

5.2 OFFERING SAFE, HEALTHY PRODUCTS

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UNIQUE PRODUCT PORTFOLIO TO IMPACT PEOPLE'S HEALTH

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

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

Offering consumers healthy products

Definition

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

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

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

Policies, action plans and outcomes

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

Governance

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

Its governance is supported by:

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

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

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

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

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

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



Commitment No. 2: design healthier alternatives relevant for consumers

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

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

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

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

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

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

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

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

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

Opportunities

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

Focus – Accessible, affordable nutrition

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

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

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

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

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

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

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

Ensuring food safety

Definition

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

Policies

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

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

Governance

Responsibility for implementing action plans and monitoring commitments lies with:

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



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

Action plans

Identifying emerging and evolving issues

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

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

Strategic collaborations and partnerships all over the world

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

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

An integrated risk-based approach

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

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

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

Compliance and performance evaluation

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

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

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

Strengthen the quality and food safety culture

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

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

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

Employee training and awareness

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

Listen to consumers

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

Outcomes

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

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

Opportunities

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

RESPONSIBLE COMMUNICATION

Definition

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

Policies

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

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

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

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

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

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

Governance

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

Action plans

Responsible communication and marketing to children

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

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

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

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

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

Outcomes

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

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

Opportunities

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



MARKETING OF BREAST MILK SUBSTITUTES

Definition

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

Policies

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

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

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

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

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

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

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

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

Governance

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

Action plans

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

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

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

Outcomes

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

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