulation, that aim to reduce greenhouse gas emissions. Eligible CapEx represented 23.7% of acquisitions of property, plant and equipment and intangible assets for fiscal year 2021 (8.8% excluding leased assets).

This eligible CapEx relates mainly to long-term leases on buildings and vehicle fleets and to the construction and renovation of existing buildings, irrespective of technical criteria. It also includes CapEx that improves energy efficiency of buildings.

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, 2021.



FIGHT AGAINST CLIMATE CHANGE

Definition

Identifying the risks related to climate change

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

- availability of ingredients (milk, fruit, etc.) in regions exposed to drought and bad weather;
- exceptional climate events that could affect production sites located near coastlines;
- availability of water resources and degradation of watersheds and groundwater, with a potential impact on Danone's activities and relations between the subsidiaries and local stakeholders;
- price volatility for its product packaging materials and impacts on its activities;
- financing the transition toward more sustainable agricultural practices.

Furthermore, as part of the recommendations made by the Taskforce on Climate-related Financial Disclosures (TCFD), Danone has mapped the potential and existing impacts of climate change, as well as the climate-related risks and opportunities (see table hereafter). This information has enabled it to develop three climate change scenarios based notably on IPCC's Representative Concentration Pathways (including 1,5°C pathways), carbon prices, evolution of agricultural production systems and consumer dietary patterns. It also enabled Danone to assess the resilience of its activities, its strategy and the related financial impacts. This map has reinforced the Company's development strategy relating to plant-based products, its ambitious regenerative agriculture program and its circular economy approach.

Over the period 2020-2030, transition risks and opportunities are the most significant for Danone, as illustrated in below table, while physical risks are expected to become more significant over the period 2030-2050.

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

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

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

Policies and action plans

Climate Policy

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

- cutting greenhouse gas emissions;
- transforming the agricultural practices of its supply chain;
- keeping more carbon in the ground;

- eliminating deforestation from its supply chain;
- offsetting remaining GHG emissions.

Cutting greenhouse gas emissions

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

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

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

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

Transforming agricultural practices and keeping more carbon in the ground

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

Eliminating deforestation from the supply chain

At the end of 2021, Danone continued to progress towards its goal to eliminate deforestation in its supply chain, focusing on key forest risk raw materials—palm oil, paper and board and soy.

The deforestation-related action plans of Danone are based on two general policies—its Forest Footprint Policy and its Packaging Policy—and three special policies assessed by the Global Canopy Program (Palm Oil, Soy, and Paper and Cardboard Packaging). Danone publishes a dedicated report annually on its website on the progress made regarding key ingredients.

Forest Footprint Policy

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

Palm Oil Policy

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

In 2021, Danone used approximately 67,498 metric tons of palm oil (compared with 65,600 metric tons in 2020).

Danone works with Earthworm Foundation (a not-for-profit that supports the creation and development of solutions that address environmental and social issues) to ensure traceability of palm oil. In 2021, through detailed mill mapping for the first semester of 2021, Danone was able to demonstrate the full effect of the North America volume transition to RSPO (Roundtable on Sustainable Palm Oil) Segregated. Globally, 93% of the palm oil sourced by Danone was certified RSPO Segregated, 5% was certified RSPO Mass Balance and the remaining 2% was “conventional” palm oil purchased in Africa. The slight drop of RSPO Segregated compared to 2020 is due to volume changes and local sourcing in Africa. In the first semester of 2021, according to its most recent mill mapping, Danone reached 99.8% traceability to plantation, up from 84.7% in the second semester of 2020.

These initiatives were recognized by the CDP and enabled Danone to obtain for the second year in a row the highest score possible in the CDP Forests–Palm Oil questionnaire for its transparency and its environmental performance in fighting deforestation. In the CDP Forests–Palm Oil questionnaire for its transparency and its environmental performance in fighting deforestation.

In addition, the Company continues to publish updated list of its palm oil direct suppliers and mills as well as the grievance process on its website.

Soy Policy

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

Danone’s soy consumption and its use in its plant-based products are described in section 5.5 *Upstream supply chain transparency*.

Packaging Policy and Paper and Cardboard Packaging Policy

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

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

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

In 2021, Danone used 99.8% of paper and board packaging made of recycled fibers or virgin certified (FSC, PEFC, SFI) fibers (98% in 2020).

Beyond its policies and action plans, Danone is committed to continuing to work with its peers and suppliers to accelerate progress and foster systemic change on this issue.

Offsetting emissions

Danone pledges to offset remaining greenhouse gas emissions while implementing solutions intended to improve the quality of life of the most vulnerable communities. Accordingly, Danone takes part in reforestation programs and schemes to restore natural ecosystems, notably through the Carbon Livelihoods Fund, of which Danone is a partner Company. The aim of the Livelihoods Carbon Fund is to sequester or avoid 20 million metric tons of CO₂ emissions over 20 years through a dozen projects in Asia, Africa and Latin America.

Carbon neutrality of its brands and production sites

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

In addition, the production plant Poços de Caldas in Brazil has been certified by the Carbon Trust in 2021 on the 3 environmental

goals: carbon neutrality, water reduction and zero-waste to landfill. The site is fully powered by renewable electricity, part of which is generated by the 1,500 solar panels covering the parking lots and walkways of the production site.

Outcomes

External recognition

In 2021, CDP recognized Danone as one of the world's leading companies in terms of its environmental performance and its transparency in fighting climate change, fighting deforestation and protecting water resources, for the third consecutive year, being one of only fourteen companies in the world awarded with the "triple A" rating for its 2020 performance in the CDP Climate Change, CDP Forests and CDP Water questionnaires.

Since 2018, Danone has used an environmental performance criterion in its Group Performance Shares plans for approximately 1,500 of its senior executives, based on its CDP Climate Change score. In 2021, Danone strengthened this environmental performance condition by taking into account, in addition to its performance in the CDP Climate Change, its performance in the CDP Forests and CDP Water (see section 6.4 *Details of long-term incentive plans*).

CDP has also recognized the Company as a world leader for its strategy and actions to fight climate change with the suppliers in its supply

chain. As a result of its 2021 actions, it was included for the fourth consecutive year in the CDP Supplier Engagement Leaderboard.

Greenhouse gas emissions

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

Greenhouse gas emissions on scopes 1 and 2

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

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

Its total emissions in metric tons of CO₂ equivalent for scopes 1 and 2 decreased by 14.8% between 2020 and 2021, mainly due to the switch to renewable electricity sources in Indonesia, Russia and Mexico. On a like-for-like basis, these emissions decreased by 14.9% compared to 2020 and 48.3% compared to 2015.

	Year ended December 31	
	2020	2021
Scope 1 and 2 emissions, market-based (in ktCO ₂) ^(a)		
Scope 1	668	683
Scope 2	479	295
Total Scopes 1 & 2	1,147	978
Absolute emissions reduction, scopes 1 and 2, market-based since 2015	38.1%	48.3%

(a) Greenhouse Gas scope, see Methodology Note.

Greenhouse gas emissions on scope 3

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


	Year ended December 31	
<i>(in ktCO₂ eq)</i>	2020	2021
Purchased goods and services	19,921	19,371
Upstream transportation and distribution of goods	322	300
Downstream transportation and distribution of goods	1,627	1,365
Use of sold products	1,886	1,545
End-of-life treatment of sold products	783	769
Fuel and energy related activities	284	259
Waste generated by operations	153	125
Total Scope 3	24,974	23,733

Greenhouse gas emissions on scopes 1, 2 and 3

	Year ended December 31	
<i>(in ktCO₂ eq)^(a)</i>	2020	2021
Scope 1	668	683
Scope 2 ^(b)	479	295
Scope 3	24,974	23,733
Total Scopes 1, 2 and 3	26,122	24,711
Emissions intensity ratio scopes 1, 2 and 3 <i>(in grams of CO₂ eq/kg of product sold)</i>	756	679
Reduction in intensity on a like-for-like basis since 2015	24.5%	27.1%

(a) Greenhouse Gas scope, see Methodology Note.

(b) Market-based.

Danone's total emissions from its value chain in 2021 for scopes 1, 2 and 3 amount to 24.7 million metric tons of CO₂ equivalent compared to 26.1 million in 2020, mainly due to a methodological alignment with the Product Environmental Footprint Category Rules (-0.75 million metric tons CO₂ equivalent), the results of the action plans relating to regenerative agriculture (-0.35 million metric tons CO₂ equivalent) and continuing to adopt energy sources that produce lower CO₂ emissions under the Company's RE100 commitment, mainly consisting of green electricity (- 0.2 million metric tons CO₂ equivalent). In 2021, Danone reduced its full scope GHG emissions by 3%  on a like for like basis, compared to 2020.

The ratio of Danone's total emissions across its value chain on scopes 1, 2 and 3 decreased by 10.1% between 2020 and 2021. On a like-for-like basis, this ratio decreased by 2.4% compared to 2020, due to the results of regenerative agriculture projects and the adoption of energy sources that produce lower CO₂ emissions. On a like-for-like basis, this ratio is decreasing by 27.1% compared to 2015, mainly as a result of productivity gains among producers from which Danone purchases its milk directly and the global milk supply chain, as well as increased purchases of electricity from renewable sources.

In 2021, Danone continued to measure the effects of its ambitious plan to shift to regenerative agriculture, particularly in the following countries (see section *Transition toward Regenerative Agriculture*):

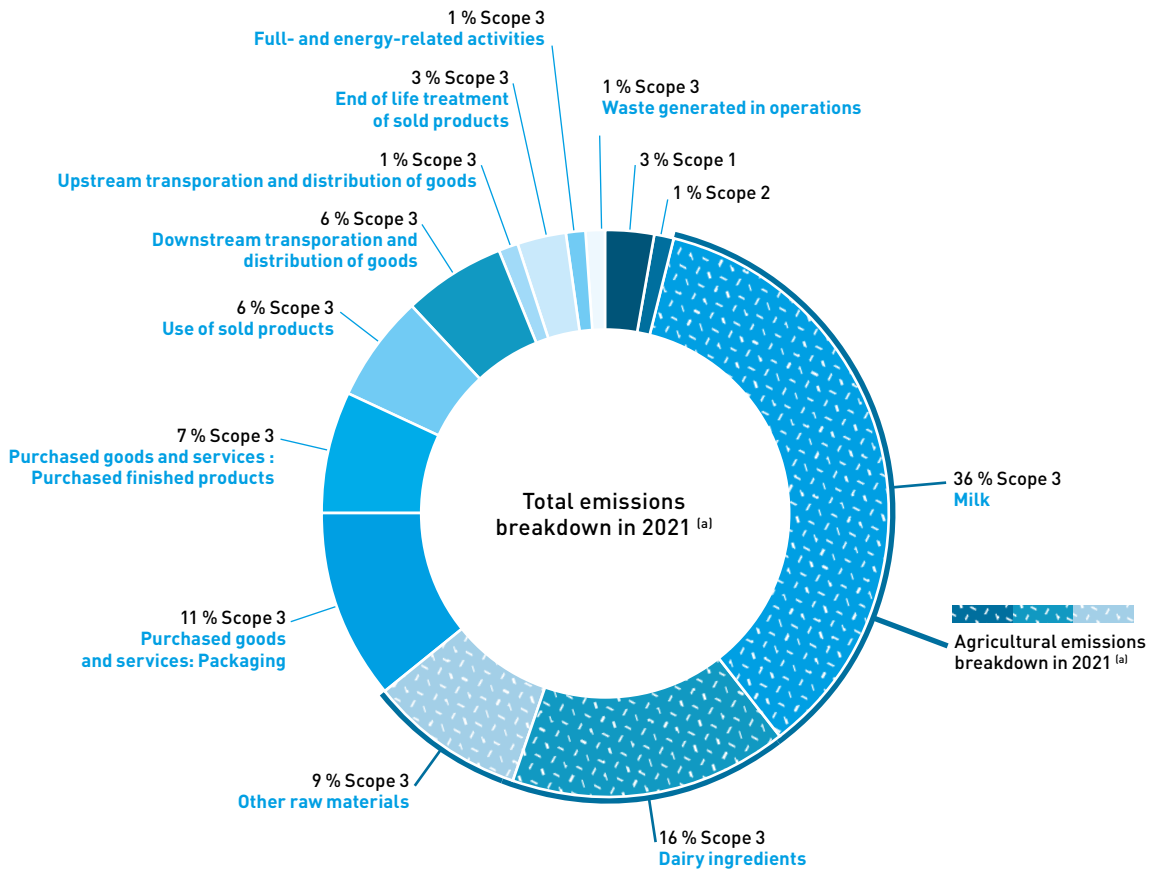
- in Russia, due to continuous improvement of cow performance to reduce methane emissions; through genetic improvement and overall optimized herd management and feed efficiency and increase use of low carbon feed with increase by-products and reduce soy-based feed;
- in Brazil, due to action plans to convert manure into organic fertilizers through compost and biodigesters, the traceability of animal feeds in areas with no deforestation risks and improved cow productivity;
- In France, Danone measured the results of Les 2 Pieds sur Terre program launched in 2017 with the objective of reducing the emission factor of partner farms by 15% by 2025, in collaboration with Danone Ecosystem fund, Livestock institute, and Miimosa that helped French farmers in their environmental footprint reduction journey thanks to training, diagnosis and technical support. Overall, around 1,400 farmers participate to the program and helped to achieve almost 10% reduction of emission factor of partner farms compared to 2016.

 Performance indicators monitored as part of Danone's *Entreprise à Mission* status.



With 96% of Danone's total emissions across its value chain, scope 3 represents the largest contributor, more than those from scope 1 (2.8%) and scope 2 (1.2%).

In 2019, Danone reached the peak of its carbon emissions on scopes 1, 2 and 3, five years ahead of its original target (2025).



(a) Greenhouse Gas scope, see Methodology Note.

Danone has disclosed a carbon-adjusted recurring EPS evolution that takes into account an estimated financial cost for the absolute GHG emissions on its entire value chain. In 2021, and following the decrease of full scope emissions, the cost of carbon per share has

decreased by -4.9%, following a -4.1% decrease in 2020. In 2021, the carbon adjusted recurring EPS increased by 1.7% when the recurring EPS decreased by -1.1% (see section 3.2 Examination of consolidated income and 5.8 Methodology Note).

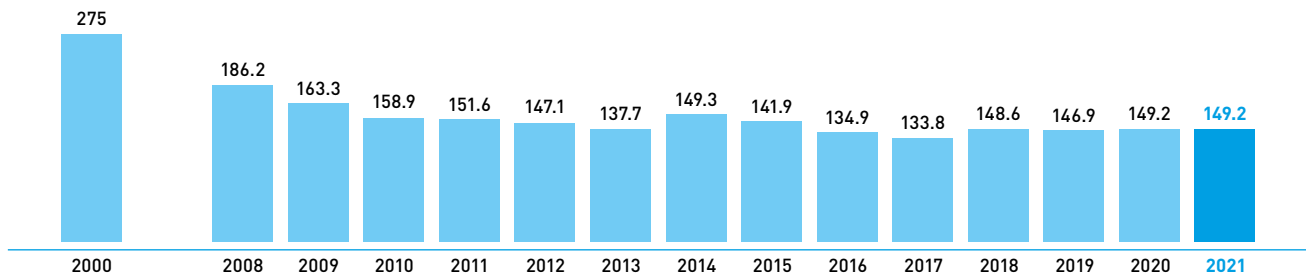
Energy efficiency and renewable energies

(in MWh)	Year ended December 31	
	2020	2021
Thermal energy (a)	3,223,381	3,203,185
Electricity (a)	2,015,977	1,995,902
Total	5,239,358	5,199,087
Energy consumption intensity (in kWh per metric ton of product)	149.2	149.2
Total reduction in energy intensity since 2000 (in kWh per metric ton of product)	46%	46%

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

Energy consumption intensity remains stable in 2021 compared to 2020.

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



At end-2021, total energy consumption intensity at production sites declined by 46% compared to 2000 (stable compared to 2020).

Energy efficiency initiatives

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

Renewable energy use

	Year ended December 31	
	2020	2021
Production sites purchasing 100% renewable electricity ^(a)	74	87
Percentage of renewable electricity ^(a)	54.3%	68.5%
Percentage of renewable energy ^(a)	24.5%	29.8%

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

As part of the RE100 initiative, 87 production sites purchased electricity from 100% renewable sources (wind, hydro, etc.) in 2021, contributing to a total of 68.5% of Danone's electricity purchases in 2021 (compared to 54.3% in 2020). Furthermore, its total energy use from renewable sources (electricity and thermal) represented 29.8% of its total energy use in 2021 (compared to 24.5% in 2020).

Opportunities

Danone works closely with all stakeholders in the value chain to strengthen the traceability of its supplies and deploy Regenerative Agriculture practices in order to increase the resilience of its producers and secure its purchases. Furthermore, its commitment in these areas in recent years enables it to anticipate the growing demand for transparency by consumers and regulators. The fight against climate change also provides a response to new consumption trends.

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

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



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

TRANSITION TOWARD REGENERATIVE AGRICULTURE

Definition

For Danone, agriculture is the biggest source of greenhouse gas emissions (representing 61% of total emissions in 2021), and the main source of water use. Believing that agriculture can be a part of the response to climate change, Danone is firmly committed to regenerative agriculture that includes organic agriculture and promotes practices that protect the soil, biodiversity and animal welfare while also supporting farmers in the transition toward more resilient agricultural models that protect natural resources.

Policies

In 2021, Danone published its Regenerative Agriculture Framework that complements and strengthens the earlier White Paper (2015). This framework details the concept of regenerative agriculture as well as it defines a set of practices and a plan to drive the transformation on the ground. Danone's regenerative agriculture approach is based on the following three pillars:

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

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

Action plans and outcomes

In 2021, 66% of the entities developed projects in line with at least one of the three pillars of the regenerative agriculture framework regarding the main raw materials it uses (Danone Way scope, see

Methodology Note), compared with 70% in 2020. For example, the Company's French subsidiaries have pledged to produce 100% of the ingredients grown in France from regenerative agriculture by 2025. In order to achieve this, Danone France is working on various projects such as the "Pachamama" project in collaboration with the *Blédina* brand, the Danone Ecosystem Fund and French associations supporting French fruits, vegetables and cereals farmers in the application and dissemination of regenerative agriculture practices that respect soil health and biodiversity.

With regard to its employees, Danone has deployed an e-learning module in 2021 that covers the three pillars of its Regenerative Agriculture Framework and the actions of its brands to implement them.

Protecting soils, water and biodiversity

Danone aims to restore the quality of soils through regenerative agriculture with a focus to enhance soil organic matter content, help sequester more carbon, strengthen biodiversity, and retain more water (see section *Preservation of the water resource*).

To this end, Danone works directly with farmers to develop action plans and help them implement new soil protecting practices. In France, through the "C'Haies Parti!" project, the Company helps farmers preserve biodiversity by planting hedgerows around their crops. With this project, Danone is expecting to plant 30,000 meters hedgerows. The project will also help improve biodiversity, soil health, water quality while storing carbon.

Danone is working on good soil health practices at farm level (such as reducing tillage or use of cover crops and inter-crops) that are implemented in France, the United-States and South Africa. These practices allow the regeneration of the natural biodiversity of the soil ecosystem and the local farming ecosystem.

Danone's approach includes working with many partners, NGOs, universities and agricultural technicians to promote the adoption of best agricultural practices. For example, Danone created the worldwide Farming for Generations (F4G) alliance in 2019 that brings together 8 leading agricultural players across the entire dairy value chain and 3 world renowned advisory partners (Wageningen University, WWF France and Compassion in World Farming). This alliance aims to provide a forum for peer-to-peer exchanges of information on topics such as animal welfare, herd management, emissions reduction, soil health or biodiversity, with a continuous improvement approach. With more than 50 case studies from the field Danone is already applying the learnings and best practices on its own farms. In 2021, the Company set up programs in 34 farms in 8 countries (in Europe, Russia and the United States). By the end of 2022, F4G expects to reach more than 2000 farmers with best practices for increased profitability and positive environmental impact.

The Company also collaborates within its supply chain with the suppliers of key ingredients by developing partnerships such as the one co-developed with Friesland Campina on projects of greenhouse gas emissions reduction in farms. Adopting a collective action approach, the Company continues to help protect biodiversity by working on joint pilots within the One Planet Business for Biodiversity (OP2B) coalition formed in 2019, consisting of 26 companies as of December 31, 2021.

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

Empowering new generations of farmers

Development of sustainable relationships with farmers

Since farmers are the main actors in the transition toward regenerative agriculture, Danone has developed dedicated farmer-support mechanisms. A global regenerative agriculture scorecard developed with WWF France has been deployed to support the improvement of farmers' practices and to assess the impact of the new Regenerative Agriculture Framework on the ground. In addition, the Company works on the generations' renewal issue in farming. To this end, Danone has deployed several projects as for example in Spain where it supports young people to become farmers by providing them training, technical and business planning support, and creating farmers network for experience sharing. Finally, Danone ensures health and safety as well as the respect of human rights across its agricultural supply chain (see section 5.5 *Focus on Agricultural supply chain*).

Danone North America responded to the ongoing complexity and regional challenges related to organic dairy in the Northeast US. This resulted in a strategic shift to prioritize organic farms in closer proximity to the Company's manufacturing footprint. Danone worked to provide support directly to the impacted dairy farmers beyond industry standard and in an effort to partner in the transition by providing: (i) 18 months of notice prior to contract non-renewal, (ii) a premium on purchases during the last six months of the contracts, (iii) farm consultants to farmers. The Company remains connected with government officials and advocates to ensure ongoing support of the farmers in this region.


Access to training, equipment and funding

The social innovation funds financed by Danone are one example of how the Company provides farmers with access to additional funds to support a positive and sustainable transformation of agricultural chains. For example, the "Beet it!" project in France aims to support

and train 200 farmers and 14 agronomists and technicians in the transition to regenerative agriculture, so that sustainable practices can be implemented on 2,500 hectares of land by 2025. The project will provide technical and financial support, research and development on machine adaptation, and market access to ensure farmers' economic stability during the transition.

Since 2018, Danone in France has invested €40 million in upstream agriculture to support the transition to regenerative agriculture. For its Specialized Nutrition Reporting Entity, 69% of its raw materials grown in France (fruit, vegetables and cereals) have been evaluated with Danone regenerative agriculture scorecard.

In addition, in 2021, Danone launched a Regenerative Agriculture Knowledge Center to provide resources to farmers and others interested in regenerative agriculture practices.

These actions all contribute to the target that Danone has set as part of its strategic 'Enterprise a Mission' agenda: to have 15% of its volume of key ingredients sourced directly from farms having started the transition towards regenerative agriculture by the end of 2021. This is a key initial step for Danone, which aims to have all of its partner farmers adopt this approach. In 2021, Danone reached 19.7% .

Respecting animal welfare

Danone views animal welfare as an essential element of its strategy since animals can bring circularity to agriculture, particularly for livestock that eat grass, food industry by-products or crop residues inedible to humans, and thanks to the use of their manure as a natural fertilizer for the fields.

In 2021, Danone has assessed animal welfare for 84% of volume of its fresh milk produced *via* the Company's animal welfare assessment tool for dairy cows or the Validus certification in the case of USA-based farms, vs. 87% in 2020. Danone also carried out nearly 2,700 audits at a farm level, which scores farms on a scale from 0-100 points. In 2021, the average score was 70 points and increased by 3 points compared to 2020. Furthermore, the number of farms not compliant was reduced by 75% between 2020 and 2021, emphasizing the best practices implemented.

In 2021, the Danone animal welfare assessment tool won the "Special Recognition Award 2021" in the Innovation category, organized by the global NGO Compassion In World Farming (CIWF).

With the signature of the Broiler Chicken Act, Danone has pledged with its suppliers to improve the rearing conditions of their broiler chickens by 2026, and the animal living conditions and crowding in general. In the Specialized Nutrition Reporting Entity, 100% of sheep and beef cattle had access to pasture in 2021. As for eggs and egg ingredients, 100% come from cage-free farms. Since the beginning of 2020, 100% of Danone's contracts related to eggs and egg ingredients comply with the Company's "cage-free" pledge. Danone reports its progress on its animal welfare commitments in a dedicated report available on the Company's website.

In 2021, Danone was rated Tier 2 by the Benchmark for Farm Animal Welfare, showing Danone's commitment to include animal welfare in its business strategy.

Opportunities

In 2021, Danone has continued to bring together farmers, agricultural experts and public and private sector partners to advance the transition to regenerative agriculture.

 Performance indicators monitored as part of Danone's *Entreprise à Mission* status.



CIRCULAR ECONOMY

Circularity of packaging

Definition


Danone works to offer nutritious, high-quality food and drinks in packaging that is 100% circular. This means eliminating the packaging it does not need, innovating so all the packaging it needs is designed to be safely reused, recycled or composted and ensuring the material it produces stays in the economy and never becomes waste or pollution. Danone works with numerous value chain stakeholders to accelerate the transition to a circular economy.


Policies, action plans and outcomes

Packaging Policy

In its Packaging Policy, Danone has pledged to ensure a transition from a linear to a circular economy for the packaging used by its Reporting Entities. This ambition is translated into a series of commitments described below as well as in the WeActForWater initiative by the Waters Reporting Entity (see the Danone website for more information).

All these commitments are translated into local roadmaps and action plans.

PILLARS AND COMMITMENTS	ACTION PLANS AND OUTCOMES
<p>Packaging designed for circularity By 2025:</p> <ul style="list-style-type: none"> • <i>design all its packaging to be 100% recyclable, reusable or compostable;</i> • <i>act to eliminate problematic or unnecessary plastic packaging;</i> • <i>launch alternatives to plastic and single-use packaging across all major markets of the Waters Reporting Entity.</i> 	<p>Danone works to increase the circularity of its packaging by means of action plans in its brands, including the following:</p> <ul style="list-style-type: none"> • accelerating reuse models: in many countries, such as Indonesia, Mexico and Turkey, Danone sells reusable water containers, as well as reusable glass packaging for the hotel, cafés and restaurant industry. In 2021, more than 50% of worldwide sales volumes by the Waters Reporting Entity were sold in reusable packaging; • eliminating problematic or unnecessary packaging and diversifying the use of materials: Danone has pledged to eliminate the use of polystyrene in its packaging worldwide by 2025 (in 2024 in Europe). In 2021, the Company has continued its transformation with the launch of PET yoghurt pots in Belgium in addition to UK, France and Spain. Danone also launched multiple SKUs in paper-based cups in France and Germany. It has also eliminated more than 230 million plastic drinking-straws and eliminated or replaced 18 million plastic spoons, mainly in Europe. <p>Danone works on eliminating PVC since it interferes with the recycling process for PET. In 2021, Danone phased out PVC sleeves from the bottles of <i>Mizone</i> (Waters Reporting Entity, China) and <i>Blédina</i> (Specialized Nutrition Reporting Entity, France).</p> <ul style="list-style-type: none"> • innovating in consumption models: after successful piloting phase, <i>evian</i> started the commercialization through <i>evianchezvous.com</i>, of its "[re]new" system, an innovation in home hydration dispenser that significantly reduces plastic packaging (consuming 66% less plastic than a 1.5-liter bottle). Danone also launched two references of lactic ferments that allow consumers to make their own homemade Danone yogurts and reduce waste. <p>Consequently, 84%  of the packaging is recyclable, reusable or compostable in 2021 (81% in 2020). Specifically for plastic packaging, it represented 74% (67% in 2020). During the year, the Company used 750,994 metric tons of plastic (compared with 716,500 in 2020).</p>

 Performance indicators monitored as part of Danone's *Entreprise à Mission* status.

PILLARS AND COMMITMENTS	ACTION PLANS AND OUTCOMES
<p>Packaging that is reused, recycled or composted in practice By 2025:</p> <ul style="list-style-type: none"> • <i>achieve or even exceed collection targets defined by the authorities (in particular, support the European Union's target of a 90% or greater plastic bottle collection rate);</i> • <i>launch or support collection and recycling initiatives in Danone's 20 largest markets, which account for approximately 90% of its sales.</i> 	<p>Danone is working to develop efficient and inclusive collection and recycling channels, through a collaborative approach with its ecosystem.</p> <p>Danone is supporting Extended Producer Responsibility principle including Deposit Return Schemes for beverage bottles. Danone is also working on co-building efficient collection systems, engaging with local partners notably in Europe and North America to create sustainable recycling streams for yogurt pots.</p> <p>The Company also supports countries where infrastructures and recycling systems are not fully developed.</p> <p>After a first pilot in 2020, AQUA brand (Water Reporting Entity, Indonesia) set up with Reciki, one of Indonesia's leading waste management companies, a second material recovery facility in September 2021. AQUA has also secured ambitious plans to expand across Indonesia through a co-investment with Circulate Capital Ocean Fund where Danone is a Limited Partner.</p> <p>In addition, AQUA partnered with VEOLIA Indonesia to build the largest recycling and processing factory for the used PET plastic bottles in Indonesia. This partnership will allow the AQUA brand to reach its objective of having an average of 50% recycled plastic in its bottles by 2025.</p> <p>Lastly, the Danone Ecosystem Fund continues to support inclusive recycling projects in six countries. In 2021, close to 800 jobs were created and more than 1,000 people were able to secure their income or see it increase, notably thanks to the Fund's support.</p>
<p>Preserving natural resources By 2021:</p> <ul style="list-style-type: none"> • <i>market 100% recycled PET bottles in all major Danone markets;</i> <p>By 2025:</p> <ul style="list-style-type: none"> • <i>use 50% recycled materials in all Danone's packaging, notably plastic packaging (the initial target was fixed at 25%);</i> • <i>use 50% recycled PET (rPET) for the Waters Reporting Entity (100% in Europe).</i> 	<p>Danone works to reintegrate recycled materials in its packaging and increase the use of renewable materials.</p> <p>In 2021, Danone achieved the following results:</p> <ul style="list-style-type: none"> • 10.4% recycled materials on average in its plastic packaging (compared with 10.3% in 2020); • 20.6% recycled PET (rPET) used on average by the Waters Reporting Entity (compared with 19.8% in 2020) and 27.4% in countries where local standards and regulations allow (compared with 25.5% in 2020); • 38.7% of rPET is used on average in the evian bottle range (compared with 31% in 2020) <p>In 2021, Danone launched new 100% rPET bottles in France, Spain, Indonesia, Brazil and Uruguay.</p> <p>Lastly, in order to further reduce fossil resource use, Danone is exploring the development of renewable and bio-based materials. Beyond paper-based cups, the Company has launched bio-based plastic packaging for its EDP Les 2 Vaches brand yogurt pots in France, which are made in PLA.</p>

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

In 2021, Danone developed an e-learning module on circular packaging for all its employees, with experts' input from EMF, with the objective to create understanding on circular economy and packaging, awareness about Danone context and actions and encourage critical thinking to foster transformation.



Waste management

Danone monitors waste production and recovery through implementing practices such as recycling, reuse, composting and waste-to-energy. The Company's production sites seek to maximize the recovery rate for their waste through on-site sorting and staff training. To that end, these sites enter into agreements with subcontractors that can recover the various types of waste generated.

	2020	2021
Industrial waste^(a)		
Total quantity of industrial waste (in ktons)	433	364 ^(b)
Ratio of total quantity of industrial waste per metric ton of product (in kg/tons)	12.3	10.4 ^(b)
Proportion of industrial waste recovered	91.2%	91.9% ^(b)
Packaging industrial waste^(a)		
Total quantity of packaging industrial waste (in ktons)	116	115
Ratio of total quantity of packaging industrial waste per metric ton of product (in kg/tons)	3.3	3.3
Proportion of packaging industrial waste recovered	96.7%	97.3%
Proportion of plastic packaging waste recovered	96.6%	96.5%

(a) Environmental scope Production sites, see Methodology Note.

(b) Excluding Water Division sites for Food Waste.

The amount of industrial waste generated per metric ton of product declined by 16% between 2020 and 2021, due mainly to a decrease of food waste generated in production sites. In 2021, the recovery rate for industrial waste increased by 0.7 point compared to 2020 (Production Site Environment scope, see Methodology Note).

The recovery rate for plastic packaging waste at the production sites totaled 96.5% in 2021 (compared with 96.6% in 2020). In 2021, 2.7% of post-industrial packaging waste was sent to landfill. The target is to achieve 0% by 2025.

Reducing food waste

Definition

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

Policies

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

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

The Company strengthened this ambition by aligning with Sustainable Development Goal (SDG) 12.3's 10x20x30 Initiative and by going beyond non-recovered waste. To achieve this, Danone has committed to halve its food waste ratio (excluding waste intended for animal feed and the processing of biomaterials) throughout its operations and distribution chain between 2020 and 2030, on a like-for-like basis.

Action plans

Danone adopts a collaborative approach to reducing food waste – from farm to fork – across its entire product portfolio, involving consumers, suppliers, distributors and partners in the process. The Company reduces food waste not only within its operations but all along its value chain as follows:

- **upstream**, by working with its suppliers. For example, the Company engaged three of its main fruits' preparation suppliers into the 10x20x30 platform, committing to reduce by half their food waste by 2030;
- **in its production sites, warehouses and logistics centers**, by creating a Food Waste Champions network in each production site in order to track and reduce food waste and loss within operations. This network enables to (i) foster the sharing and deployment of best practices among Danone's operations, (ii) enable the consistency of the reporting on food waste and loss and (iii) develop and implement audit methodology with external experts. Furthermore, the Company redistributes its surplus food to specialist charities in order to support vulnerable communities. Lastly, any unavoidable food waste is preferentially sent to recovery streams with higher valorization, consistently with Sustainable Development Goal 12.3;
- **downstream**, by acting to reduce waste through new consumers channels: in 2021, Danone worked with local partners such as Too Good To Go to raise awareness around food waste and inform consumers on date labeling. The Company started to shift its date labels from "use-by" date to "best-before" date in key European markets. In addition, Danone Germany introduced an online clearance sales shop for wholesalers in Germany and Austria. Through these new sales channels, Danone exclusively offers products with a shorter minimum freshness at discounted rates. In 2021, this online clearance sales shop was awarded the "Too Good For The Bin" prize in the category "digitalization" by the German Federal Ministry of Food and Agriculture.

Outcomes

Year ended December 31

	Production sites ^{(a)(b)}		Production sites and supply chain ^{(b)(c)}	
	2020	2021	2020	2021
Food waste management				
Total quantity of food waste generated (in ktons)	313	249	409	321
Ratio of total quantity of food waste per metric ton of product sold (in kg/tons)	36.3	29.2	46.8	35.7
Ratio of total quantity of food waste recovered per metric ton of product sold in kg/tons)	32.4	26.1	38.5	29.0
Proportion of waste recovered	89.3%	89.4%	81.2%	81.1%
Ratio of total quantity of food waste non- recovered per metric ton of product sold (in kg/ tons)	—	—	8,8	6,8
Reduction in the ratio of total quantity of food waste non-recovered per metric ton of product sold since 2016, on a like-for-like basis ^(d)	—	—	-15.6%	-27.2%
Ratio of total quantity of food waste per metric ton of product sold, excluding waste intended for animal feed and the processing of biomaterials (in kg/tons) – SDG 12.3			24.3	23.00
Reduction in the total quantity of food waste per metric ton of product sold, excluding waste intended for animal feed and the processing of biomaterials – SDG 12.3, since 2020 on a like-for-like basis				-5.3%

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

(b) Excludes Waters Reporting Entity sites.

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

(d) Based on constant consolidation scope and methodology.

The ratio of the amount of food waste generated per metric ton of product at production sites declined by 19.6% between 2020 and 2021, mainly due to improvement of food waste reporting quality. The recovery rates of production sites, and the combined recovery rate of production sites and supply chain remained constant between 2020 and 2021.

PRESERVATION OF THE WATER RESOURCE

Definition

Water stewardship is a strategic focus for Danone's operations and supply chain and the Company's recognizes the strategic importance of the topic for planet Earth and its communities. Thus, the Company acts to preserve and restore natural ecosystems, wetlands and the natural water cycle while also continuing its actions to make safe drinking water accessible to the most vulnerable communities. Three fundamental principles guide these actions:

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

Policies

Danone has a Water Policy which sets 2030 objectives and promotes an innovative approach and integrated management of the resource. These are based on a thorough risk assessment and on local water cycle scientific diagnosis and performed with the support of Danone hydrogeological experts deployed in identified priority geographical areas in collaboration with local scientists. The actions involve the mobilization of all local water users, the joint design of action plans and the development of governance models ensuring long lasting of actions implemented. The actions are deployed within the following scopes:

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

This policy has already been applied to the Waters Reporting Entity specific business through the movement WeActForWater. A series of measures, targets and investments tailored to watershed preservation needs, access to safe drinking water, carbon neutrality and responsible packaging were deployed.

Action plans and outcomes

In 2020, the Water Cycle team reviewed the water risk assessment process for its operations, taking into account the physical, regulatory and reputational risks, to provide (i) a detailed and structured picture

of all watershed and production site risks, and (ii) the baseline for defining priorities and action plans. The methodology behind this risk assessment as well as the development of local mitigation plans follows various steps:



WATERSHED RISKS ASSESSMENT

That uses the Water Risk Filter tool developed by WWF to identify **watersheds located in areas with water physical risk** (including floods, water stress, scarcity...)



OPERATIONAL WATER RISKS ASSESSMENT

That is based on the Water Risk Filter tool developed by WWF to identify **the water-related risks** faced by the operating sites on **Physical, Regulatory and reputational water risks**



LOCAL IMPLEMENTATION OF ACTION PLANS THROUGH LOCAL ROADMAPS

Danone has set up a specific tool that guides the teams in:
(i) defining and implementing a **water stewardship project** (using SWAN methodology, set up by Danone) particularly in water-stressed areas
(ii) adopting the **most suitable practices** for the context to mitigate local water risks

To understand the proportion of water withdrawn from stressed areas, Danone uses the Water Risk Filter, a public database and interactive mapping tool, that provides information on water-related risks based on the exact localization of the production sites.

In addition, Danone assessed the water risk of its main 69 ingredients from its supply chain, through the Aqueduct water risk tool, from the World Resources Institute. This analysis, focused on water stress, highlights priority ingredients to deep dive on.

Danone brings together all internal stakeholders needed for the effective implementation of the Water Policy by means of (i) committees for information-sharing and joint design of action plans in production sites and watersheds, (ii) the creation of a special working group on water stewardship in the Danone supply chain (representing 89% of its water footprint), and (iii) work to implement regenerative agriculture.

Danone also works with its stakeholders on trainings. For example, during the COP26, Danone launched new open-source water stewardship training, developed in partnership with WWF and Ramsar, to help build local water stewardship capacities in and beyond Danone's value chain.

Preserving and restoring water resources in agriculture and watersheds

For this first pillar of the Water Policy, the Company pledges to:

- promote regenerative agriculture that respects the natural ecosystems and the water cycle;
- preserve and restore water resources by working collectively with all the water users and by using Nature Based Solutions (NBS). NBS provide actions to protect, sustainably manage, and restore natural and modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.

COMMITMENTS	ACTION PLANS AND OUTCOMES
<p>Relating to agriculture <i>From 2020 onwards:</i></p> <ul style="list-style-type: none"> <i>develop, for the direct milk supply chain, plans to support farmers in five high-priority areas (the United States, Mexico, Russia, Southern Europe (including France) and North Africa);</i> <i>ask all its suppliers to set up water stewardship plans</i> <p><i>By 2025:</i></p> <ul style="list-style-type: none"> <i>implement pilot projects using an integrated landscape approach on a regional scale for five other key ingredients: milk, soy, almonds, strawberries and sugar cane</i> <p><i>By 2030 :</i> <i>For ingredients produced in highly water-stressed areas:</i></p> <ul style="list-style-type: none"> <i>reduce the water use of farmers with which Danone works in high-risk areas by 25%;</i> <i>increase the size of buffer zones by at least 15%;</i> <i>optimize fertilizer use on farms for 75% of milk, fruit, almond and soy volumes</i> 	<p>In 2020, Danone worked to (i) identify the main ingredients on the basis of criteria such as the volume, expenditure or environmental footprint, and (ii) assess the water-related risks for all 69 ingredients in its supply chain. Danone uses the results obtained to define its priorities and its water stewardship plans for the ingredients produced in areas with a high or extreme water risk.</p> <p>In 2021, 20 ingredients, particularly milk, were identified at risk. For all these ingredients, Danone defined phased roadmaps as well as mitigation and adaptation plans.</p> <p>For example, together with the WWF, Danone South Africa developed a project in the Southern Drakensberg region, suffering from water scarcity. The Company aims to preserve water resources by actively working to improve water access to local communities as well as working with local dairy farmers to transition towards regenerative agriculture practices.</p> <p>Danone is also working on other key ingredients such as strawberries, beetroot, sugar cane, almonds (see Danone's website for more information).</p>
<p>Relating to watersheds <i>By 2030:</i></p> <ul style="list-style-type: none"> <i>build plans for protecting and/or restoring 100% of the watersheds in which Danone operates, located in highly water-stressed areas (55 watersheds);</i> <i>work locally to create an effective governance system with the stakeholders or integrate actions into the existing governance bodies;</i> <i>develop a new, "open source" Danone platform on water stewardship, to share data and scientific studies and train the internal and external players concerned on integrated water stewardship</i> 	<p>Danone has identified 54 watersheds at-risk based on its analysis of the water-related risks.</p> <p>To improve water resource stewardship and encourage biodiversity, soil health and carbon sequestration, Danone develops solutions such as agroforestry, wetland protection or agriculture optimization.</p> <p>Danone created and is currently leading the worldwide Nature Based Solutions alliance in order to (i) define green solutions shared between companies and civil society organizations, and (ii) draw up suitable decision-making processes for the water resource stewardship programs.</p> <p>Between 2020 and 2021, Danone deployed 11 watershed protection plans among which 8 started in 2021 in Indonesia, Europe and Mexico.</p>



Rethinking circularity in and around Danone's production sites


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

Danone prioritizes the development of water stewardship plans suited to sites located in water-stressed areas. In 2020, Danone found that 17% of its sites are located in high or extreme water risk areas. This assessment remains still relevant for 2021.

COMMITMENTS	ACTION PLANS AND OUTCOMES
<p><i>By 2030:</i></p> <ul style="list-style-type: none"> <i>implement a collaborative 4R Strategy (Reduce, Reuse, Recycle, Reclaim) on all production sites;</i> <i>ensure that 100% of the clean water discharged directly by the sites located in highly water-stressed areas is reused to reduce the pressure on watersheds;</i> <i>reduce the water consumption intensity of all physical high risk production sites by 50% or reach Best in Class category?</i> 	<p>Ensuring that water discharges are of high quality and increasing water circularity</p> <p>In 2021, the Company has reviewed its internal standards, the Clean Water Standards (CWS) to align with the wastewater treatment plants capacities and with various country regulations. In 2021, 74% of its facilities comply with the CWS. Production sites implement improvement plans to achieve these standards.</p> <p>In addition, Danone has been working for more than 20 years to make more effective use of water in its operations by prioritizing a collaborative approach. For example, the EcoWash program in Indonesia has resulted in 30% water savings for AQUA (Waters Reporting Entity, Indonesia) brand factories compared to the previous generation of 20L returnable bottle washers. This program also enabled to reduce detergent and disinfectant consumption by 3% and 22% respectively. The EcoWash program has thus contributed to the 142 million litres of water saved by AQUA brand in 2021.</p> <p>In 2020, the Company boosted its approach by adding the fourth pillar, Reclaim, to its 3R Strategy (Reduce, Reuse, Recycle). In order to encompass these efforts in all production sites, and related to the water policy commitments, the 4R roadmaps and action plans are being deployed to optimize the water usage and reinforce second life for water. In 2021, 55% of its facilities had a 4R action plans, compared to 49% in 2020.</p> <p>For example, in 2021, Danone initiated new industrial "ReUT" facilities at two Mizone (Water Reporting Entity, China) production sites. Thanks to this program, 25% of the treated wastewater at the Wuhan site and 51% at the Xian site were reclaimed in 2021. Danone is committed to implementing second life projects for its industrial wastewater through (i) internal uses, with reuse as industrial water or (ii) external uses with for example road washing by the municipality to support air quality.</p> <p>In parallel, at a bottled water production site in France, the Company has initiated a project to reuse its wastewater internally, which will save 500 million litres of water by 2024. In 2021, this production site started a 14-month pilot phase. Co-financed by the Agence de l'Eau Loire Bretagne, the objective is to demonstrate the potential of reuse of treated wastewater as process water.</p> <p>Danone has developed and launched its new tool, Drop Saver, to disseminate best practices, support the deployment of circular water stewardship and assist in the implementation of its new Water Policy.</p> <p>Lastly, Danone is using the Water Risk Monetizer tool to consolidate the local cost of water and the risk related to local situation. The objective is to have a better vision on water cost, including all the aspects of water risk.</p>

Providing access to safe drinking water for vulnerable people and communities

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

COMMITMENTS	ACTION PLANS AND OUTCOMES
<p>By 2030:</p> <ul style="list-style-type: none"> sign the WBCSD WASH Pledge for access to safe water, sanitation and hygiene at the workplace; create the Water Access Acceleration Fund (W2AF) to support social businesses providing water access; provide daily access to safe drinking water for 50 million people 	<p>Danone pledges to give all its employees access to safe drinking water, sanitation and hygiene, which is consistent with the UN Sustainable Development Goal 6, "Clean Water and Sanitation", and the standard of the World Business Council for Sustainable Development.</p> <p>Globally, across its operations, nearly 89% of Danone's production sites were compliant with the WASH Pledge self-assessment in 2021.</p> <p>Regarding local communities, the Company has been working since 2007 in Asia, Africa and Latin America to provide safe drinking water to low-income communities via the Danone Communities fund. Overall, all of Danone Communities' investments in social businesses provided access to drinking water for 10.3 million  people around the world in 2021. Indeed, the Fund, invested for example in Indonesia in a social enterprise called Nazava that provides high quality and affordable households water filter, providing access to safe drinking water to more than 400,000 low-income people. Moreover, since 2019, through the Danone Communities fund, each litter of Volvic plain water consumed helps supply 1 litter of safe drinking water to people in need around the world in countries such as Cambodia, India, Bangladesh, Haiti, Mexico, Nigeria, Kenya, Indonesia and Senegal. In 2021, this initiative enabled 5.3 million people in need to access 1.3 billion liters of safe drinking water.</p> <p>Danone's brands of the Waters Reporting Entity also play a key role in providing access to safe drinking water such as for example, AQUA in Indonesia partnered with the organization Water.org to extend access to safe drinking water (10 liters brought to local communities for each one-liter bottle purchased). In addition, the AQUA brand also deployed a program to support the Indonesian Government objective to achieve 100% universal access to clean water by 2030, aligning with the UN Sustainable Goal targets. In 2021, thanks to this program, AQUA has provided water access for about 56,037 beneficiaries.</p>

 Performance indicators monitored as part of Danone's *Entreprise à Mission* status.

Outcomes

Water use in operations

<i>(in thousands of m³)</i>	Year ended December 31	
	2020	2021
Water drawn from the surrounding area^(a)		
River water	2,852	2,822
Municipal water	22,986	22,475
Well water	43,312	42,452
Total water drawn volume	69,150	67,749

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

In 2021, the total volume of water withdrawn decreased by 2.0% compared to 2020. The uses associated with this total volume of water withdrawn in 2021 are as follows:

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

<i>(in thousands of m³)</i>	Year ended December 31	
	2020	2021
Water related to the production process^(a)		
Consumption <i>(in thousands of m³)</i>	39,714	38,559
Intensity of consumption <i>(in m³ per metric ton of product)</i>	1.13	1.11
Reduction in water consumption intensity since 2000	49%	50%

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

At the end of 2021, the reduction in water consumption intensity since 2000 has increased by 1 point compared to 2020.



Discharged wastewater quality and chemical oxygen demand (COD)

At its production sites, Danone applies strict concentration limits to all wastewater discharges into the environment. These limits are based on Clean Water Standards (CWS) 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	
	2020	2021
Final discharge of chemical oxygen demand (COD) ^(a) <i>(in thousands of metric tons)</i>	5.95	5.06
Net COD ratio ^(a) <i>(in kg/ton of product)</i>	0.17	0.15

(a) Périmètre Environnement Sites de Production, voir Note méthodologique.

In 2021, the upgrade of existing on-site wastewater treatment plants and the construction of new installations in the United States, Russia and New Zealand enabled a reduction of the Net COD ratio per ton of product by 14% compared to 2020.