5.1 DANONE’S INTEGRATED VISION OF SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

Corporate responsibility at the heart of Danone’s history
Danone’s social, societal and environmental approach
Danone’s stakeholder strategy and action
Corporate Responsibility Governance
Partnerships with funds sponsored by Danone
Danone’s responsible practices

5.2 ENSURING CONSUMER SAFETY AND ENCOURAGING HEALTHIER EATING AND DRINKING HABITS

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Measures taken in support of consumer health

5.3 CO-CREATING WITH EMPLOYEES AND SUPPLIERS

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Relations with suppliers

5.4 CONTRIBUTE TO THE PROTECTION OF THE ENVIRONMENT

Environmental protection strategy
Climate policy
Sustainable water use
Meeting the challenges of the circular economy with respect to packaging and waste
Sustainable agriculture

5.5 METHODOLOGY NOTE

Consolidation scope and coverage
Definition of the Businesses
Data collection
Information regarding methodologies

5.6 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT
5
SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY
This section describes Danone’s commitments and accomplishments in the area of social, societal and environmental responsibility. It is organized as follows:

- description of Danone’s approach to social, societal and environmental responsibility;
- information concerning Danone’s social, societal and environmental performance in compliance with the provisions of Article:
  - 225 of Act no. 2010-788 of July 12, 2010 (“Grenelle II”) and its implementing decree;
  - 173 of Act no. 2015-992 of August 17, 2015 on the energy transition for green growth;
  - 1 of Act no. 2017-399 referred to as the law on the duty of vigilance of parent companies and ordering companies.

It describes the sustainability performances for 2017, i.e. Danone’s social, safety and environmental indicators excluding WhiteWave performance, its acquisition having been finalized in April 2017. However, this section provides qualitative sustainable development information, covering projects or initiatives of the DanoneWave subsidiary that resulted from the merger of WhiteWave with Danone’s Essential Dairy and Plant-Based activities in North America.

More extensive information concerning Danone’s strategy and performance with regard to Sustainable Development can be found in Danone’s Annual Integrated Report available at danone.com. Practices and quantitative results are described there, based in particular on the Global Reporting Initiative (GRI G4) indicators, the Global Compact and the United Nations Sustainable Development Goals.
## 5.1 Danone’s Integrated Vision of Social, Societal and Environmental Responsibility

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CORPORATE RESPONSIBILITY AT THE HEART OF DANONE’S HISTORY

In 1972, Antoine RIBOUD noted that “corporate responsibility does not stop at the factory gate or the office door.” This vision led to the dual economic and social project that forms the basis for Danone’s development and organizational model (see sections 2.2 Presentation of Danone and 2.5 Other elements related to Danone’s activity and organization). The company has since taken many steps that have contributed to integrating this vision further into Danone and its activities:

1972
Antoine RIBOUD’s speech in Marseille: birth of the dual economic and social project

1988
Signature of the first agreement on the vision shared by Danone and the International Union of Food Workers (IUF)

1989
Danone – IUF agreements on the economic and social information of Danone companies and gender equality in the workplace

1991 - 1994
Danone – IUF agreements on:
• Skills training
• Trade union rights
• Event of changes in business activities affecting employment or working conditions

1996
Environmental Charter

2001
Birth of the Danone Way program to assess the subsidiaries’ sustainable development performance

2004
Groundwater Resources Protection Policy

2005
Danone – IUF agreement on setting up of social indicators in the Company’s subsidiaries

2006
Franck RIBOUD formally defines the mission of “bringing health through food to as many people as possible”

2007
• Danone – IUF agreement on diversity
• Creation of the danone.dommunities fund

2008
Creation of the Livelihoods fund

2009
• Creation of the Danone Ecosystem Fund
• Nutrition Health Charter

2010
Deployment of the Dan’Cares program to provide all employees with healthcare coverage

2011
Danone – IUF agreement on health, safety, working conditions and stress

2012
Forest Footprint Policy

2013
Nature 2020 Commitments

2014
• Danone 2020 transformation plan
• Creation of the Livelihoods fund for Family Farming (L3F)

2015
• Publication of the Manifesto
• Partnership with B Corp
• Climate Policy
• Commitment to the Consumer Goods Forum against deforestation
• Palm oil policy
• Publication of the Alimentation Tree

2016
• Danone – IUF agreement on sustainable employment and access to rights
• Packaging Policy
• Nutrition Commitments and Targets
• Position paper on the first 1,000 days of life

2017
• Emmanuel FABER’s speech at the Consumer Goods Forum
• Launch of the One Planet. One Health corporate vision
• Global Parental Policy
• Official recognition of Danone’s Climate ambition by the Science-Based Targets initiative
• Participation in the 4 per 1,000 initiative – Soils for Food Security and Climate
• Engagement in the RE100 initiative
Danone’s Social, Societal and Environmental Approach

Danone’s signature, One Planet. One Health, expresses a vision of social, societal and environmental responsibility that the Company has upheld for many years.

Since 2006, the definition of Danone’s mission of “bringing health through food to as many people as possible”, centered the Company’s strategy on three categories of challenges:

- Ensuring consumers safety and fostering healthier eating and drinking habits: relates to challenges relating to product safety and quality, and efforts to promote a healthy lifestyle and nutritional education;
- Communicating and developing with stakeholders: relates to challenges relating to employee development and involvement, relationships with suppliers and development of communities;
- Contributing to protecting the planet: relates to environmental challenges.

Danone Way and B Corp: two key initiatives driving Danone’s ambitions

Danone began implementing the Danone Way program in 2001 to measure its subsidiaries’ performances on the company’s commitments. Danone has developed this voluntary approach to continuously improve performance in order to monitor the subsidiaries’ progress in integrating the Company’s mission, ambitions and commitments into their business.

In 2015, the shared ambitions and values prompted Danone to joint forces with B Lab in order to advance the Danone Way program towards B Corp certification.

As announced in 2017 at the Shareholders’ Meeting, Danone has decided to strengthen its cooperation with B Lab by developing a roadmap to obtain global B Corp certification.

As a result of this initiative, DanoneWave (EDP Noram) is now the largest Public Benefit Corporation in the world. Pursuant to this legal status in the United States, the subsidiary’s senior executives integrate the company’s social, societal and environmental impact into their decision processes in the same way as shareholder interests. The subsidiary is also aiming for B Corp certification.

Danone Way continuous improvement approach

The Danone Way program consists of an annual self-assessment to measure each subsidiary’s performance in terms of compliance with these practices and their levels of maturity with regard to sustainable development.

It is based on a framework defining the social, societal and environmental responsibility practices to be implemented by subsidiaries, covering all their activities from purchasing raw materials to recycling the packaging of finished products. The framework is structured on four pillars:

- governance: business conduct policy, social responsibility applied to suppliers and integration of a sustainable development strategy jointly developed on a local scale;
- consumer health and safety: management of product and communication quality and standards;
- social challenges: social dialogue, workplace health and safety, working time, training and diversity;
- environmental challenges: management of the environmental footprint, environmental risk control, raw materials management and reduction of the environmental footprint.

B Corp Certification

B Lab is an international non-profit organization that seeks to promote a committed and responsible entrepreneurial model. B Lab encourages businesses to drive this change within their environment, by integrating social and environmental challenges into their core strategy, beyond the scope of targeted profit. To do so, B Lab has developed an assessment questionnaire and awards B Corp certification to firms obtaining a score of more than 80 points.

Partnership with B Lab

Since 2015, Danone has worked with B Lab to enable listed multinational companies to gain access to the B Corp certification process. In the framework of this partnership, Danone joined the MPMAC (Multinationals and Public Markets Advisory Council) to share the lessons it has learned from the Danone Way program. Danone has also agreed to test the new assessment system specifically developed by MPMAC for multinationals. Since October 2017, Lorna DAVIS, a former member of Danone’s Executive Committee, is seconded to the management of B Lab.

B Corp-certified subsidiaries

Danone’s goal is to certify 10 subsidiaries by 2020. As of December 31st, 2017, 5 subsidiaries carry the B Corp certification.

Danone’s Contribution to the UN Sustainable Development Goals

The 17 Sustainable Development Goals were defined by the United Nations Member States to meet the 2030 Agenda for Sustainable Development. Danone commits to comply with these goals, by organizing implementation of its commitments according to the Company’s activity and to three levels of involvement.

<table>
<thead>
<tr>
<th>People</th>
<th>One Planet. One Health</th>
<th>Business Model</th>
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<tbody>
<tr>
<td>Major Focus</td>
<td><img src="image1.png" alt="Image" /></td>
<td><img src="image2.png" alt="Image" /></td>
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<tr>
<td>Commitments</td>
<td><img src="image3.png" alt="Image" /></td>
<td><img src="image4.png" alt="Image" /></td>
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<tr>
<td>Contribution</td>
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Details of Danone’s contribution to each Sustainable Development Goal can be found at www.iar2017danone.com.
DANONE’S STAKEHOLDER STRATEGY AND ACTION

Stakeholder dialogue

Stakeholder dialogue forms an integral part of Danone’s strategy; the Company works with stakeholders to jointly develop its commitments and contribute to public discussion.

Examples of initiatives taken with stakeholders

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Examples of initiatives taken in 2017</th>
</tr>
</thead>
</table>
| Public authorities (national and local authorities, European Commission, international organizations, regulatory agencies) | • Inaugural Thematic Champion status obtained by UN Women as part of the HeForShe movement  
• Partnership with the Inter-American Development Bank  
• Participation in the FReSH initiative (the Food Reform for Sustainability and Health program) led by WBCSD (World Business Council for Sustainable Development) and the EAT Food foundation |
| Financial community (shareholders, investors, financial and non-financial rating agencies, banks) | • Organization of the 2017 Investors Seminar in Evian  
• Participation in SRI roadshows (Socially Responsible Investment) |
| Scientific community (research institutes, researchers and academics)       | • Participation in the International Congress of Nutrition runs by the International Union of Nutritional Sciences (IUNS) in Buenos Aires  
• Organization of the Hydration for Health (H4H) Congress in Evian to raise public awareness of the importance of good hydration |
| Consumers and the general public                                           | • Participation in the Consumer Goods Forum “Healthier Lives” initiative aiming to improve consumer information in sales points  
• Initiatives of certain brands such as Villavicencio in Argentina to encourage consumer action for environmental protection |
| Employees and their representatives                                       | • Danone People Survey: in-house survey of employees to assess work organization and workloads, work-life balance, and stress  
• Danone Day 2017 with all employees and presentation of Danone’s new One Planet. One Health corporate vision |
| Professional organizations (industries, trade associations and private organizations) | • Emmanuel FABER joined the Consumer Goods Forum’s Board of Directors  
• Membership to the International Food and Beverage Alliance (IFBA) trade association |
| Business partners (key accounts and customers, suppliers, industrial partners, R&D partners) | • Investment in Yooji, Farmer’s Fridge and Kona Deep by Danone Manifesto Ventures  
• NaturALL Bottle Alliance initiative with Nestlé and Origin Materials to produce PET from bio-based materials |
| Civil society (NGOs, trade unions, schools and universities, local communities) | • Partnership with the Ellen MacArthur Foundation for circular economy  
• Danone joined the Global Deal initiative  
• Support for the HEC Paris Social Business/Enterprise and Poverty Chair and the Enterprise and Poverty action tank |

External evaluations

Danone obtained the following main scores in 2017:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td>DJSI</td>
<td>77/100</td>
<td>70/100</td>
</tr>
<tr>
<td>Vigeo Eiris</td>
<td>64/100</td>
<td>65/100</td>
</tr>
<tr>
<td>MSCI</td>
<td>AAA</td>
<td>AAA</td>
</tr>
<tr>
<td>CDP Climate Change</td>
<td>98B</td>
<td>A-</td>
</tr>
<tr>
<td>CDP Water</td>
<td>A-</td>
<td>A List</td>
</tr>
<tr>
<td>CDP Forests</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>Forest 500</td>
<td>5/5</td>
<td>5/5</td>
</tr>
</tbody>
</table>

Danone is also included in the FTSE4Good and ATNI indices and ranked among the top three in the results of the second edition of ATNI in 2016.
Integration of material issues and risks identified by stakeholders

Materiality analysis
In 2017, Danone has renewed its materiality matrix in order to identify its sustainability strategic priorities thanks to an internal consultation and external quantitative survey. The 41 issues identified are positioned in the matrix below:

Issues are interconnected and their position on the matrix must be considered with regard to this interdependence. Some issues may also be material only from an external (i.e. stakeholder) viewpoint or an internal one (for the company’s success). Danone therefore considers that these issues must also be factored into the strategy, even though they are not necessarily situated in the first third of the matrix.

A detailed explanation of the materiality analysis is provided at www.iar2017.danone.com.

Vigilance Plan
The table below summarizes Danone’s Vigilance Plan covering respect for human rights, the environment, and personal health and safety, for its own and its suppliers’ businesses. The plan is based on three components:
- the five steps defined in the Vigilance law;
- three issue stakes: Human Rights, Environment, and Personal Health and Safety;
- and two business scopes: Danone’s business and that of its suppliers.

Danone developed the Plan taking into account inputs from its stakeholder dialogue (see section on Stakeholder Dialogue above). Danone’s whole Vigilance approach is detailed in this section.
### Human rights and fundamental freedoms

<table>
<thead>
<tr>
<th>Risks Map</th>
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<tbody>
<tr>
<td>Company's activities</td>
</tr>
<tr>
<td>• Materiality and risks analysis carried out in 2017</td>
</tr>
<tr>
<td>• Priority focus on forced labor issues further to the commitment in the Consumer Goods Forum</td>
</tr>
<tr>
<td>Suppliers or subcontractors activities</td>
</tr>
<tr>
<td>• Risk mapping done in 2017 on the 20 most exposed categories of procurements</td>
</tr>
<tr>
<td>• Milk procurement issues historically taken into account</td>
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### Environment

<table>
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<tr>
<th>Risks Map</th>
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<tr>
<td>Company’s activities</td>
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<tr>
<td>• Materiality and risks analysis carried out in 2017</td>
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<tr>
<td>Suppliers or subcontractors activities</td>
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<tr>
<td>• Analysis of deforestation risks under the Forests Policy</td>
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<tr>
<td>• Risk mapping done in 2017 on the 20 most exposed categories of procurements.</td>
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<tr>
<td>• Priority focus on sustainable agriculture for milk procurement: climate, water, biodiversity, animal welfare and soil use.</td>
</tr>
</tbody>
</table>

### Regular risk map-based evaluation procedures

<table>
<thead>
<tr>
<th>Company’s activities</th>
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<tbody>
<tr>
<td>• Danone Way self-assessment – Human Resources, social sections</td>
</tr>
<tr>
<td>Suppliers or subcontractors activities</td>
</tr>
<tr>
<td>• RESPECT program for first-tier suppliers excluding raw milk</td>
</tr>
<tr>
<td>• RESPECT methodology up to 2017</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Company’s activities</th>
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<tbody>
<tr>
<td>• Code of Business Conduct</td>
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<tr>
<td>• Agreements signed by Danone and IUF – social dialogue</td>
</tr>
<tr>
<td>• Respect for fundamental rights via the contractual link with Danone</td>
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<tr>
<td>Suppliers or subcontractors activities</td>
</tr>
<tr>
<td>• Code of Conduct for Business Partners</td>
</tr>
<tr>
<td>• Contractual clause for suppliers including the Fundamental Social Principles</td>
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<tr>
<td>• Action plans following SMETA audits and FaRMs assessments</td>
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<tr>
<td>• Dialogue with suppliers</td>
</tr>
<tr>
<td>• Projects in partnership with funds sponsored by Danone</td>
</tr>
<tr>
<td>• Certifications: UTZ, FSC and RSPO</td>
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<table>
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<tr>
<th>Company’s activities</th>
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<tr>
<td>• Code of Business Conduct</td>
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<td>• Actions under Danone’s environmental protection strategy</td>
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<td>• Action plan following GREEN audits</td>
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<td>• Action plans for sites with major water risks</td>
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<tr>
<td>Suppliers or subcontractors activities</td>
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<td>• Code of Conduct for Business Partners</td>
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<tr>
<td>• Dialogue with suppliers</td>
</tr>
<tr>
<td>• Projects in partnership with funds sponsored by Danone</td>
</tr>
<tr>
<td>• Certifications: RSPO, RTRS, FSC and Non-GMO project verified</td>
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</tbody>
</table>

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

- Proactive analysis of suppliers based on three levels of priority and SMETA audit for high priority, starting in 2018

### Whistleblowing system

- Danone Ethics Line also applies to suppliers

### Monitoring of measures and assessment of their efficiency

- Monitoring of environmental performance indicators
- Increased frequency of GREEN audits based on risks
- Follow-up of GREEN audit action plans
- Follow-up of water risk action plans in the Businesses

- Monitoring of RESPECT program performance indicators
- Indicators of supplier registration on Sedex and follow-up of audit action plans in case of non-compliance
- Development of other assessment and evaluation tools starting in 2018
### 5.1 Danone’s Integrated Vision of Social, Societal and Environmental Responsibility

#### Risks Map

- Materiality and risks analysis carried out in 2017
- Identification of risks specific to Danone’s businesses; 13 priority safety standards in WISE²
- Risk mapping done in 2017 on the 20 most exposed categories of procurements
- Milk procurement issues historically taken into account
- 2.7 Risk factors
- Danone’s stakeholder strategy and action
- Danone’s Human Resources Policy
- Co-creating with employees and suppliers
- Environmental protection strategy

#### Regular risk map-based evaluation procedures

- Evaluation of risks at sites
- Unified Risk Assessment Document applicable in the European Union
- WISE² audits carried out at sites
- Workplace accidents tracking
- Traceability process on four priority agricultural categories: palm oil, fruits, cocoa and cane sugar
- FaRMs program for direct suppliers of raw milk
- Relations with suppliers

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

- Code of Business Conduct
- WISE² program
- Action plan following WISE² audits
- Danone’s responsible practices
- Danone’s Human Resources Policy
- Environmental protection strategy

- Code of Conduct for Business Partners
- Contractual clause for suppliers including the Fundamental Social Principles
- WISE² program coverage of agency workers present at Danone sites
- Action plans following SMETA audits and FaRMs assessments
- Dialogue with suppliers
- Projects in partnership with funds sponsored by Danone
- Certifications: UTZ, FSC and RSPO
- Danone’s responsible practices
- Danone’s Human Resources Policy
- Relations with suppliers

#### Whistleblowing system

- Danone Ethics Line
- Specific procedures for escalating risks or serious accidents
- Danone’s responsible practices
- Danone’s Human Resources Policy

#### Monitoring of measures and assessment of their efficiency

- Workplace accident measurement and tracking
- WISE² program efficiency monitoring with WISE² audits
- Workplace accident tracking for agency workers present at Danone sites
- Monitoring of RESPECT program performance indicators
- Monitoring of FaRMs program performance indicators
- Danone’s responsible practices
- Danone’s Human Resources Policy
- Relations with suppliers

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**Personal Health and Safety**

<table>
<thead>
<tr>
<th>Risks Map</th>
<th>Additional information available in sections</th>
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<tbody>
<tr>
<td>Materiality and risks analysis carried out in 2017</td>
<td>2.7 Risk factors</td>
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<tr>
<td>Identification of risks specific to Danone’s businesses; 13 priority safety standards in WISE²</td>
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<tr>
<td>WISE² audits carried out at sites</td>
<td>Environmental protection strategy</td>
</tr>
<tr>
<td>Workplace accidents tracking</td>
<td>Relations with suppliers</td>
</tr>
<tr>
<td>Traceability process on four priority agricultural categories: palm oil, fruits, cocoa and cane sugar</td>
<td>Danone’s responsible practices</td>
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<tr>
<td>FaRMs program for direct suppliers of raw milk</td>
<td>Danone’s Human Resources Policy</td>
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<tr>
<td>Relations with suppliers</td>
<td>Relations with suppliers</td>
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<tr>
<td>Code of Business Conduct</td>
<td>Danone’s responsible practices</td>
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<tr>
<td>WISE² program</td>
<td>Danone’s Human Resources Policy</td>
</tr>
<tr>
<td>Action plan following WISE² audits</td>
<td>Environmental protection strategy</td>
</tr>
<tr>
<td>Code of Conduct for Business Partners</td>
<td>Danone’s responsible practices</td>
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<tr>
<td>Contractual clause for suppliers including the Fundamental Social Principles</td>
<td>Danone’s Human Resources Policy</td>
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<tr>
<td>WISE² program coverage of agency workers present at Danone sites</td>
<td>Relations with suppliers</td>
</tr>
<tr>
<td>Action plans following SMETA audits and FaRMs assessments</td>
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<tr>
<td>Dialogue with suppliers</td>
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<tr>
<td>Projects in partnership with funds sponsored by Danone</td>
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</tr>
<tr>
<td>Certifications: UTZ, FSC and RSPO</td>
<td>Danone’s responsible practices</td>
</tr>
<tr>
<td>Danone Ethics Line</td>
<td>Danone’s Human Resources Policy</td>
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<tr>
<td>Specific procedures for escalating risks or serious accidents</td>
<td>Relations with suppliers</td>
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<tr>
<td>Workplace accident measurement and tracking</td>
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<tr>
<td>WISE² program efficiency monitoring with WISE² audits</td>
<td>Danone’s Human Resources Policy</td>
</tr>
<tr>
<td>Workplace accident tracking for agency workers present at Danone sites</td>
<td>Environmental protection strategy</td>
</tr>
<tr>
<td>Monitoring of RESPECT program performance indicators</td>
<td>Relations with suppliers</td>
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<tr>
<td>Monitoring of FaRMs program performance indicators</td>
<td>Danone’s responsible practices</td>
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</tbody>
</table>
CORPORATE RESPONSIBILITY GOVERNANCE

Danone’s governance of corporate responsibility issues is essentially organized as follows:

Social Responsibility Committee

Formed from the Board of Directors, its role and the work accomplished in 2017 are described in the relevant part of section 6.1 Governance bodies.

Sustainability Integration Committee

The Sustainability Integration Committee’s mission is to oversee the integration of sustainable development issues into Danone’s strategy and to ensure their operating implementation. It comprises representatives of environmental, social, health and nutrition issues and from each Business. It reports to the Social Responsibility Committee.

Sustainability Integration Department

The Sustainability Integration Department is part of the General Secretary function. It is responsible for coordinating the Company’s sustainable development issues in conjunction with the teams responsible for environmental, social, health and nutrition issues and from each Business. It relies on a network of local representatives in charge of managing these issues for geographic areas and subsidiaries.

PARTNERSHIPS WITH FUNDS SPONSORED BY DANONE

Danone Communities

Danone founded in 2007 the danone.communities mutual investment fund (Société d’Investissement à Capital Variable - SICAV). The fund invests (i) at least 90% of its assets in a selection of shares or units of mutual funds or investment funds invested in money market instruments, government bonds and bonds of companies in the euro zone that favor a Socially Responsible Investment (SRI) approach, and (ii) up to 10% in the danone.communities FPS.

The danone.communities professional specialized investment fund (Fonds Professionel Spécialisé – FPS) invests, along with several partners, in businesses with significant social impact located mainly in emerging countries, in accordance with Danone’s mission;

Danone Communities supports social entrepreneurs active in fighting malnutrition and developing access to drinking water, two levers for reducing poverty.

As of December 31st, 2017, the Danone Communities SICAV had assets under management totaling approximately €72 million, as in 2016. The danone.communities FPS supports 10 social businesses, covering 12 countries.

Investment by Danone and its employees in the fund

As of December 31st, 2017, Danone held approximately 14% of the SICAV and 63.8% of the capital of the FPS, as in 2016.

Since 2007, Danone has made a financial contribution each year to the Danone Communities project. In 2017, this contribution amounted to €3.6 million.

Danone Ecosystem Fund (Fonds Danone pour l’Écosystème)

Danone created the Danone Ecosystem Fund in 2009, with an initial endowment of €100 million. Its purpose is to strengthen and develop activities of general interest within Danone’s ecosystem. Together with non-profit organizations, the fund supports economic initiatives of certain Danone stakeholders in order to strengthen Danone’s ecosystem, promote job creation and develop micro-entrepreneurship. It is an endowment fund run by a Board of directors. A guidance committee, composed of representatives of Danone and non-Company members, establishes the fund’s major strategic guidelines, especially with regard to priorities and resource allocation principles. An investment committee is responsible for making investment policy proposals to the Board of Directors and ensuring follow-up action on them.

In addition, the employees of the Company and its French subsidiaries participate in the Danone Communities project by investing in the SICAV through the danone.communities company investment fund (Fonds Commun de Placement d’Entreprise - FCPE) as part of the Group Savings Plan. As of December 31st, 2017, approximately 55% of Danone’s employees in France had subscribed to the Danone Communities FCPE (vs. 43% in 2016) for a total amount of €19.8 million (€16.7 million in 2016).

Projects supported by danone.communities FPS

In accordance with the Danone Communities Governance Charter, the Social Responsibility Committee is consulted prior to each investment by the danone.communities FPS and issues an opinion as to its compliance with this charter. Since its creation, the Danone Communities FPS has carried out eight investments.

Under the Danone Communities Governance Charter, Danone may invest, directly or indirectly, in companies in which the danone.communities FPS invests, but only if these co-investments: (i) comply with Danone’s corporate purpose; (ii) strengthen the mission, governance and sustainability of the companies concerned; and (iii) are made in agreement with the shareholders of these companies. Each co-investment is subject to prior review by the Social Responsibility Committee, which issues an opinion as to its compliance with these requirements. To date, Danone has invested directly in the capital of three projects: Grameen Danone Foods Limited in Bangladesh; Laiterie du Berger in Senegal; and NutriGo in China.

As of December 31st, 2017, the total amount of the investments made by the FPS and Danone in these projects was €11.3 million and €6.6 million respectively (vs. €8.3 million and €4.5 million at the same date in 2016).
Management of the fund’s administrative, accounting, financial and legal activities
The fund has no employees and the management of the fund’s activities (administrative, accounting, financial and legal) is handled by dedicated Danone employees in accordance with the terms of a services agreement between Danone and the fund. The salaries and travel expenses of these employees, which totaled €1.2 million in 2017 (vs. €1.5 million in 2016), are fully charged back by Danone to the fund.

Projects supported by the Danone Ecosystem Fund
Since its creation, the fund’s Board of Directors has approved 71 projects including 4 new projects in 2017. In addition, 6 extensions of existing projects were approved in 2017.

As of December 31st, 2017, 42 projects initiated worldwide were active. The total amount committed by the fund is €80 million (€75 million in 2016).

Investments by Danone and co-investors in the fund
As of December 31st, 2017, all investors had pledged to invest a total of €37.9 million in the Livelihoods Fund, €26.6 million of which has already been paid to the fund. Of these amounts, Danone has committed to pay €13.8 million and has already disbursed €9.7 million.

The carbon credits generated by the fund are certified by Gold Standard and VCS (Verified Carbon Standard). The carbon credits are allocated to investors in proportion to their investment in order to compensate their emissions in addition to their efforts to reduce the carbon footprint of their activities.

Projects supported by the Livelihoods Fund
As of December 31st, 2017, the Livelihoods Fund supported nine projects, including four that had been initiated by Danone and transferred to the fund at the time of its creation.

Projects supported by the Livelihoods Fund for Family Farming
The Livelihoods Fund for Family Farming supports companies in transforming their supply chains with family farmers. The fund therefore helps companies secure the quality and quantity of their supply over time, by giving farmers access to more sustainable practices and better revenues via a good connection with markets. These projects also help to preserve ecosystems through farming practices combining productivity and respect for the environment.

The fund explores project opportunities involving specific raw materials determined by investors as well as project opportunities regarding watershed protection.

As of December 31st, 2017, 5 projects have been approved by the fund’s investment committee with operations beginning in 2017-2018 and €10.5 million has already been committed for the launch of these projects. They particularly concern the restoration and development of cocoa plantations in the southern region of Ivory Coast, protection of a watershed in Tingua, Brazil, procurement of coconut in the Philippines, protection of a watershed in Aguascalientes in Mexico and vanilla plantation on the east coast of Madagascar.

Livelihoods Fund
The Livelihoods Fund Fund was created in 2011 under Danone’s sponsorship. It comprises ten investors including Crédit Agricole, Groupe Caisse des Dépôts, Schneider Electric Industries, La Poste, Hermès International, Voyagers du Monde, SAP, Firmenich and Michelin.

The Livelihoods Fund is an investment fund dedicated to ecosystem and carbon assets restoration. It is a Luxembourg-registered mutual fund (société d’investissement à capital variable - specialized investment fund) created on December 15, 2011. The Livelihoods Fund seeks to invest in three types of projects in Africa, Asia and Latin America: (i) the restoration and preservation of natural ecosystems; (ii) agroforestry and soil restoration through sustainable agricultural practices; and (iii) access to rural energy to reduce deforestation. The aim of the Livelihoods Fund is therefore to fight against climate change while also improving the living conditions of local communities. Its creation is in line with Danone’s goal of reducing its carbon footprint through the development of compensation actions that enable credits to be earned through projects with a high environmental and social impact.

Livelihoods Fund for Family Farming
The Livelihoods Fund for Family Farming was created in 2015 by Danone and Mars Inc., who were joined in 2016 by Veolia and Firmenich. It is a follow-up to the first Livelihoods Fund, and supplements Danone’s other societal funds and initiatives to invest in projects that help to make the companies’ supply of strategic agricultural raw materials more sustainable. It is a French simplified stock company (société par actions simplifiée) with variable capital.

Investments by Danone and co-investors in the fund
As of December 31st, 2017, all investors had pledged to invest, as capital contributions, a total of €36 million in the L3F Fund, €6.7 million of which has already been paid to the fund. Of these amounts, Danone has committed to provide €15 million and has already paid €2.8 million.

These projects were selected in accordance with the fund Governance Charter and after a review on the basis of the following five criteria: (i) economic viability of the activity funded; (ii) creation of social value; (iii) possibility of developing or replicating the initiative; (iv) innovative feature and (v) differentiation opportunities.

The projects supported are implemented by non-profit organizations or by the fund directly. Since its creation, the fund has supported projects on the basis of five main categories: supplies, micro-distribution, recycling, services to individuals, catchment management and territory.

As of December 31st, 2017, the total amount committed by the fund was €80 million (€75 million in 2016).
DANONE’S RESPONSIBLE PRACTICES

Compliance and Business Ethics Program

The Company has developed an internal program to implement a culture of compliance and reduce related risks.

Beyond the fight against bribery and corruption, the program encourages exemplary behaviors in the areas of competition, economic sanctions and personal data protection. To achieve this, Danone has developed and implements policies and procedures applicable to all employees and business partners, including:

- the Code of Business Conduct based on principles defined in the following references: the Universal Declaration of Human Rights; fundamental conventions of the International Labor Organization; guiding principles of the Organization for Economic Cooperation and Development for multinational companies; the Global Compact on human rights, labor rights, environmental protection and anti-corruption.
- the Integrity Policy describing expectations on various positions and particularly on managers, Executive Committee members, and Heads of Human Resources and Public Affairs. It also provides definitions of the different types of corruption and applicable policies. Danone does not tolerate any non-compliance with these policies and which may lead to disciplinary measures. Such measures depend on the seriousness of the non-compliance and may include non-payment of a bonus, deferment of a promotion, suspension without pay and even dismissal.
- the Code of Conduct for Business Partners introduced to ensure that they comply with applicable anti-corruption, anti-money laundering, unfair competition and international trade laws and regulations.
- the unfair competition policy to ensure fair competition behavior between the sector’s various stakeholders and compliance with competition laws and regulations.

Tax policy

Danone’s fiscal policy has been published on its website since 2016, thus asserting the Company’s commitment to manage its taxation responsibly, notably by promising not to use any artificial or fraudulent fiscal schemes.

The policy is updated yearly.

Transparency of advocacy activities

Initially created in 2011, Danone’s policy on its advocacy activities was updated in June 2017 and is published on the Company’s website. The policy clearly describes the behaviors expected of Danone’s employees who work with these stakeholders.

Danone does not pay any sums of money to individuals or organizations involved in politics to support their activity. Therefore, no candidates or political parties receive any funds from the Company.

Danone does, however, engage in advocacy activities which it conducts ethically and transparently: as part of Danone’s dialogue with stakeholders and good business conduct, the Company interacts with public and non-governmental players. For example, Danone is included on the registers of interest representatives of the European Union and of the French High Authority for Transparency in Public Life (Haute Autorité Française pour la Transparence de la Vie Publique - HATVP). Danone conducts its advocacy activities in the interests of consumers and with the aim of contributing to global health objectives such as fighting obesity, malnutrition or undernutrition.

In the same way as all other activities, Danone’s advocacy action must be compliant with the Code of Business Conduct and the Integrity Policy presented above.

Anti-bribery and anti-corruption policy

Danone does not tolerate corruption and particularly payments in kind, monitoring of hospitality, sponsoring and donations, conflicts of interest, bribes, theft, embezzlement or inappropriate use of company resources, and money laundering.

No employee or representative of Danone may give or receive a bribe or any other advantage with a view to obtaining a financial or business gain. Danone condemns any attempt to use business as a means of laundering money and only works with legitimate customers and business partners. As part of its anti-corruption action, Danone defines precise record-keeping requirements and does not authorize any activity that could be interpreted as or could result in corruption offences.

Whistleblowing system: The Danone Ethics Line

Danone has introduced a whistleblowing system whereby employees, suppliers and other third parties may confidentially report any suspicions of fraud, corruption or other cases of non-compliance (see section 2.8 Risk management and internal control). Wrongdoings that could initially be reported included those relating to discrimination and personal health and safety.

In 2017, while preparing its Vigilance Plan, Danone integrated two new categories of wrongdoings in agreement with the staff representative bodies: violations of Human Rights and environmental rules violation.

Employee communication and training

A communication campaign is deployed to inform employees of the Code of Business Conduct and policies are available on Danone’s intranet. Each employee also receives communication on the Danone’s Code of Business Conduct when they are hired.

Danone seeks to train all employees in its anti-corruption policies, with a priority to functions deemed the most exposed (sales teams, buyers, etc.). The training program will subsequently be extended to all employees.

Danone has also developed an online “e-learning” tool open to all employees since October 2017, in order to communicate its fundamental principles of compliance as widely as possible.
Crisis management

In the event of a crisis, Danone’s priorities are the protection of its consumer and employees, the environment, and the Company’s assets, business and reputation. In June 2017, Danone updated its internal crisis management policy particularly by defining the specific organization that has to be implemented, and the tools necessary to adequately prepare for and manage situations when they arise. Danone particularly ensures that the Executive Committee is swiftly notified of any crises.

Danone’s action for crisis management also includes preparation and training:
- a crisis manager appointed in each subsidiary;
- classroom or online training of over a hundred managers each year;
- annual audits to verify compliance with crisis management policies.

5.2 ENSURING CONSUMER SAFETY AND ENCOURAGING HEALTHIER EATING AND DRINKING HABITS

Contents

MEASURES TAKEN TO PROMOTE CONSUMER SAFETY

Product safety and quality

Danone seeks to provide consumers and customers throughout the world with products and services of excellent quality on a daily basis, and to make quality a fundamental value of the Company. In particular, this means:
- being worthy of consumer confidence by guaranteeing strict implementation of the food safety policy;
- being preferred by providing a superior consumer experience thanks to ongoing innovation;

Danone’s food safety approach

Danone has created a dedicated Food Safety department which reports to the General Secretary function to guarantee its independence from the operational teams.

The Food Safety teams define the technical specifications and rules applicable to all types of products and processes used by Danone. These instructions cover Danone’s entire value chain and are replicated for each Business, product and technology.

Participation in the Global Food Safety Initiative (GFSI)

Danone is an active member of the GFSI, a pillar of the Consumer Goods Forum (CGF) whose members include Danone’s Chairman and Chief Executive Officer. The current Chief Food Safety Officer of Danone is a member of the Board of Directors of the GFSI and is also the Vice President of the GFSI’s local European unit.

Food Safety Policy

For its food safety policy and governance, Danone applies a single standard across all its Businesses, structured around two pillars:
- Danone’s fundamental principles (Danone Operating Models) and compliance with Company’s specifications at each stage of the value chain. Each subsidiary General Manager is responsible for their products’ compliance with applicable laws and regulations and with Danone’s specific food safety rules and commitments.
- Danone’s food safety standards. These standards integrate the Company’s directives and reference documents on food safety, integrated management and assessment of risks. This also includes instructions and checklists specific to the Company’s products and technologies. These standards guarantee application of a single benchmark for all the Company’s products and technologies wherever they are sold or produced. The subsidiaries must apply the stricter of either local regulations or Danone’s own food safety policy.

Implementation of this policy is based on the processes and management systems described hereafter.
Emerging risk identification process: Horizon Scanning
Horizon Scanning is a process for identifying emerging food safety issues or risks. Danone implements the process to assess potential impacts and reduce effects of any new issue or risk arising as regards to the safety of raw materials, ingredients, food contact materials, manufacturing processes and finished products.

Horizon scanning is based on a three-stage approach to cover all emerging risks in the food safety management system:

- complete and ongoing monitoring of the scientific environment by internal expert teams, in close cooperation with key partners and independent experts;
- assessment of information gathered by a multi-disciplinary group to identify emerging risks relevant to Danone and their qualification;
- assessment of their impact on Danone’s business and the need for prevention plans specific to the risks identified.

In 2017, Danone identified 19 emerging issues. Their impact on Danone is being assessed and action plans have already been defined for some of these issues.

Although this process is currently centered on emerging risks, it has the ambition to encompass more general, wide-ranging and long-term issues.

Internal food safety management system
Danone’s objectives include obtaining certification according to FSSC 22000, one of the certification standards recognized by GFSI, for all its production sites by 2020. The Company has decided to go further than simply implementing and complying with this certification and has also developed an audit guide that takes into account the Company’s own requirements, extending beyond the provisions contained in the international standards. Danone also requires third parties to obtain food safety certification recognized by GFSI.

In 2017, 140 FSSC 22000 certification audits (compared with 120 in 2016) were completed by independent certification bodies. The Company thus reached a site certification rate of 67% (Food Safety production sites Scope, see Methodology Note).

At the same time, 58 food safety audits (compared with 66 in 2016) were conducted in-house by the Global Food Safety Audit team.

Food Fraud and Food Defense management systems
Danone’s Food Safety teams work with Global Security teams to reinforce its management systems in the areas of food fraud and food defense.

Food fraud is the deception of consumers using food products, ingredients and packaging for economic gain and includes intentional adulteration (dilution, substitution, concealment or unauthorized enhancement), issuing false information (false labels or claims), counterfeiting or gray-market resale (definition of food fraud by GFSI position on mitigating the public health risk of food fraud).

Danone’s position on specific ingredients or practices
Micronutrients Policy
The World Health Organization (WHO) has acknowledged that micronutrient deficiencies (vitamins and minerals) contribute to the development of certain pathologies and may represent a public health problem in emerging countries and in some industrialized countries.

In 2017, the Food Safety team published an internal directive on preventing food frauds. A central team common to all the Businesses is responsible for its implementation at production sites along with local teams. This strategy includes a first phase of vulnerability studies carried out at the sites in order to identify risks and introduce prevention plans. These studies are carried out using a tool developed by the SSAFE consortium, in which Danone is a member and which pursues the mission of fostering continuous improvement and development of international standards and systems.

Food defense consists in protecting food from risks of deliberate alteration in order to cause harm to consumer health.

In 2017, Danone updated its food defense directive and audit checklist, reinforcing requirements relating, in particular, to the physical protection of production and logistics sites. These documents were jointly developed and signed by the Food Safety Department and the Global Security department which assist all the subsidiaries with defining and implementing these prevention and protection measures.

Danone’s products quality approach
Danone’s Quality teams work with the Food Safety Department to drive the Company’s “iCare” quality culture program.

Danone initiated this program in 2016 to integrate quality as a key component of the corporate culture at every level in the organization. The quality concept encompasses quality of products and services provided to consumers and customers, and extends to labor, relationships with the ecosystem and the Company’s processes. It is managed by a dedicated team including representatives of each Business in cooperation with the various functions.

The iCare program is structured on three pillars:

- Foster employee awareness and ownership of quality-related issues;
- Encourage and promote peer involvement and interaction in a continuous improvement process;
- Ensure that Danone’s food Quality and Safety messages are consistent and coherent;

A diagnosis was done at the end of 2016 to assess maturity of the quality culture. It involved an internal employee campaign, on a voluntary basis, covering 60% of Danone’s subsidiaries, across all Businesses and geographic areas. The results, published in 2017, showed a high degree of quality awareness at Danone. The campaign identified best practices to be leveraged in the framework of the “iCare” program. These results are communicated to all Business or Function representatives who then define action plans to reinforce the culture quality at Danone with their teams.
In 2017, Danone developed and published a policy defining the Company’s specifications for the development of micronutrient-fortified products. The principles governing use of micronutrients are as follows: such use must be justified in every case; any micronutrient-fortified product must be of good underlying nutritional quality; fortification levels must be carefully adjusted with precision; the nature and type of fortificant must be selected following rigorous processes and the fortification must be clearly mentioned on the labelling of the product.

**Position on Genetically Modified Organisms**

Danone’s stance in respect of GMOs depends on the agricultural models in place: specific policies are applied concerning use of ingredients derived from GMOs and the feeding of cows with GMOs. For example, with the Dannon Pledge in the United States (see section on Sustainable agriculture hereafter), Danone seeks to offer consumers a non-GMO-certified alternative, which includes cow feeding, for three key brands: Dannon, Oikos and Danimals. For products containing GMOs sold in the United States, labels were introduced at the end of 2017 to inform consumers.

**MEASURES TAKEN IN SUPPORT OF CONSUMER HEALTH**

**Bringing health to as many people as possible**

Danone has made the strategic decision to develop a product portfolio for the benefit of health. Danone’s nutrition strategy is also in line with the guidelines issued by health authorities in the various countries. Danone has trained 33,444 employees in nutrition and/or hydration over the past two years.

In 2017, 88% of volumes sold corresponded to healthy categories in the Nutrition Health scope, as in 2016 (see Methodology Note). The other categories are mainly low-sugar drinks, occasional “indulgence” products, and cooking aids (such as butter, cream, etc.).

**Nutrition Commitments**

In keeping with the Nutrition Health Charter, introduced in 2005 and updated in 2009, Danone published its Nutrition Commitments in 2016, setting out six quantified commitments through to 2020:  

- **Commitment no. 1:** continuously improve the nutritional quality of products;  
  By 2020, 100% of Danone’s products will have reached the absolute nutritional target values set by Danone such as:
  - 7 grams of added sugar and 2.5 grams of saturated fatty acids per 100 grams of yogurt at the most;
  - 0 gram of added sugar and 0.6 to 2.6 milligrams of iron per 100 kilocalories in infant formulas for babies over six months;
  - less than 5 grams of sugar per 100 milliliters in low sugar beverages (aquadrinks).

**Animal Testing Position**

As published in its 2016 position paper, before performing tests on animals, Danone commits to systematically assess the need for such tests and to give priority to alternative methods whenever possible. Tests may be conducted on animals to comply with regulatory, ethical or food safety requirements, or failing appropriate human models (including in vitro tissues).

Where no other option is available, a strict framework applies to animal testing. All tests comply with mandatory instructions to integrate animal well-being and protocols recommended by organizations such as the World Health Organization, the World Organization for Animal Health, and the International Life Sciences Institute. Danone applies the most stringent existing standards for the protection and care of animals used for scientific purposes.

Danone also actively seeks to find alternative methods based on the “Triple R” approach with the aim of Replacing, Reducing and Refining research on animals. To do so, Danone works with universities and institutes, with the Triple R centers in the United Kingdom and Netherlands and with the Johns Hopkins Center for Alternatives to Animal Testing (CAAT) in the United States. Danone played a key role in the creation of a new task force at ILSI Europe: “Alternatives to animal testing in food safety, nutrition and efficacy studies”.

In Africa, given specific dietary features and the product ranges available, Danone aims to achieve these targets by 2025 and has therefore defined intermediate target values for 2020.

Danone has been improving the nutritional value of its products for several years. In 2017, 21% of the product volume had been nutritionally improved over the past three years compared with 26% in 2016 (see Nutrition Health Scope, Methodology Note). The percentage of products gradually decreases because product innovations and renovations are already compliant with nutritional targets.

- **Commitment no. 2:** design healthier alternatives relevant for consumers;  
  By 2020, top Danone’s brands will contribute to providing healthier alternatives in consumers’ diet.

- **Commitment no. 3:** further reinforce Danone’s expertise on the understanding of local nutrition practices and public health contexts  
  By 2020, in its major countries of business, Danone will have implemented and published the outcomes of research programs supported by local experts to understand food cultures and eating and drinking habits.

In 2017, 57 countries, compared with 54 in 2016, were covered by Nutriplanet studies, the program designed to obtain detailed knowledge of local contexts as regards all aspects of food and nutrition (see Methodology Note).

- **Commitment no. 4:** contribute to address local public health challenges on which Danone can have a most favorable impact through partnerships  
  By 2020, in 15 major countries in which Danone does business, it will have contributed to a local public health cause with relevant actions and programs. At the end of 2017, at least one subsidiary in five of those countries has deployed such a program.
Commitment no. 5: develop even more responsible marketing practices, especially to children;
By 2020, each country in which Danone operates will have disclosed and embedded a local comprehensive policy on responsible marketing practices. These policies will include Danone’s commitment regarding breast-milk substitutes.

Product transparency and labeling
As part of Danone’s nutrition commitment no. 6, 100% of product volumes sold will provide relevant nutrition information by 2020, meeting the following four criteria:
- nutritional information on product packaging (generally on the back of the product with a table of nutrition values);
- providing additional nutritional information via a website or a consumer phone number;
- clear indications about portion size (when the product is not presented in individual portions, the number of portions contained in the product will be indicated on the packaging);
- nutritional information on the product front-of-pack: in every country where it is permitted by regulations, Danone commits to provide an indication of the product’s nutritional quality on the front of packaging (in compliance with the applicable local system).

Responsible communication and marketing

Responsible communication
In 2002, Danone adopted an internal directive, applicable to all the Businesses, in order to ensure the consistency, credibility and scientific accuracy of the health and nutrition claims contained in its various communications. In particular, this directive sets out the responsibilities of the General Manager of each subsidiary who appoint a person responsible for local implementation and application of communication validation processes.

In terms of advertising, Danone is committed to applying the ICC Code (International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication). In 2017, 97% of Danone’s commercial communications were considered to comply with the ICC guidelines for the food marketing sector (97% in 2016). Danone aims to achieve compliance across all communication campaigns, but non-compliance issues can arise occasionally and are subject to corrective measures.

Communication and marketing to children
In the particular case of communications aimed at children, Danone is committed to restricting advertising exclusively to products adapted to their nutritional needs. To that end, Danone has joined numerous local and regional pledges (association of companies) including the 2007 EU Pledge of which Danone was a founding member. In most of the countries involved, compliance with this commitment is certified by an external agency.

For example, in 2017, Danone’s television advertising registered 99.2% compliance with the EU Pledge criteria in the six countries audited (France, Germany, Hungary, Italy, Romania and Spain).

Regarding subsidiary websites and brand profiles in social networks, 100% of websites audited and six brand profiles out of seven were compliant in the six countries audited (Bulgaria, France, Germany, Hungary, Spain and the Netherlands).

Commitment no. 6: provide the most appropriate product labeling to encourage healthier choices.
By 2020, all product volumes sold will provide comprehensive nutritional information, via various means, to guide consumers, in particular regarding portion guidance.

Nutri-Score: example of nutrition labeling in France
Nutri-Score is a simple, integrative visual system for product quality scoring: positive and negative aspects are reflected in a single score enabling consumers to compare different products. This system is in line with Danone’s nutrition commitment no. 6.

Danone aims to play an active role in the debate on transparent labeling as the Company considers it necessary to allow consumers to make their choices. In this area, in October 2017, Danone committed for the France scope to feature the Nutri-Score five-color code on the front of its products. Nutri-score will therefore be gradually applied starting in 2018.

Furthermore, Danone joined the International Food and Beverage Alliance (IFBA) in 2017 and supports the alliance’s commitment:
- to restrict advertising directed towards children under 12 only to products meeting common nutrition criteria based on scientifically recognized guidelines;
- or not to advertise to children under 12.

The Alliance members also undertake not to advertise food products or drinks in primary schools.

Marketing of breast-milk substitutes
Concerning early life nutrition, Danone supports the public health recommendations of the World Health Organization (WHO) calling for exclusive breastfeeding for the first six months of a baby’s life, and continued breastfeeding (up to the age of two) with the safe introduction of appropriate complementary foods.

In 2016, Danone published a position paper on health and nutrition during the first 1000 days of life, based on two convictions:
- breastfeeding needs to be protected and promoted;
- best nutrition for mothers, infants and young children needs to be assured.

With regards to the marketing of Breast-Milk Substitutes, Danone has made a commitment to comply with the code developed by the WHO (International Code of Marketing of Breast-Milk Substitutes), and has deployed a strict international policy: no advertising or promotion of infant preparations intended for babies under six months, anywhere in the world, even where local laws do not prohibit this practice. In addition, compliant with the FTSE4Good Index Breast-Milk Substitutes criteria for countries classified as higher-risk, Danone has voluntarily extended its policy to infants up to 12 months of age, which may go beyond local legislation.
In 2016, Danone joined the FTSE4Good index, providing recognition of its corporate responsibility commitments particularly in terms of responsible marketing practices for Breast-Milk Substitutes. In accordance with standard procedures of FTSE Russell, Danone has appointed an independent third party to carry out two market assessments on its Breast-Milk Substitute marketing practices.

**Consumer education**

Danone implements education and information programs aimed at consumers and/or healthcare professionals. These programs are developed in partnership with local stakeholders to target public health issues. Each Business develops programs on topics that relate to it specifically and most subsidiaries have active programs on food and hydration.

In 2017, Danone had 28 active education and information programs, compared with 118 in 2016. These programs aim to promote healthy diets and lifestyles to different population groups, including children, young parents, pregnant women, or senior populations. They potentially reached 28 million people in 2017, compared with 481 million in 2016. Danone reinforces the eligibility criteria of education programs each year, which accounts for the lower number of programs meeting these criteria and the smaller number of persons impacted.

Danone defines an education program as "a set of beneficial and social actions, motivating the targeted communities to adopt healthier eating and drinking habits". An education program must be developed with independent third parties (such as NGOs, experts, public health authorities), must promote changes to individual behaviors and include measurable goals and the degree to which they are met.

Based on this definition, the list of Danone’s education programs has been consolidated by defining criteria to measure their efficiency (number of regular participants, behavioral changes, impact on health issues, etc.).

For example, with the support of the Danone Ecosystem Fund, the Eating Healthy, Growing Healthy project was created in 2014 by the Nutricia Foundation, the Comenius Foundation for Child Development, the Warsaw University of Life Sciences, the Mother and Child Institute and university business incubators. It seeks to improve early-life nutrition in Poland by developing an accredited network of independent nutritionists. Thanks to the project, these expert nutritionists carry out training and education initiatives for parents and staff of day-care facilities, and develop menus suited to infant ages.

**Food and nutrition access and affordability**

Through the NutriPlanet program, Danone invests in understanding local public health issues and eating patterns in order to define local strategies to encourage healthy and appropriate choices.

Accessibility and price play an important role in food consumption frequencies and eating habits. Danone therefore applies the Growth Across Pyramid method in order to provide populations in difficult situations with good, healthy and affordable products via specific distribution models for improved accessibility.

These two approaches were strengthened in 2014 with the creation of the strategic business unit Africa which explores standard integrated solutions that are nutritionally appropriate and accessible for this continent.

In addition, with the commitment to health and nutrition during the first 1,000 days of life in the Early Life Nutrition Business, Danone acknowledges the key role that breastfeeding and diet play in infant development and preventing malnutrition.

Danone seeks to drive continuous improvement of its products. Of volumes sold in 2017, 50% were fortified products, as in 2016 (see Methodology Note). In Africa, where anemia is a major problem, Danone changed the formula of its Phosphatine cereals in 2014 to provide 70% of a child’s daily iron requirements while reducing the price by 30%, thereby making the product affordable for a broader range of households.

Finally, Danone’s strategy is also based on innovative investment partnerships with its funds. They particularly include danone.communities, and its social businesses dedicated to fighting malnutrition and access to drinking water, and the Livelihoods Fund for Family Farming which helps small farmers become more resilient and develop their own subsistence agriculture to improve their own diet.
5.3 CO-CREATING WITH EMPLOYEES AND SUPPLIERS

DANONE'S HUMAN RESOURCES POLICY

Danone’s policy for employment

Danone’s workforce

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Social relations 178
Workplace safety and health 178
Diversity and Inclusion 180
Employee training and development 181
Promotion of and compliance with the fundamental conventions of the ILO 181

Relations with suppliers 181
Relations with milk producers 181
Relations with suppliers excluding milk 182

Total number of employees

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>99,187</td>
<td>104,843</td>
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<tr>
<td>Europe &amp; Noram</td>
<td>26%</td>
<td>31%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>74%</td>
<td>69%</td>
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</table>

Breakdown by Business

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
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<tbody>
<tr>
<td>Essential Dairy and Plant-Based</td>
<td>37%</td>
<td>36%</td>
</tr>
<tr>
<td>EDP International</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EDP Noram</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>Specialized Nutrition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early Life Nutrition</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Advanced Medical Nutrition</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Waters</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
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Breakdown by geographical area

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<thead>
<tr>
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<tr>
<td>Europe</td>
<td>24%</td>
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<tr>
<td>Latin America</td>
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<td>23%</td>
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<tr>
<td>Noram</td>
<td>2%</td>
<td>7%</td>
</tr>
<tr>
<td>Asia Pacific and Middle East</td>
<td>22%</td>
<td>20%</td>
</tr>
<tr>
<td>Africa</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>China</td>
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<td>8%</td>
</tr>
<tr>
<td>CEI</td>
<td>11%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Social, Societal and Environmental Responsibility

5.3 Co-creating with Employees and Suppliers

Contents

DANONE’S HUMAN RESOURCES POLICY

Danone’s policy for employment

Danone’s workforce

Danone’s Human Resources Policy

Danone’s policy for employment

Danone’s workforce

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<td></td>
</tr>
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<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Hires and dismissals
Danone’s policy above all consists of anticipating market and organizational developments through training or other levers for employees development. While some jobs do have to be shed, discussions or negotiations on the impact of these measures are always held as part of social dialogue, to identify any alternative measures to such layoffs, and to provide employees with individual support for their redeployment. In the case of business disposals, continued employment is a criterion discussed with buyers.

In 2017, there were 5,619 dismissals across all Danone subsidiaries compared with 6,203 in 2016 (Social Indicators Scope, see Methodology Note), along with 12,842 new hires, compared with 13,016 in 2016.

Compensation and benefits
Compensation
Danone offers complete, competitive and equitable compensation based on its own system of evaluating and classifying jobs, taking account of human resources development, as well as the local regulations, requirements and situations of the various subsidiaries.

Every year, levels of compensation are reviewed in each country based on market studies of external compensation levels and decision tools that guarantee equitable compensation. Median compensation by classification level and wage increase rules are defined in line with market conditions and the subsidiaries’ needs. They are based on the ability of Danone’s subsidiaries to generate growth and profits as well as social and societal performance.

Annual variable compensation rewards collective and individual performance based on three factors:
- economic objectives form the basis of Danone’s financial performance; Danone assesses quantitative targets and the way they were achieved;
- social and societal performance goals;
- managerial and individual targets.

In addition, since 2008, Danone has integrated societal performance criteria into the variable compensation of around 1,500 senior executives. These criteria include the carbon footprint reduction goal, employees safety and diversity (see section 6.3 Compensation and benefits of governance bodies).

Employee profit-sharing and shareholding
Employees of Danone’s French subsidiaries benefit from a profit-sharing plan, based primarily on Danone’s results. The other French subsidiaries and some foreign subsidiaries have implemented employee profit-sharing and/or incentive plans based on their own results. In 2017, expenses recognized by Danone and its fully consolidated subsidiaries in connection with employee incentive and profit-sharing plans totaled €106 million (stable compared with 2016).

Employees of Danone’s French subsidiaries may also subscribe to a Company Savings Plan (see section 7.3 Authorizations to issue securities giving access to the share capital).

Retirement commitments, retirement indemnities and personal protection
Danone contributes to state-sponsored and/or private retirement funds to build up its employees’ retirement benefits, in accordance with the laws and customary practices of countries where its subsidiaries operate. Danone also has contractual commitments related to severance pay, retirement indemnities and personal protection, most of which are managed by independent funds responsible for fund administration.

Commitments related to existing defined benefits schemes generate an actuarial liability, which results in a provision being posted in the consolidated financial statements. There is no actuarial liability for defined benefit schemes.

The provision posted for these commitments as of December 31, 2017 and the expenses for the year are presented in Note 7.3 to the consolidated financial statements.
Work organization

Organization of working hours

The organization of working hours varies according to the local environment of each subsidiary, with different work schedules, such as employees opting for a transition to part-time work or the implementation of work-at-home practices at various Danone subsidiaries, which helps to improve the employees’ quality of life.

In 2017, employees working part-time accounted for 3% of the company’s total employees. Part-time work particularly concerns employees in the central functions and the Advanced Medical Nutrition Business where respectively 8% and 11% of employees work part-time compared with 9% and 11% in 2016. Part-time work is mainly applied in Europe where it represents 12% of employees compared with 16% in 2016.

Social relations

Organization of social dialogue

Social dialogue at Danone is organized around:

- a worldwide social dialogue body: the Information and Consultation Committee as well as its Steering Committee;
- the negotiation and monitoring of international framework agreements with the IUF (International Union of Food Workers);
- active social dialogue in subsidiaries with union and employee representatives.

Danone also promotes the application by its subsidiaries of best practices related to social dialogue by monitoring the number of economic and employment information sessions for all employees, the proportion of employees represented by employee representatives and the annual number of meetings between site management and employee representatives.

IUF agreements

As of December 31, 2017, 10 worldwide agreements and one European agreement between Danone and the IUF were in effect. These agreements define rules and best practices, particularly with regard to (i) diversity; (ii) social dialogue; (iii) steps to be taken for business changes impacting employment or working conditions; (iv) fighting against discrimination and encouraging diversity; (v) trade union rights; and (vi) procedures for consulting employee representatives in case of business changes that impact employment, health, safety, working conditions and stress.

The most recent worldwide agreement between Danone and the IUF was signed on March 15, 2016 regarding sustainable employment and access to rights. It applies to all Danone subsidiaries worldwide and is designed to encourage sustainable employment in places where Danone operates. Danone and the IUF have both agreed to reduce unstable employment thanks to definitions, a methodology and specific processes.

These framework agreements between Danone and the IUF are implemented in each subsidiary and their application is evaluated jointly each year by a representative from Danone and a representative from the IUF. Between 2009 and 2017, 59 visits to subsidiaries were organized.

Workplace safety and health

Workplace safety

WISE² program: “Work In Safe Environment”

Initiated under the name WISE by Danone in 2004, WISE² is a worldwide program with the goal of developing a health and safety culture at all the sites in order to significantly reduce the number of workplace accidents. This program is structured around 13 safety culture components including ambitious objectives and indicators, accident investigations and analyses, and subcontractors management. The program also covers sites’ compliance with safety standards and convergence between health and safety.

WISE² is led by the Human Resources Department. It is deployed in each Business, at the production sites and logistics warehouses, and in sales and distribution. It applies to all Danone employees and to workers employed through staffing agencies or service providers as well as to subcontractors working at Danone sites.

Based on the specific risks of its Businesses, Danone has identified 13 priority safety standards covering the most critical high-risk situations: hazardous energy, working at height, chemicals, confined spaces, explosive products, dangerous gases, fire and evacuation, dangerous machines, lift trucks, racks and pallets, truck loading and unloading, truck fleets and work permits.

In parallel, most sites perform their own risk assessments to identify key risks. In Europe, the Unified Risk Evaluation Document requires businesses to assess their risks and introduce the necessary action plans to guarantee employee safety.

To ensure the diffusion and efficiency of the WISE² program, approximately 50% of Danone’s sites are audited each year. Since 2017, audits have also been extended to sales teams.

Employees are also involved in identifying and escalating risks and accidents via a participatory process open to all Danone employees and, at some sites, to workers employed through staffing agencies or service providers and subcontractors. Danone has introduced specific procedures and a system for reporting information by management level for cases of serious risks or accidents.
Workplace accidents
The efficiency of the WISE² program is assessed by monitoring workplace accidents. In this area, Danone has set more far-reaching goals to be achieved by 2020: zero fatal accidents and 50% fewer workplace accidents with medical absence compared to the baseline year.

Danone tracks its workplace accidents including accidents with and without medical absence for everyone working at its sites (employees, workers employed through staffing agencies or service providers and subcontractors).

In 2017, Danone decided to systematically include interims and third-party workers employed through staffing agencies or service providers in its monitoring of workplace accidents with medical absence (FR1) and without absence (FR2), and its severity rate (Frequency rate of workplace accidents, see Methodology Note). Previously, only temporary workers (i.e. interims) were included.

The annual frequency rate of workplace accidents with medical absence was 1.7 in 2017. The drop in this rate reflects an improvement in results in all the plants [-14%], which account for almost 40% of hours worked. This improvement primarily stems from the reinforcement of requirements on standard compliance with WISE² and the significant contribution made by the Waters Business [-10%], particularly in Latin America and China. All the other Businesses also improved their FR1.

For comparison purposes, on the scope of Danone’s employees (permanent and temporary, excluding workers employed through staffing agencies or service providers), the FR1 was 1.8 in 2017 compared with 1.9 in 2016.

Danone’s 2017 severity rate stands at 0.08.

Danone’s 2017 frequency rate of workplace accidents without medical absence is 2.1. For comparison purposes, on the scope of Danone’s employees (permanent and temporary, excluding workers employed through staffing agencies or service providers), the FR2 was 2.2 in 2017 compared with 3.0 in 2016.

In 2017, Danone declared 2 fatal accidents that were both traffic accidents, in distribution. Following these accidents, specific prevention and action plans have been implemented in the concerned subsidiaries.

### Year ended December 31

<table>
<thead>
<tr>
<th>(in number of accidents except frequency rate)</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatal accidents (a)</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Accidents with at least one day of medical absence (a)</td>
<td>434</td>
<td>409</td>
</tr>
<tr>
<td>Frequency Rate 1 (FR1) (a)</td>
<td>2.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Fatal accidents (a)</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Accidents with at least one day of medical absence (a)</td>
<td>207</td>
<td>49</td>
</tr>
<tr>
<td>Frequency Rate 1 (FR1) (a)</td>
<td>2.4</td>
<td>3.4</td>
</tr>
</tbody>
</table>

(a) Safety Scope (see Methodology Note).

Working conditions
Use of the WISE² program to promote improved working conditions
Due to the increase in musculoskeletal disorders in workplace accidents, Danone has integrated working conditions into the WISE² action plans. The initiatives launched in recent years particularly involve assessment of ergonomic risks, movement and posture training and workstation adaptations. The Businesses’ engineering departments increasingly share their safety and ergonomics design rules, and train their project engineers. Danone is also taking steps to reduce working hours and turnover in local distribution.

Promotion of well-being at work and stress prevention
In 2015 and 2016, working groups in several countries listed existing initiatives which have served to develop a systematic approach to promoting health and well-being in the workplace based on five pillars: (1) ensuring a good pace of work; (2) valuing day-to-day work; (3) fostering healthy ways of working; (4) managing with compassion and authenticity; and (5) promoting healthy lifestyles and a healthy environment. Practical guides encourage the subsidiaries and sites to implement these practices. In 2017, initiatives taken in subsidiaries particularly included:

- the “right to disconnect” at weekends and at the end of the day, limiting meetings and reducing work schedules, promoting work-at-home and developing collective intelligence;
- organizing sessions with psychologists and social workers and setting up committees to identify situations of workplace isolation in order to anticipate risk situations and take preventive measures;
- training management in detecting and preventing stress in teams, and providing certain teams with specialized coaches to remedy situations that have deteriorated.

In France, the commitment to these practices was formalized in July 2017 by the signing of a “Quality of Life in the Workplace” agreement.
**Workplace health**

**Provide quality social welfare and healthcare coverage to all employees, notably through the Dan’Cares program**

In 2010, Danone launched the Dan’Cares program with the goal of providing all Danone employees with quality healthcare coverage of major risks, while taking account of different market practices. The three main risks are hospitalization and surgery, outpatient care and maternity care.

Dan’Cares’ specificity lies in its scope of application: it is destined to be rolled out in all Danone subsidiaries, including in countries where such coverage is not traditionally provided. As of December 31, 2017, more than 70,000 employees (2016: 70,000 employees) in over 42 countries received healthcare coverage in line with the standards defined by Dan’Cares.

**Diversity and Inclusion**

**An inclusive approach to diversity**

Since 2007, with the signing of the Global Agreement on equal opportunities with the IUF, Danone has committed to promoting greater diversity within its organization.

Danone’s Chief Executive Officer and Executive Committee committed to achieve by 2020 a total of 30% female executives and 30% executives representing countries outside Western Europe.

At the end of 2017, these two indicators were respectively 25% and 23% compared with 21% and 22%, respectively, in 2016.

Danone believes that all differences, both visible and invisible, such as age, gender, nationality, disability, background, religion, education, mindset, culture and sexual preference, should be embraced.

In 2016, Danone implemented its Diversity and Inclusion (D&I) program that is formally defined in the Diversity and Inclusion Declaration setting out the key commitments.

Danone has identified three priority areas: inclusive attitudes, gender balance, culture and nationalities.

Implementation of the program is monitored by a global steering committee and by Danone Way in the subsidiaries.

**Gender equality**

The proportion of Danone female managers, directors and executives remained stable at 49% in 2017 (49% in 2016, for the Social Indicators Scope, see Methodology Note). Danone achieved these results mainly as results of its Women Career Guidelines Plan and Indicators Scope, see Methodology Note). Danone achieved these results mainly as results of its Women Career Guidelines Plan and Indicators Scope, see Methodology Note).

In 2017, 62,802 employees had access to the “Health@Work” program compared with 51,349 in 2016. This represents 81% of employees of the Nutrition Health scope compared with 69% in 2016 (see Methodology Note).

Some subsidiaries have rolled out dedicated programs in the workplace. For example, the Bonafont subsidiary (Waters, Mexico) conducts the Global Corporate Challenge program, centered around four areas of focus (physical activity, food, balance and sleep) and whose effect is measured.

**Work-related illness**

The rate of work-related illness and associated absenteeism is monitored only at local level, mainly to take each country’s legislation into account.

**HeforShe**

HeforShe is a global UN Women campaign launched in 2014 with the aim of empowering women with the support of men. The campaign encourages people from different sectors (political, corporate and academic) to become advocates of the cause and exercise their influence to change mentalities.

In 2016, HeforShe was implemented by Danone in several countries (Indonesia, Brazil, the Netherlands), with the Leadership Mentoring program, which gives recently appointed women leaders the opportunity to be mentored by senior male leaders.

In 2017, Danone reached a new milestone in gender equality with the launch of its parental policy. In recognition of the expected impact of this gender equality policy, Emmanuel FABER has been named “Inaugural Thematic Champion” by the UN Women HeForShe movement.

**Parental Policy**

Danone has committed to creating the right conditions so that all employees can fully enjoy being parents along with a culture that supports family life, by 2020.

Danone’s parental policy is based on three key elements:

- pre-natal support such as adapted working conditions and nutritional advice during pregnancy;
- extended parental leave, covering both men and women which include 18 weeks for the birth parent or 14 weeks for the legally adoptive parent and 10 working days for the secondary caregiver;
- post-natal support including job protection measures and return-to-work support, flexible working conditions, and support for breastfeeding by providing lactation rooms for mothers in offices that employ more than 50 women.

In 2017, the policy was deployed in three pilot countries – Australia, New Zealand and Italy – and will be rolled out to all countries by 2020.

**Generational diversity**

In 2017, Danone continued its intergenerational initiatives. Each year since 2012, Danone has organized the Octave inter-company seminars addressing company transformation by involving all generations.

**Disability**

In France, the percentage of persons with disabilities employed by Danone was 3.6% in 2017.
Employee training and development

Developing the employability of all employees
Danone implements training plans to develop and ensure the employability of its employees, and promotes team work, combining employee well-being, efficiency and independence.

In 2017, 83,653 permanent employees participated in at least one training course (85,870 in 2016) and a total of 2,517,432 training hours were provided (2,336,262 in 2016). Training was provided to 90% of employees (91% in 2016), representing an average of 27 training hours per person trained (25 hours in 2016, on the Social Indicators Scope, see Methodology Note).

Making Danone training programs available to as many employees as possible
Danone seeks to reach a maximum number of employees through the Danone Academy training programs. Therefore, the Company provides functional training courses, many of which are developed internally and, in most cases, are offered by Danone managers from different functions and countries.

Promotion of and compliance with the fundamental conventions of the ILO
In 2003, Danone joined the United Nations Global Compact, which integrates the ILO’s fundamental conventions, and reconfirmed its commitment in 2009. Danone’s commitment to comply with and promote the fundamental conventions of the International Labor Organization (ILO) has been formalized, implemented and promoted among employees and suppliers through a variety of means and in several phases.

The seven Fundamental Social Principles (abolition of child labor, abolition of forced labor, principles of non-discrimination, freedom of association, workplace health and safety, working hours and compensation) defined in the ILO’s conventions are covered by an agreement between Danone and the IUF. They form the basis of the RESPECT program launched in 2005, one goal of which is to extend these principles to Danone’s suppliers (see section Relations with suppliers).

Lastly, these commitments are rolled out to all Danone employees through the Code of Business Conduct (see section Danone’s fair trade practices).

RELATIONS WITH SUPPLIERS

Relations with milk producers

FaRMs (Farmers Relationship Management)
In the area of agriculture and milk collection, in 1997 the Essential Dairy and Plant-Based Business launched the FaRMS initiative together with all its farmer partners. This tool evaluates the performance of farmers from which Danone directly purchases its milk, in the areas of quality, food safety and traceability. The initiative subsequently evolved to integrate economic, social and environmental criteria. In 2017, on the basis of consolidated results at the end of 2016, the tool covered approximately 90% of milk producers that Danone works with directly. Coverage for 2017 will be implemented in April 2018.

The FaRMS tool is gradually being reorganized into different, more specialized and dedicated tools on topics such as animal welfare, greenhouse gas emissions (Cool Farm Tool), water consumption and the social dimension. These tools are designed to be complementary and will be coordinated overall to ensure optimal access to collected data. FaRMS will therefore eventually be refocused on quality, traceability and food safety.

Campus for all events were also organized in 2017 (in India, China and Poland), with the goal of involving a larger number of employees, particularly non-managers, and using several training channels (conferences, e-learning, networking, etc.).

Danone Leadership CODES
In addition to the functional training courses, Danone places special emphasis on developing a culture of leadership based on the principle that every employee can develop leadership skills.

Danone reviewed its leadership model CODE (Committed, Open, Doer, Empowered) in 2015, renaming it CODES in order to place the emphasis on self-awareness (hence the letter S). Programs have been developed to gradually train and develop the skills of managers, starting in 2016, according to a shared leadership benchmark. The programs will then be rolled out to as many employees as possible.

Employee training on environmental protection
Danone provides its employees with training and information modules tailored to the needs of the various businesses and functions, particularly through the partnership with the Ellen MacArthur Foundation, which offers access to training on the circular economy.

Cool Farm Tool
Danone is rolling out a new tool (Cool Farm Tool) dedicated to calculating greenhouse gas emissions generated by livestock.

Cool Farm Tool is provided by the Cool Farm Alliance, a cross-sector platform connecting food industries, scientific organizations and NGOs, which works to develop and promote use of assessment systems for sustainable agriculture. The tool was implemented in 14 entities in 2017. In France, the subsidiaries use the Cap2Er tool developed by the Institut de l’Élevage.

Organization of milk collection
Danone procures milk, directly and indirectly, from over 140,000 milk producers in some thirty different countries. Danone’s milk collection reflects the broad diversity of the world’s production systems.

More than 70% of these are small producers located mainly in emerging countries of Africa and Latin America that own fewer than ten cows. In this case, milk is collected from collection centers to which these small producers deliver their production daily.
In Europe, Russia, or South Africa, milk is produced by family farms having anywhere from a few dozen to hundreds of cows. These producers represent only 15% to 20% of Danone’s milk suppliers but the bulk of overall volume. Danone usually collects milk from these producers directly, and has often done so for several generations. The “Chance for all” project launched in Romania in 2012 by the Danone Ecosystem Fund, Danone Romania and the NGO Openfields, supports Romanian farmers in the Zimnicea region to help improve the quality of their milk, increase the size and yield of their herd, and thereby boost the income of over 150 farmers and their families and employees. Innovative cattle-breeding solutions have been initiated locally to meet these farmers’ specific needs, including wooden cowsheds and mobile milking machines. More than 800 farmers in the region have received training, and the producers’ association they have formed supports application of sustainable farming practices to supply members with quality fodder respectful of soil health and the environment. This project covers 10% of the production site’s procurement needs, and it plans to double its impact over the next four years by reinforcing sustainable farming practices and fostering carbon sequestration in the soils and humid pasturlands of the Danube.

Finally, in geographic areas where milk production does not have the same historical tradition, like certain countries in the Middle East and North America, security of supply, in terms of both quantity and quality, is ensured by larger farms.

Relations with suppliers excluding milk

Through its RESPECT program, Danone carries out ambitious programs for its non-milk suppliers targeting responsible supply and continuous improvement. The Company also works directly with some producers further up the supply chain, particularly through projects supported by the Danone Ecosystem Fund and the Livelihoods Fund for Family Farming.

To integrate growing stakeholder expectations, as part of its vigilance plan Danone is moving its RESPECT policy towards a more comprehensive due diligence approach and stepping up requirements in the area of Human Rights.

Fundamentals of the responsible procurement program

Sustainability Principles

Danone’s RESPECT program, introduced in 2005, integrates its Sustainability Principles. It is based on three pillars - social, environmental and ethical:

- The seven Fundamental Social Principles drawn from ILO standards in 2001 (see section Promotion of and compliance with the fundamental conventions of the ILO). They were completed in 2017 to include the three Priority Principles relating to forced labor defined by the Consumer Goods Forum (CGF) in 2016: every worker should have freedom of movement; no worker should pay for a job; and no worker should be indebted or coerced to work;

Relations with farmers and fair pricing policy

Danone’s partnerships with its milk producers cover technical aspects, such as milk quality and the farm’s economic performance, as well as environmental and societal aspects. In recent years, Danone has developed innovative contracts with producers in the United States and Europe to reduce milk price volatility, thereby offering better visibility and financial stability. In 2017, Danone also launched this model in Russia.

These CPM (Cost-Performance Model) contracts define the price of milk taking production costs into account and are developed in partnership with milk producers or their organizations. At present, 40% of milk collected in Europe and the United States comes from producers working with Danone under CPM contracts. Furthermore, since 2016 in the United States, Danone has been working with its milk producers under the Dannon Pledge [see section Sustainable Agriculture].

In France, Danone initiated reflection in 2015 with Producer Organizations (PO) to progressively and jointly develop new price formulas integrating milk production costs based on specific local specificities. In 2017, after signing an agreement with the sixth and latest organization of milk producers [300 dairy farms in southwest France], all of Danone’s producers belonging to a PO were covered, over 2,000 farmers.

In total, 19% of milk collected by Danone is covered by CPM contracts.

- These Social Principles were completed in 2009 with five Environmental Principles: preservation of resources; use of chemicals; climate change and greenhouse gases emissions; environmental management; and animal testing;
- Business Ethic Principles were also included to address fair and lawful transactions. They were complemented in 2017 to reflect the provisions of Danone’s Code of Conduct for Business Partners.

These Sustainable Development Principles are included in a contractual clause with suppliers: the supplier warrants that the social and ethical principles are already in place in its own organization and that its employees, agents, suppliers and subcontractors comply with them.

Scope of application

RESPECT applies to suppliers across all of Danone’s purchasing categories except raw milk, i.e. raw materials (fruit preparations, powdered milk, etc.), packaging, production machinery and transport and other services.

In 2017, Danone developed a specific policy requiring temporary work agencies or labor service providers that employ workers on behalf of the Company to respect the fundamental freedoms and rights of workers. The policy particularly targets forced labor practices such as recruitment fees.

Subcontractors, i.e. suppliers that manufacture finished products on behalf of Danone, are also covered by the RESPECT program. However, Danone uses very little subcontracting, as the majority of its finished products are produced at its production sites.
5.3 Co-creating with employees and suppliers

**Responsible procurement and Human Rights**

The RESPECT program is also inspired by the United Nations Guiding Principles on Business and Human Rights and constitutes implementation of the Vigilance Plan as required by law.

Given the specific features of supply chains in the farming sector, Danone has decided to broaden its scope beyond suppliers with whom the Company has established business relationships to integrate the upstream portion of its supply chains in the event of serious social or environmental risks.

Compliance with the Responsible Purchasing and Human Rights programs is monitored by the Nature and Cycles Sustainability team, under the responsibility of the Chief Procurement & Cycles Officer.

At Board of Directors level, the Social Responsibility Committee (see section Corporate Responsibility Governance) will monitor the Vigilance Plan implementation and Human Rights due diligence developed by Danone in its own operations and its supply chain.

In 2016, Danone joined the Consumer Goods Forum’s collective initiative to eradicate forced labor from global supply chains. In this framework, in November 2017 Danone committed to monitor its operations for forced labor practices by 2020. This commitment particularly targets the recruitment and situation of Danone workers employed through labor service providers and subcontractors’ employees.

For several years now, Danone has cooperated with specialized stakeholders to strengthen action to combat the various forms of forced labor in supply chains. For example, to fight informal employment in recycled plastic procurement, Danone has developed cooperatives of waste-pickers with support from local partners, enabling these workers to leave the informal economy and gain access to paid employment, recognized by public authorities, and complemented by social benefits. In Brazil, since 2011, 76 cooperatives benefitting more than 1,600 workers have been jointly created with support from the Danone Ecosystem Fund, the Essential Dairy and Plant-Based subsidiary in Brazil and local partners: Nenuca Institute for Sustainable Development (INSEA), Fundación Avina, and the Initiative for Inclusive Regional Recycling.

**Responsible procurement due diligence**

Danone is gradually deploying the various components of this process via a continuous improvement approach tailored to the Company’s challenges and risks.

**Risks map**

In 2017, Danone updated its materiality and risks analysis, confirming the importance of responsible procurement and Human Rights issues (see section Developing Danone’s strategy and action with stakeholders).

More specifically, in 2017 Danone mapped major potential risks for the twenty most exposed categories of procurements.

Danone analyzed risks according to a grid based on ISO 26000, GRI G4 and SA 8000 standards, integrating potential impacts of purchased products (potential risks inherent in the categories and geographic regions) in the areas of social and Human Rights, local communities, consumers, fair trade practices and the environment.

Combined with stakeholder expectations, this analysis determined the priority categories of product and service procurements on which Danone will focus its attention in the area of Human Rights over the next three years: workers employed through labor agencies or service providers, palm oil, cocoa, cane sugar and fruit. The potential risks brought to light are mainly situated in farms and plantations, upstream in the supply chains.

To assess the real situation in the supply chain, traceability is required for each priority category, in order to identify and locate the stakeholders.

**Supply chain traceability**

With support from independent experts, Danone has initiated traceability actions on the priority categories of agriculture:

- **palm oil**: (see section Climate Policy). As of the date of this Registration Document, integrating the WhiteWave scope, Danone has achieved 100% traceability back to mills and 68% back to plantations.
- **fruit**: Danone has determined the priority supply chains based on its materiality matrix specific to fruit procurement. Danone has asked its first-tier suppliers on all continents to map their own sources of supply back to farms and to identify major potential risks. More than 65% of volumes have been traced back to farms.
- **cocoa and cane sugar**: for each category, Danone developed a traceability and risk assessment procedure in 2017 which will be implemented starting in 2018.

**Regular supplier assessment procedures**

**Assessment of first-tier suppliers**

**Procedure applied up to 2017**

Assessment of first-tier suppliers, i.e. Danone’s direct suppliers, is based on their CSR performance as self-declared on Sedex (Supplier Ethical Data Exchange). A risks analysis carried out by Sedex completes this self-declaration. At the end of 2017, 4,082 supplier sites were registered on the platform compared with 4,282 in 2016. This lower figure is due to changes in scope following sales of subsidiaries in 2017 and continued centralization of procurement at Danone.

Suppliers at risk identified by Sedex are audited by third-party organizations certified according to the SMETA protocol (Sedex Members Ethical Trade Audit) which covers the social, environmental and ethics dimensions. Sedex also provides Danone with access to audits commissioned by peers on common suppliers, thanks to the AIM Progress consortium’s mutual audit recognition. In 2017, 195 SMETA audits were carried out on Danone suppliers, either by Danone itself or by its peers.

The procurement teams monitor supplier implementation of action plans whenever cases of critical non-compliance are detected. Most cases concerned health and safety issues, working hours or compensation. In July 2017, Danone introduced an indicator to monitor the timely start of SMETA audits and of non-compliance closure: 65% of Danone’s suppliers complied with Danone’s standards; this rate was 100% for central procurement.
Reinforcing first-tier supplier assessment starting in 2018
In addition to registration on Sedex, and in order to reinforce first-tier supplier assessment, Danone developed a new approach at the end of 2017 to segment its suppliers according to three levels of priority. Danone will determine these levels proactively, using geographical, sector-specific and trade data. Audits will be mandatory for all high priority suppliers. Appropriate assessment measures will also be taken for medium priority suppliers.

Assessment of suppliers further up the supply chain
Assessment of suppliers situated further up the supply chain is only possible when Danone has been able to establish traceability and identify the places of production. Drawing inspiration from the United Nations principles, Danone focuses on priority categories and geographic areas determined by the risks map.

As part of the traceability work done with first-tier suppliers in respect of fruit, in 2016, Danone chose to assess suppliers at production locations in certain priority geographic areas. An audit program was carried out in 2016 and 2017 on a representative sample of farms covering seven main categories of fruit representing 75% of total volumes purchased. These audits were conducted by independent third parties based on the Sustainable Agriculture Initiative (SAI) FSA 2.0 tool. The results served to define a reference base and an improvement plan for environmental focuses. Starting in 2018, Danone will be launching field investigations in the area of Human Rights with local stakeholders.

Appropriate measures for risk mitigation and prevention of serious breaches
Danone runs RESPECT program training for buyers, covering risks relating to forced labor and the Company’s commitment on the CGF’s three Priority Principles. Since the end of 2017, Danone has been promoting this commitment to all relevant members of the procurement, human resources and general secretary teams.

Regarding first-tier suppliers, Danone seeks (i) to establish regular dialogue concerning their responsible procurement process; and (ii) to monitor implementation of corrective action plans by audited suppliers.

For upstream agricultural productions, Danone has initiated certification processes for high-risk categories: RSPO for palm oil, UTZ for cocoa, FSC for paper and RTRS for soy.

Danone also develops collaborative projects to support producers, addressing both environmental and social aspects, by working on soil restoration, sustainable farming practices, and improving producer income and working conditions. Examples include:

- The Sustainable Moroccan Strawberry project launched by Danone with support from the Danone Ecosystem Fund and local partners GIZ, Dirafrost, Messsem and Groupe Elephant Vert to help Moroccan strawberry producers improve their farms’ management and yield as well as the working conditions and social welfare coverage of their seasonal employees;
- The vanilla plantation project supported by the Livelihoods Fund for Family Farming. This project will be conducted with 3,000 family farms to develop solutions to improve quality and traceability of vanilla production, as well as food security for the farmers and biodiversity conservation.

Lastly, Danone contributes to collaborative initiatives carried out in the agri-food sector in favor of responsible procurement practices, particularly by taking part in AIM Progress and the CGF (including to improve and reinforce RSPO certification practices and criteria).

Whistleblowing system
In 2017, Danone integrated two new categories of wrongdoings that may be reported via the Danone Ethics Line (see section Danone’s responsible practices) to cover suspected environmental and Human Rights violations. The reporting process guarantees whistleblower protection and was developed in consultation with staff representative bodies.

All reported wrongdoings will be examined by a steering committee comprising representatives of the Sustainable Development, Human Resources and General Secretary functions.

Monitoring of measures and assessment of their efficiency
Danone monitors indicators to track (i) supplier registration on Sedex; and (ii) follow-up of audit remediation action plans in cases of non-compliance. The Company is also pursuing development of its measurement and assessment tools.
5.4 CONTRIBUTE TO THE PROTECTION OF THE ENVIRONMENT

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ENVIRONMENTAL PROTECTION STRATEGY

Danone has adopted a strategic resources management approach based on cycles (milk, water and plastics). Managing resources in this way helps to ensure their sustainability and limit their volatility, using a circular economy approach and, more generally, to:

- fight against climate change by reducing Danone’s footprint while contributing to natural carbon sequestration;
- protect water resources, especially when they are scarce, and use them in harmony with ecosystems and local communities;
- transform waste into resources, use materials made from sustainable resources and reduce food waste;
- promote and encourage sustainable agriculture as the basis for a healthy and balanced diet.

Danone’s organization to address environmental issues

Organization

Danone implements its environmental strategy by integrating environmental challenges and social inclusion, coordinated by the Nature & Cycles Sustainability Department, which reports to the Procurement Department led by the Chief Procurement & Cycles Officer. The Nature & Cycles Sustainability Department relies on the Nature departments of each business and on a hundred of environmental correspondents in the subsidiaries.

Certification

Danone bases its environmental management policy on the international ISO 14001 standard which is a pre-requisite to obtain top performance score in GREEN environmental risk assessments audits (the Global Risk Evaluation for Environment program, see below).

Year ended December 31

<table>
<thead>
<tr>
<th>(number of sites, except percentages)</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of sites in the Production Site Environment Scope(\text{NI})</td>
<td>187</td>
<td>180</td>
</tr>
<tr>
<td>Total number of ISO 14001-certified sites in this Scope(\text{NI})</td>
<td>90</td>
<td>87</td>
</tr>
<tr>
<td>Percentage of ISO 14001-certified in this Scope(\text{NI})</td>
<td>48%</td>
<td>48%</td>
</tr>
</tbody>
</table>

(a) Production Site Environment Scope (see Methodology Note).

Resources devoted to preventing environmental risks and pollution

Environmental risk management

GREEN program

Danone has rolled out the Global Risk Evaluation for the ENvironment (GREEN) program of external audits worldwide, which makes it possible to identify and monitor the main environmental risks related to the production sites (accident, reputational and regulatory risks). The program enables the Company to monitor and manage its emissions in the air (greenhouse gases and refrigerant gases), water (wastewater) and soil (sludge from treatment plants and livestock farming at certain subsidiaries). Noise pollution at Danone’s production sites is also assessed under the GREEN program.

The complete assessment of the sites is based on 6 risk categories specific to Danone’s production activities: environmental management system, operating permits, water quality management, atmospheric emissions (air quality management), waste management and hazardous waste disposal. It is carried out on the basis of three risk management levels that determine audit frequency:

- every 3 years for risk management in line with or higher than the standards set by Danone;
- every 2 years for risk management below the standards set by Danone;
every year for risk management that is inadequate or well below the standards set by Danone.

For non-compliant sites, action plans are implemented in order to remedy deficiencies. The implementation of these plans is monitored through the increase of GREEN audit frequency.

As of December 31, 2017, 69% of Danone’s production sites | Production Site Environment Scope, see Methodology Note | received at least one GREEN audit, i.e., a total of 124 sites (compared with 64%, or 120 sites in 2016). Of these 124 sites, 104 were in compliance with the Company’s standards (scoring higher than 800 of 1,000) compared with 98 in 2016.

Risk management, notably for those risks related to weather conditions and seasonality as well as industrial and environmental risks, is presented in section 2.7 Risk factors.

Water risk assessment

Danone has established a global water risk assessment approach for its production sites using the Aqueduct Water Risk Atlas from the World Resources Institute and, since 2017, the Water Risk Filter tool developed by the WWF.

The Aqueduct Water Risk is a public database and interactive mapping tool that provides information on water-related risks around the world. The indicators provided by this database are divided into three risk categories: (i) physical risks related to quantity; (ii) physical risks related to quality; and (iii) reputational and regulatory risks. This database enabled Danone to obtain an initial mapping of its water risks and identify the sites that have potential major risks.

In 2017, the Company began an in-depth review of its watersheds using the Water Risk Filter tool, beginning with those sites identified as having the highest risk.

Environmental expenses and investments

In 2017, Danone’s investments in environmental protection amounted to €27 million, or 2.8% of Danone’s total capital expenditures (€25 million in 2016, approximately 3%). The investments made in 2017 focused mainly on the following categories:

- environmental compliance: waste management, wastewater treatment, treatment facilities, noise measurement, air quality, etc.;
- investments aimed at reducing carbon emissions (energy savings, use of renewable energies, logistics and eco-design packaging).

Operating expenditures related to the environment amounted to €120 million in 2017 (€116 million in 2016). They were allocated as follows: €37 million for waste management, wastewater and air emissions; €53 million for the packaging levy; €30 million for other expenses (e.g. €14 million for taxes and duties and €9 million in depreciation).

Provisions and guarantees for environmental risks

No significant provision for environmental risks and changes was recognized on Danone’s consolidated balance sheet as of December 31, 2017 (nor as of December 31, 2016).

CLIMATE POLICY

Danone Zero net carbon strategy

In 2015, Danone set targets to reduce greenhouse gases and contribute to a “carbon-free” economy. In 2017, Danone stepped up its commitments, notably by participating in the 4 per 1000 initiative for regenerative agriculture, thereby making agriculture a priority of its low carbon strategy.

Climate Policy and Commitments

For Danone’s entire greenhouse gas emissions scope, the target is to attain zero net carbon by 2050. This target consists of five principal objectives:

- reduce total emissions intensity by 50%, and by 30% between 2015 and 2030 scope 1 and 2 emissions in absolute;
- encourage “carbon positive” solutions;
- eliminate deforestation of the supply chain by 2020;
- strengthen the resilience of the water and food cycles;
- offer healthy and sustainable products.

Intermediary targets and recognition by the Science Based Targets initiative (SBTi)

SBTi is a coalition between CDP (formerly the Carbon Disclosure Project), the World Resources Institute, the World Wide Fund for Nature (WWF) and the United Nations Global Compact (UNGC).

In November 2017, the greenhouse gas emissions reduction targets set by the Company were officially approved by the Science-Based Targets initiative (SBTi), in accordance with the global measures required to keep global warming below 2°Celsius.

In 2015, Danone set a target of zero net carbon emissions across its entire value chain by 2050. To reach this target, Danone established ambitious goals for 2030 that were approved by the SBTi: reduce emissions intensity by 50% for its full scope of responsibility (scopes 1, 2 and 3) and achieve a 30% reduction in absolute emissions on scopes 1 and 2, as defined by the GHG Protocol.

In 2017, Danone was recognized as a leader by CDP for the management of its climate change challenges (“CDP Climate change”) with an A-rating.

RE100 commitment

In December 2017, Danone joined the RE100 initiative and made a commitment to transition to 100% renewable electricity by 2030, with an intermediary step of 50% by 2020. RE100 is a global and collaborative initiative that includes more than 100 influential companies committed to 100% renewable electricity.

Other Danone policies related to its Low Carbon strategy

Danone publicly discloses its policies by posting them on its website.
### Forest policy
Recognizing the importance of preserving forests (notably rainforests in Indonesia and the Congo and Amazon river basins), Danone has made a commitment to eliminate deforestation in its supply chain and to a reforestation program by 2020 (including the Livelihoods fund’s program to restore natural ecosystems).

Specific policies for palm oil, soy and paper/cardboard packaging, described below, were assessed by the Global Canopy Program.

For the fourth consecutive year, Danone received the highest possible 5/5 rating in the Forest500 ranking.

To achieve this, since 2012, Danone has implemented a Forest Footprint Policy that aims to:

- evaluate the risks of deforestation related to raw materials used directly or indirectly in Danone’s activities;
- propose specific policies;
- implement priority measures depending on the risks and related impacts.

Six major materials were prioritized: paper/cardboard packaging, palm oil, soy used in animal feed, wood biomass, sugar cane and bio-based materials for packaging.

This policy was rolled out at the level of three priority categories of raw materials at risk:

#### Specific policy for palm oil
In November 2015, Danone implemented a palm oil policy and committed to ensuring that all palm oil used:

- is traceable to the plantation where it was produced;
- comes from plantations whose expansion does not threaten forests classified as High Conservation Value (HCV) or High Carbon Stock (HCS);
- comes from plantations whose expansion does not threaten tropical peatlands, regardless of their depth;
- comes from plantations that respect the rights of indigenous peoples and local communities to give or withhold their Free, and Prior informed consent to operations on land to which they had legal, communal or customary rights;
- comes from plantations where the rights of all workers are respected.

Danone uses approximately 39,000 tons (2017) of palm oil, which represents around 0.05% of global production. Danone uses palm oil in certain end-user products, mainly in the Early Life Nutrition and Essential Dairy and Plant-Based businesses.

Since 2014, 100% of palm oil purchased by the Early Life Nutrition business was certified “RSPO segregated” (traceable back to the plantations, with the backing of The Forest Trust). With the recent expansion of its Essential Dairy and Plant-Based business, Danone is working to ensure the compliance of its additional palm oil supplies. In 2017, 99% of the palm oil purchased by the Company was certified “RSPO segregated” (excluding WhiteWave).

#### Specific soy policy
Danone has committed to contribute to the development of a more responsible soy supply chain with the principal market participants, namely farmers, animal feed producers and the leading soy trading companies.

Danone reflects its ambition in five priorities:

- seek full transparency throughout the entire supply chain, from production to consumption;
- promote local crops protein-rich, alternatives to soy imports, thereby helping to make farmers independent for animal feed production, as in Europe for example;
- promote the supply of soy from countries exempt from the risk of deforestation (India, United States, etc.);
- ensure the traceability from risk-free regions if the soy comes from a country at high risk of deforestation, notably through certification standards such as ProTerra or RTRS;
- help drive change on a global scale and over the long term through participation in international alliances such as the Consumer Goods Forum and Sustainable Agriculture Initiative, and take all other initiatives that enable Danone to reach its objectives.

In 2017, 67% of the subsidiaries have a concrete action plan with the local or centralized procurement teams that shows progression to eliminate deforestation from/due to soy cultivation in line with the Soy Policy (Danone Way scope, see Methodology Note). For example, in late 2017 Danone signed the Cerrado Manifesto. All signatory companies (today more than 60) have pledged to end deforestation in the Cerrado region, a savanna located mainly in Brazil, due in large part to soy cultivation.

Danone has not yet applied its soy policy to the supply of Essential Dairy and Plant-Based business for WhiteWave products. The soy used by DanoneWave is grown entirely in the United States, while those used by Alpro come mainly from European countries (France, the Netherlands, Belgium, Italy and Austria) and Canada.

#### Specific policy for paper/cardboard packaging
Jointly with several leading NGOs (notably Rainforest Alliance), Danone’s specific paper/cardboard packaging policy has three objectives:

- actively reduce the weight of paper packaging for each product;
- prioritize the use of recycled fibers;
- whenever possible, give priority to FSC-certified virgin fibers.
Danone’s performance

Measurement and compensation of greenhouse gas emissions
Danone consolidates the measurement of its greenhouse gas emissions on its full scope of responsibility, based on 3 emissions categories established by the GHG Protocol defined by the World Resources Institute (WRI): scopes 1, 2 and 3 (see Methodology Note).

Greenhouse gas emissions on scopes 1 and 2
With respect to scopes 1 and 2, the approach chosen by Danone consists of integrating all emissions sources under the operational control of its production sites, warehouses and vehicle fleets.

Danone set its emissions reduction targets using the market-based method of the GHG Protocol [see Methodology Note] in order to take into account the impact of the share of renewable energy used.

<table>
<thead>
<tr>
<th>(in kt of CO₂ equivalent)</th>
<th>2016</th>
<th>2017</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market-based</td>
<td>Location based</td>
<td>Market based</td>
</tr>
<tr>
<td>Scope 1</td>
<td>595</td>
<td>644</td>
<td>644</td>
</tr>
<tr>
<td>Scope 2</td>
<td>937</td>
<td>937</td>
<td>817</td>
</tr>
<tr>
<td>Total Scopes 1 &amp; 2</td>
<td>1,533</td>
<td>1,581</td>
<td>1,460</td>
</tr>
</tbody>
</table>

Emissions in tons of CO₂ equivalent for scopes 1 and 2 fell by 4.7% between 2016 and 2017. At constant scope, total emissions in tons of CO₂ equivalent for scopes 1 and 2 decreased by 5% relative to 2016, mainly due to the purchase of electricity produced from renewable energy sources.

Greenhouse gas emissions for scope 3: Life-Cycle Analysis Method
Scope 3 indirect atmospheric greenhouse gas emissions are calculated using the life-cycle analysis of finished products by taking into account emissions at each stage: raw materials purchases (including agricultural upstream), packaging, production, transportation and distribution, storage, product use and product end of life. This method enables Danone to identify the levers for significant emissions reductions.

<table>
<thead>
<tr>
<th>(in ktCO₂ equivalent)</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of goods and services</td>
<td>17,153</td>
<td>15,454</td>
</tr>
<tr>
<td>Use of sold products</td>
<td>1,629</td>
<td>1,588</td>
</tr>
<tr>
<td>Downstream transportation and distribution of goods</td>
<td>1,239</td>
<td>1,158</td>
</tr>
<tr>
<td>Upstream transportation of goods</td>
<td>504</td>
<td>475</td>
</tr>
<tr>
<td>End-of-life treatment of sold products</td>
<td>369</td>
<td>993</td>
</tr>
<tr>
<td>Emissions related to upstream energy</td>
<td>340</td>
<td>331</td>
</tr>
<tr>
<td>Waste generated by operations</td>
<td>205</td>
<td>185</td>
</tr>
<tr>
<td>Total Scope 3</td>
<td>21,439</td>
<td>20,154</td>
</tr>
</tbody>
</table>

In 2017, scope 3 emissions in tons of CO₂ equivalent totaled 20.2 million, down 6% from 2016.

Total greenhouse gas emissions on the total scope of responsibility (scopes 1, 2 & 3)

<table>
<thead>
<tr>
<th>(in ktCO₂ equivalent)</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>595</td>
<td>644</td>
</tr>
<tr>
<td>Scope 2</td>
<td>937</td>
<td>817</td>
</tr>
<tr>
<td>Scope 3</td>
<td>21,439</td>
<td>20,154</td>
</tr>
<tr>
<td>Total Scopes 1, 2 and 3</td>
<td>22,971</td>
<td>21,614</td>
</tr>
</tbody>
</table>

Ratio of total emissions for scopes 1, 2, 3 in grams of CO₂ equivalent/kg of product sold | 654.4 | 623.3 |
In 2017, Danone’s total emissions for its total scope of responsibility (scopes 1, 2 and 3) was 21.6 million tons of CO2 equivalent.

The ratio of Danone’s total emissions on its total scope of responsibility (scopes 1, 2 and 3) fell by 4.8% between 2016 and 2017. On a like-for-like basis, this ratio decreased by 5.8% relative to 2016, due to the declining sales of the Essential Dairy and Plant-Based business (whose ratio is above the Company average), the increase in Waters business sales (whose ratio is below the Company average) and through emissions reductions measures (electricity purchases from renewable energy sources, use of recyclable materials for packaging, lighter packaging, etc.).

Scope 3, which accounts for 93.2% of Danone’s total emissions on its total scope of responsibility, is the largest contributor of emissions, ahead of scope 1 (3.0%) and scope 2 (3.8%).

**Greenhouse gas emissions reduction targets**

In connection with its emissions reduction targets for the 2015-2030 period, as of December 31, 2017 Danone had reduced its greenhouse gas emissions intensity by 10.5% on a like-for-like basis and methodology on its total scope (scopes 1, 2 and 3) relative to 2015. Absolute emissions for scopes 1 and 2 fell by 9.7% on a like-for-like basis and methodology relative to 2015.

**Emissions compensation**

Danone’s priority is to reduce direct emissions across its value chain. In addition to measures implemented to reduce greenhouse gases, Danone also works on carbon compensations.

Moreover, the Livelihoods fund contributes to the fight against climate change by sequestering carbon, for example through the largest mangrove forest restoration program in Senegal and the agro-forestry project in India (see *Partnerships with funds sponsored by Danone*). The evian brand actively works to reduce its carbon footprint as part of its continuous improvement approach. Beginning in 2013 and after consulting its stakeholders, Danone decided to compensate the brand’s emissions by using carbon credits issued by the Livelihoods fund, as and when they are distributed. In 2017, Danone compensated the emissions of evian brand products sold in the United States and Canada. Danone’s goal is to fully compensate the evian brand’s emissions as of 2020.
Improvements in energy efficiency and transition toward renewable energies

Danone is committed to energy consumption saving and promoting renewable energy use.

Energy consumption
The intensity of Danone’s energy consumption fell by 0.8% in 2017 relative to 2016. On a like-for-like basis, this ratio declined by 2.6% between 2016 and 2017.

<table>
<thead>
<tr>
<th>Year ended December 31</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thermal energy (a)</td>
<td>2,783,591</td>
<td>2,714,842</td>
</tr>
<tr>
<td>Electricity (a)</td>
<td>2,016,770</td>
<td>2,013,185</td>
</tr>
<tr>
<td>Total</td>
<td>4,800,360</td>
<td>4,728,026</td>
</tr>
</tbody>
</table>

Intensity of energy consumption (in KWh/ton of product)

Intensity of total energy consumption at the production sites (a)
The intensity of Danone’s energy consumption fell by 51% relative to 2000, and Danone’s target is to achieve a 60% decline by 2020.

Measures taken to improve energy efficiency
To improve its energy efficiency, Danone implemented two main mechanisms:

- optimization of energy production at the sites. For example, in the Essential Dairy and Plant-Based business, three facilities installed combined heating and power units, thereby improving the site’s energy yield by enabling it to recover up to 90% of the energy, compared with only 40% to 55% on traditional systems;
- optimization of energy use. For example, in the Essential Dairy and Plant-Based business, the geothermal water project at the Chekhov plant in Russia is designed to save heat and electricity by using heat pump technology and groundwater for cooling.

Use of renewable energy
As part of the RE100 initiative (see above), Danone has made a commitment to move toward 100% renewable electricity by 2030. In 2017, 24 production plants purchased electricity from 100% renewable sources (wind power, hydropower, etc.). In all, these purchases represented 18% of Danone’s total electricity purchases in 2017, versus 7% in 2016.

At the local level, Danone is also testing projects to produce and use renewable thermal energy. Since the early 2010s, some sites have adopted energy innovations such as wood-fired furnaces, methane digesters and biofuel. Across all businesses, renewable thermal energy produced and used on site represented 6% of the total thermal energy consumed by Danone in 2017, versus 4% in 2016.
Climate change adaptation

Danone estimates the climate change impacts to round out the overall risk assessment and management policy described in section 2.7 Risk factors. For example, Danone has identified medium-term risks in the following areas:

- supply of raw materials (milk, fruit, etc.) in certain regions of the world exposed to possible droughts and inclement weather;
- water resource availability;
- cold production at the Essential Dairy and Plant-Based Business’ sites in case of a significant rise in temperatures;
- unusual climate events that could affect some production sites located near coastlines.

Moreover, Danone identified livestock farming as a key sector in its supply chain with respect to climate change (responsible for around 14.5% of total global greenhouse gas emissions). Working in collaboration with the Global Research Alliance and the Sustainable Agriculture Initiative (SAI) platform, Danone therefore participated in studies looking to scientifically analyze the methods used to reduce greenhouse gas emissions in dairy farms, for all the sector’s stakeholders.

SUSTAINABLE WATER USE

Sustainable water use is a major issue for Danone, whether it involves the direct use of this resource in its products and production processes or its use in the supply chain. Danone therefore conducted a risk assessment to prioritize and implement the necessary measures at the local level. Danone identified four priorities: (i) water resources and ecosystems; (ii) water used in agriculture; (iii) water used in operations; (iv) access to drinking water, sanitation and hygiene.

Water resources and ecosystems

In 2004, Danone established its Groundwater Resources Protection Policy in order to ensure the sustainability of resources and to protect and enhance the natural heritage of the sites. Danone also strengthened its partnerships with public and private-sector entities to share the work and objectives. In 2017, for example, Danone renewed its partnership with the Ramsar Convention, a United Nations intergovernmental convention on wetlands preservation, for three years. The partnership was initiated in 1998.

Danone’s subsidiaries apply the Groundwater Resources Protection Policy mainly by using the internal water resource management tool SPRING (Sustainable Protection and Resources manag[ING]) that covers the physical, regulatory and community management of aquifers (geological formations containing groundwater) and their watershed. This method was jointly developed between 2013 and 2014 with the Ramsar Convention and the International Union for Conservation of Nature (IUCN). Danone’s goal was to deploy this tool at all Waters business bottling plants by 2020. This objective was achieved in 2017, with 100% of the sites assessed (compared with 87% in 2016).

As part of the partnership, the Evian impluvium (infiltration zone) has been declared a Ramsar site since 2008. With support from the Danone Ecosystem Fund and local partners, Société des Eaux Minérales d’Evian established the ”Terragr’Eau Méthanisation” project to preserve the impluvium, which enabled the construction of a methanizer and creation of a farmers cooperative aimed at reconciling sustainable agriculture with water resource preservation.

Water used in agriculture

The Company promotes agricultural practices that respect natural ecosystems by preserving the water cycle, notably in the highest-risk areas for its supply chain. To that end, Danone works with the 140,000 milk producers in order to make them more resilient in dealing with climate change.

Water used in operations

Water consumption

Total water withdrawn from surrounding areas and protection of springs

In 2017, Danone drew 68,685,000 m³ of water, compared with 70,975,000 m³ of water in 2016, representing a 1.4% decline in 2017 relative to 2016.

<table>
<thead>
<tr>
<th>(in thousands of m³)</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well water withdrawn from the surrounding area[^a]</td>
<td>49,439</td>
<td>48,572</td>
</tr>
<tr>
<td>Municipal water withdrawn from the surrounding area[^a]</td>
<td>17,587</td>
<td>17,011</td>
</tr>
<tr>
<td>River water withdrawn from the surrounding area[^a]</td>
<td>3,949</td>
<td>3,102</td>
</tr>
<tr>
<td><strong>Total water drawn from the surrounding area[^a]</strong></td>
<td><strong>70,975</strong></td>
<td><strong>68,685</strong></td>
</tr>
</tbody>
</table>

[^a]: Production Site Environment Scope (see Methodology Note).
Water consumption related to product composition
Of the 68,685,000 m$^3$ of water used in 2017, 29,572,000 m$^3$ was used in the composition of the finished products, mainly at the bottling plants, compared with 29,188,000 m$^3$ of water in 2016. The quantity of water used in the composition of finished products remained essentially unchanged (+0.7%) in 2017 relative to 2016.

Water consumption related to the production process
Water used in the production process, for example cleaning water, is distinct from the water used in the composition of the finished products. Since 2016, Danone does not include once-through cooling water in its measurement indicators (see Methodology Note).

Of the 68,685,000 m$^3$ of water used in 2017, 39,113,000 m$^3$ were used in the production processes, compared with 41,602,000 m$^3$ of water in 2016, representing a 6% decline in 2017 (4.3% decline at comparable scope) relative to 2016.

The intensity of water consumption related to Danone’s production process declined by 5.3% in 2017 relative to 2016. On like-for-like basis, this ratio fell by 5.6% between 2016 and 2017. This decline was due on the one hand to water use reduction and optimization measures in the Waters and Early Life Nutrition businesses (-2.4%) and on the other to the decline in sales in the Essential Dairy and Plant-Based business (whose ratio is above the Company average) and the increased sales in the Waters business (whose ratio is below the Company average), yielding a favorable -3.2% impact.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption related to the production process$^a$ (in m$^3$ thousands)</td>
<td>41,602</td>
<td>39,113</td>
</tr>
<tr>
<td>Intensity of water consumption related to the production process$^a$ (in m$^3$ per ton of product)</td>
<td>1.17</td>
<td>1.11</td>
</tr>
</tbody>
</table>

$^a$ Production Site Environment Scope (see Methodology Note).

In 2017, the Essential Dairy and Plant-Based business developed new audit processes to identify how to reduce, recycle and reuse water optimally at its production sites.

Water consumption intensity related to production process at the production sites$^a$$^b$
(in m$^3$/ton of product)

<table>
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</thead>
<tbody>
<tr>
<td>2000</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>2.22</td>
</tr>
<tr>
<td>2007</td>
<td>1.84</td>
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<td>1.67</td>
</tr>
<tr>
<td>2008</td>
<td>1.48</td>
<td>1.32</td>
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<td>1.48</td>
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<tr>
<td>2010</td>
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<tr>
<td>2011</td>
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<td>1.20</td>
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<td>1.20</td>
</tr>
<tr>
<td>2012</td>
<td></td>
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<td></td>
<td>1.36</td>
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<td>1.36</td>
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<tr>
<td>2013</td>
<td></td>
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<td></td>
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<td>1.29</td>
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<td>2014</td>
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<td>1.17</td>
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<td>2015</td>
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<td></td>
<td>1.11</td>
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<td>1.11</td>
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<tr>
<td>2016</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>1.11</td>
</tr>
</tbody>
</table>

$^a$ For the reporting scopes in each year.

Wastewater discharge quality
To ensure that treated wastewater discharged back into the environment is of adequate quality for ecosystems and consumers, Danone imposed strict environmental conditions at its production sites starting in 2015. These rules are based on Clean Water Standards that entail limits on concentrations in wastewater and measured using applicable methods.

Chemical Oxygen Demand (COD) of wastewater treated on- or off-site

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final discharge of Chemical Oxygen Demand$^a$ (in thousands of tons)</td>
<td>7.8</td>
<td>6.9</td>
</tr>
<tr>
<td>Net COD ratio$^a$ (kg/ton of product)</td>
<td>0.22</td>
<td>0.20</td>
</tr>
</tbody>
</table>

$^a$ Production Site Environment Scope (see Methodology Note).

Net Chemical Oxygen Demand (COD, i.e. the oxygen consumption needed to oxidize organic matters and minerals present in the water) characterizes the quality of the discharge from production facilities following on- or off-site treatment. Danone has defined assumptions to characterize the effectiveness of off-site treatment (see Methodology Note).

Danone’s net COD ratio (in kg/ton of product) fell by 10.4% in 2017 relative to 2016. The 2017 performance was mainly due to the decline in raw materials and finished product losses in the Essential Dairy and Plant-Based business as a result of waste reduction measures and a decline in sales volume.
Access to drinking water, sanitation and hygiene

Danone encourages social entrepreneurship, partnerships, innovation and the development of inclusive economic models to make water accessible to all. Danone uses the internal assessment tool Danone Way to assess the level of water access, sanitation and hygiene at all work sites and for all employees.

DanoneWave (EDP, Noram), sponsors the Change the Course program, which gets companies and the general public to commit to reducing the water footprint and restore natural water cycles by encouraging reduced water consumption and participating in the restoration of polluted rivers, waterways and wetlands.

Meanwhile, the danone.communities fund also supports several social businesses that seek to promote water access. Two new projects were supported by the fund in 2017: JIBU, which offers local entrepreneurs in East Africa the opportunity to start up their own drinking water franchises, and dloHaiti, which produces drinking water in Haiti, where half the population lives without access to drinking water following the 2010 earthquake.

MEETING THE CHALLENGES OF THE CIRCULAR ECONOMY WITH RESPECT TO PACKAGING AND WASTE

Raw materials consumption

<table>
<thead>
<tr>
<th>Year ended December 31</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (a)</td>
<td>35,577</td>
<td>35,333</td>
</tr>
</tbody>
</table>

(a) Production Site Environment Scope (see Methodology Note).

Total production volume at Danone’s sites was the equivalent of 35 million tons in 2017, down 0.7% from the previous year. This decline was due to changes in scope, with plant exits in the Waters business in China [see Methodology Note] accounting for a 2.1% decline, partially offset by a 1.4% increase in production volume at comparable scope.

The main raw materials used in Danone products are: water, liquid and powdered milk, packaging materials (plastics, cardboard, etc.), sugar and fruit.

The quantity of raw materials consumed per ton of finished product constitutes one of the principal production performance criteria, and numerous efficiency-enhancing measures are taken to when using them:

- liquid milk, sugar, fruit: in the Essential Dairy and Plant-Based business, losses of raw materials are monitored daily in the production sites, and the results are consolidated monthly at the level of the subsidiary and the business in order to facilitate comparisons with monthly loss minimization targets. The main actions taken to reduce these losses include optimizing raw materials inventory management, production scheduling and production line scaling to reduce materials loss at the start and end of production runs;
- packaging materials: Danone’s packaging development complies with the eco-design principles defined in the Packaging Policy (see below).

Waste prevention, recycling and recovering

Packaging Policy

Danone published its Packaging Policy in 2016 to promote the circular economy for packaging by sourcing sustainable materials and creating a second life for all plastics. This policy includes five main commitments that cover the packaging cycle, from the choice of raw materials upstream to consumer behavior at end of product life:

- use sustainable resources;
- optimize packaging weight and eco-design;
- achieve zero plastics to landfill for industrial waste;
- innovate to simplify consumers’ lives and get them involved in sorting and recycling;
- co-create a second life for all plastics.

In 2017, Danone announced it was strengthening its commitment to a circular economy through a 3 year partnership with the Ellen MacArthur Foundation aimed at accelerating the transition to a circular economy. By becoming the Foundation’s ninth partner, Danone would like to integrate circular economy principles into its operations to an even greater extent.

Packaging end of life: transforming waste into resources

Danone seeks to develop the collection and recycling of its packaging and intends to:

- achieve zero landfill for plastic industrial waste;
- innovate to simplify consumers’ lives and get them involved in sorting and recycling; continue to support efforts to increase the collection and recovery rate of the recycling industry in countries where waste collection is already organized through eco-organism;
- where waste collection is not organized, help with the collection of materials used in packaging Danone products and try new collection systems: four projects are under way through an initiative by the Danone Ecosystem Fund;
- develop the use of recycled packaging.

In 2017, the packaging recovery rate totaled 91%, with a target of 100% by 2025.
In 2017, 46% of the subsidiaries had a roadmap to increase the recyclability of their packaging, that can be defined at the level of the subsidiary, business or region (Danone Way Scope, see Methodology Note).

For example, DanoneWave (Essential Dairy and Plant-Based, Noram) established the How2Recycle consumer education program in 2017 to help consumers understand how to recycle packaging. More than 300 WhiteWave listed products are now labeled in accordance with the How2Recycle recommendations. The Earthbound Farm brand also has the distinction since 2009 of becoming the first packaged salad company to use 100% recycled post-consumer packaging made from recycled beverage bottles.

In Africa, FanMilk worked with Environment 360°, WIEGO and MIT D-Lab and received the backing of the Danone Ecosystem Fund in 2017 to co-create Pick it!, a program aimed at improving the recycling rate in Ghana and working conditions for waste pickers by improving the professional skills and living conditions of more than 300 waste pickers.

2017 was also marked by the implementation of several initiatives to explore and use bio-based plastics, i.e. those originating from sustainable and renewable resources. These initiatives included:

- The creation of NaturALL Bottle Alliance with Nestlé Waters and the Californian start-up Origin Materials to develop and launch on a large scale a plastic (PET1) made entirely from bio-based materials, in this case made from biomass such as used cardboard or sawdust not competing against resources intended for the production of human food or animal feed.
- The So Delicious brand (DanoneWave, Essential Dairy and Plant-Based, Noram), which launched a plastic bottle 80% made from plants for its almond milk.

### Waste management at Danone’s production sites

Danone monitors the percentage of this waste when it is recovered; such recovery may occur through recycling, reuse, composting or waste-to-energy conversion. The production sites seek to maximize their waste recovery rate by taking the following measures: organizing on-site waste sorting and staff training, finding subcontractors capable of recovering the various types of waste generated and sharing best practices among sites.

<table>
<thead>
<tr>
<th>Year ended December 31</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste generated[^a]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total quantity (in thousands of tons)</td>
<td>434</td>
<td>397</td>
</tr>
<tr>
<td>Ratio of total quantity of waste per ton of product (in kg/ton)</td>
<td>12.2</td>
<td>11.2</td>
</tr>
<tr>
<td>Recovered waste[^a]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total quantity (in thousands of tons)</td>
<td>361</td>
<td>331</td>
</tr>
<tr>
<td>Proportion of recovered waste (in %)</td>
<td>83.1%</td>
<td>83.3%</td>
</tr>
</tbody>
</table>

[^a] Production Site Environment Scope (see Methodology Note).

The total quantity of waste generated in 2017 by the production sites is measured excluding extraordinary items: namely the 29 thousand tons of waste from the demolition following renovation work at the Evian plant in France.

The ratio of waste generated per ton of product fell by 7.9% in 2017, relative to 2016. On a like-for-like basis, the ratio of waste generated per ton of products declined by 9.8% between 2016 and 2017 thanks to the decline of raw materials and finished product losses at the production sites of the Essential Dairy and Plant-Based and Early Life Nutrition businesses. The recovery rate remained essentially stable at 83%.

### Fighting food waste

Following the resolution to prevent food waste adopted by the Consumer Goods Forum in 2015, Danone pledged to reduce its unrecovered food waste (i.e. waste that ends up in a landfill, is incinerated without any energy recovery or discharged in wastewater) by 50% in 2025 relative to 2016.

Danone quantifies food loss at all its production sites except the bottling plants of the Waters business, in accordance with the first international Food Loss and Waste Protocol. These losses involve finished products, raw materials and by-products (whey not recovered for human food). This waste may be collected, discharged in wastewater or be part of the sludge in water treatment plants (see Methodology Note).
### 5.4 CONTRIBUTE TO THE PROTECTION OF THE ENVIRONMENT

#### Year ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food waste generated</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total quantity (in thousands of tons)</td>
<td>290</td>
<td>260</td>
</tr>
<tr>
<td>Ratio of total quantity of food waste per ton of products (in kg/ton)</td>
<td>38.0</td>
<td>36.2</td>
</tr>
<tr>
<td><strong>Recovered food waste</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total quantity (in thousands of tons)</td>
<td>242</td>
<td>217</td>
</tr>
<tr>
<td>Proportion of recovered waste (in %)</td>
<td>83.4%</td>
<td>83.7%</td>
</tr>
</tbody>
</table>

(a) Production Site Environment Scope (see Methodology Note).
(b) Excluding Waters business sites.

The ratio of food waste generated per ton of product fell by 9.7% in 2017. On a like-for-like basis, the ratio contracted by 11.1% thanks to the decline in raw materials and finished product losses at the production sites of the Essential Dairy and Plant-Based and Early Life Nutrition businesses. The recovery rate increased slightly from 83.4% to 83.7%.

Danone fights against food waste at various stages of the value chain:

- Danone works with its suppliers to help them become more competitive by moving toward more sustainable agricultural practices, notably by working to reduce their losses. For example, Danone Algeria (Essential Dairy and Plant-Based, Algeria) created the H’Lib Dzair project jointly with its local partner Deutsche Gesellschaft für Internationale Zusammenarbeit (under the umbrella of the Danone Ecosystem Fund). This project promotes the small sustainable dairy farm agricultural model by offering producers technical expertise, along with individual audits and advice so they can increase their profitability and improve milk quality.

- At its production sites and distribution centers, Danone reduces food loss, gives away unsold edibles and recovers, preferably as animal feed, what cannot be consumed by humans. Since 2013, for example, the Essential Dairy and Plant-Based business has implemented its Zero Waste program to fight food waste. This program seeks to eliminate food waste by optimizing production and distribution processes, increasing the volume of donations to food banks and alternative socially oriented sales channels and improving the product line.

- At the retail level, Danone develops partnerships to reduce food waste, notably by sharing retail sales information and using its expertise in forecasting systems. In Belgium, the 2nd life project raises awareness among the clients of retailers by selling smoothies made from the supermarket’s unsold products.

- Danone also encourages consumers to fight food waste notably through its online platforms, which provide advice on how to organize one’s refrigerator or recipes on using yogurts nearing their expiration dates.

### SUSTAINABLE AGRICULTURE

#### Sustainable agricultural practices

In 2014, Danone published its white paper on sustainable agriculture. This document lists the key guidance principles designed to promote greater sustainability in agricultural supply.

The greatest impact of Danone’s activity on the climate is caused by upstream agriculture, which accounts for more than half of greenhouse gas emissions on the Company’s total scope. In order to meet this challenge and as part of its carbon neutral commitments, Danone has already undertaken several initiatives adapted to upstream agriculture or the respective countries. Danone also works to improve agricultural practices through actions supported by its funds, such as the agro-forestry and milk production project in Kenya backed by the Livelihoods fund, with additional support from the local NGO VI Agroforestry as well as Brookside (an associated company of Danone). This project should help to improve the life of 30,000 small farms thanks to agricultural practices that are less harmful to natural resources and also help to preserve water resources in the Lake Victoria region over the long term.

In addition to these programs and projects, 35% of the subsidiaries of the Essential Dairy and Plant-Based and Early Life Nutrition businesses have a clear roadmap in 2017 to cover critical topics of the Sustainable Agricultural Principles (i.e. biodiversity, animal welfare, carbon, energy, water, soil, etc.) (Danone Way scope, see Methodology Note).

#### FaRMs and Cool FaRMs tool

These tools implemented by the Essential Dairy and Plant-Based business help to advance dairy producer practices in the area of sustainable agriculture (see Relations with suppliers).
### Dannon Pledge

In 2016, Dannon Company (Essential Dairy and Plant-Based, Noram), now part of DanoneWave, published the Dannon Pledge, which illustrates Danone’s ambition and commitments:

- **for sustainable agriculture:** offer products based on more sustainable agriculture by working with crop and livestock farmers to implement more sustainable agricultural practices that in particular target improved soil health, better water management, increased biodiversity and reduced carbon emissions;
- **favor a natural approach:** use more natural ingredients in its flagship brands (no synthetic products or GMOs, milk from cows not fed with GMOs, ingredients certified with the Non-GMO Project verified standard);
- **be transparent:** give consumers the power to choose by disclosing the presence of any GMO ingredients on product labels (see Measures taken to promote consumer safety).

### Socrates program

The Early Life Nutrition business developed the responsible supply program Socrates, which aims to change farming practices for the 5 key raw materials other than milk: fruits, vegetables, grains, meat and fish. The program also offers a working platform that includes training in sustainable agriculture for farmers, in cooperation with local experts and institutions, pilot programs on innovative agricultural methods and the development of external partnerships to help with the implementation of standards.

### Measures taken to preserve and develop biodiversity

Danone’s impact on biodiversity arises mainly from its supply chain and involves soil erosion, soil and water contamination, deterioration of habitats and ecosystems, and contamination of natural species related to the use of GMOs.

The Company addresses these challenges with the aforementioned sustainable agriculture approaches and practices: FaRMs, the Dannon Pledge and the Socrates program (see above paragraph).

Danone also implements biodiversity preservation measures near its sites, some of which involve an exceptional natural environment and special protection, notably the Waters business sites, whose watersheds require great care and have given rise to several initiatives to ensure their preservation.

The program is based on the use of the Farm Sustainability Assessment, developed on the SAI platform, to assess sustainability practices of suppliers of fruits, vegetables and grains. As of December 31, 2017, the assessed suppliers accounted for 94% of the total volume of fruits, vegetables and grains purchased by the business for its European production sites. Following these assessments and discussions with stakeholders, the business defined three priorities: biodiversity protection, soil health and water. With respect to biodiversity, the business added roughly 10 new criteria to the assessment grid for farmers, and recommended even mandatory practices are currently being integrated into the required specifications for farmers.

The program is currently implemented exclusively in Europe and at production sites controlled by the business. In 2017, for the Europe scope (excluding milk), four biodiversity-related projects were backed by the Socrates program in collaboration with local experts. Of these four, two pilot projects were conducted in cooperation with the Czech Crop Research Institute and CTIFL France to produce two key ingredients more sustainably (improved biodiversity and reduced pesticide use): carrots and apples. After two years of research, framework principles were established for producers of these two ingredients and will be gradually deployed to all of them.

The program also established special requirements for the supply of meat (involving five key species: beef, pork, turkey, chicken, rabbit) and fish (100% of wild-caught fish comes from sustainable sources).

For example:

- to preserve its natural mineral water source in the Andes foothills of Argentina, the Villavicencio brand created a natural reserve and also developed an innovative partnership with the NGO Banco de Bosques through the Deja tu Huella (Leave your Footprint) operation, which invites consumers to participate in the creation of a new natural reserve: for every bottle purchased, Villavicencio pledges to protect one square meter of natural biotope. The brand has also launched initiatives to raise public awareness about the dangers of deforestation and the importance of biodiversity in the local ecosystem.

- Danone Waters China (Waters, China) strives to promote sustainable development, both economically and socially, in several watersheds. Since 2015, the Oceanus project has sought to protect and restore key ecosystems of watersheds in China while supporting local communities, developing sustainable subsistence methods and generating the resources necessary for the sustainable management of Chinese water tables.
Health and animal welfare

For several years, Danone has supported an animal welfare approach developed jointly with the NGO Compassion In World Farming (CIWF). Since 2012, Danone has put out a best practices guide for farmers as part of the Essential Dairy and Plant-Based business’ animal welfare program. Subsequently, with the publication of its position on animal welfare in 2016, Danone made several commitments, notably with respect to improving its requirements for animal welfare. Danone uses fresh or processed products of animal origin, including milk, dairy ingredients, eggs, meats, and fish. In 2016, Danone committed to ensuring that 100% of its products of animal origin (meat, fish and eggs) will adhere to stricter animal husbandry principles and requirements promoting animal welfare by 2020. Danone’s long-term goal is to collect milk from farms that apply its best practices: animal living conditions, physical and psychological welfare of animals, responsible use of medications and non-use of cloned or genetically modified cows.

In its Socrates program, the Early Life Nutrition business integrates animal welfare principles that allow Danone to ensure that 100% of its sheep and beef have access to pasture and that 100% of its eggs come from cage-free chicken farms.

Soil use

Farming accounts for 57% Danone’s carbon footprint. Practices such as reducing the amount of tilling and leaving crop residue on the soil surface can transform soils from greenhouse gas emitters into carbon sinks. In addition to sequestering carbon, healthy soils stimulate productivity and strengthen climate resilience. Danone integrated this issue into its sustainable agriculture approach by committing to promote farming practices that make it possible to:

- preserve and improve the soil’s physical and biological structure;
- maintain the soil’s natural capacity to absorb water;
- limit the use of mineral fertilizers, pesticides and other chemical products.

To that end, Danone works directly with farmers to co-manage actions plans, help them to reduce their carbon footprints, improve soil health to sequester more carbon and protect the water resource and biodiversity. In 2017, Danone made a commitment along with its agricultural partners in the “Ferme Laitière Bas Carbone” initiative, backed and developed by the CNIEL in France, which seeks to reduce by 15% the carbon footprint of participating dairy farms by 2025.

In 2017, Danone joined the French government’s 4 per 1,000 initiative on healthy soils in order to strengthen its efforts in this area and expand its collaboration with experts, NGOs, governments and private sector companies.

Danone also looks to cooperate with experts, NGOs and other companies to develop and test a soil health methodology that will make it possible to fine-tune existing models, create a database for regenerative agricultural practices and develop techniques that can be reproduced on a large scale.
5.5 METHODOLOGY NOTE

CONSOLIDATION SCOPE AND COVERAGE

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

Nevertheless, some subsidiaries do not report all social, safety, environmental, health and nutrition indicators. These entities were consolidated for financial reporting purposes as of December 31, 2017 and action plans are planned and/or in progress to ensure the availability and reliability of the data. These are primarily the recent acquisition of entities in Africa, including in particular the companies in the Fan Milk group (EDP International, West Africa), and DanoneWave for the WhiteWave activities scope. Lastly, the list of subsidiaries that do not report certain indicators may differ depending on the types of indicators. The coverage scope varies according to indicator categories, as described in the sections hereafter.

### Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Site Food Safety</td>
<td>In 2017, 198 production sites were included in the scope considered for FSSC22000 certification. These sites correspond to the production sites for all of Danone’s Businesses and do not include the production sites of co-manufacturers and suppliers.</td>
</tr>
<tr>
<td>Total Company Workforce</td>
<td>In 2017, 172 entities representing more than 93% of Danone’s total workforce reported social indicators.</td>
</tr>
<tr>
<td>Social Indicators</td>
<td></td>
</tr>
<tr>
<td>Safety</td>
<td>In 2017, 155 entities representing approximately 99.4% of Danone’s total workforce reported safety-related indicators.</td>
</tr>
<tr>
<td>Production Site Environment</td>
<td>In 2017, 180 (of Danone’s 202) production sites representing approximately 95% of the total production of the industrial sites reported environmental indicators. The consolidation scope for environmental indicators excludes the industrial sites of the WhiteWave group entities. The environmental impact of the administrative offices and logistics centers is not included in the consolidation scope (except for certain indicators, when the logistics centers are adjacent to the production sites).</td>
</tr>
</tbody>
</table>
| Greenhouse Gases           | The presentation of greenhouse gas emissions has changed to ensure consistent monitoring of the reduction target set by Danone in 2015 and approved by the international Science-Based Targets initiative in 2017. The Company’s total emissions consist of:  
  • scope 1 greenhouse gas emissions, comprising direct emissions from stationary combustion facilities and refrigeration units installed at the industrial sites and warehouses under Danone’s operational control, as well as the employee vehicle fleet under the Company’s operational control.  
  • scope 2 greenhouse gas emissions, including indirect emissions related to the production of electricity, steam, heating and cooling purchased and consumed by Danone.  
  • scope 3 greenhouse gas emissions, comprising indirect emissions that are not recognized in scope 2: emissions from raw materials purchasing (including agricultural upstream), packaging, production, transport and distribution, warehousing, product usage and end of useful life. These emissions are calculated using the finished product life cycle analysis approach set out in the GHG Protocol established by the World Resources Institute (WRI), which takes into account emissions at every stage. Scope 1 and 2 emissions are calculated in accordance with the methodology set out in the GHG Protocol Corporate. Danone has elected to consolidate scope 1 and 2 emissions in accordance with the operational control approach and to include all sources of emissions from its industrial sites, warehouses, distribution centers and corporate vehicle fleet. Emissions from offices and research centers are excluded as they represent less than 5% of Danone’s total emissions. Scope 3 emissions are calculated in accordance with the GHG Protocol’s Product Life Cycle Accounting and Reporting Standard methodology for a scope representing approximately 89% of Danone’s sales volumes (compared with 94% in 2016). |
| Health & Nutrition         | In 2011, Danone created a series of performance indicators (Health & Nutrition Scorecard) to measure improvements and progress made regarding health and nutrition, particularly product composition and responsible communication, with the results publicly disclosed annually. These indicators are consolidated for a scope of 15 countries covering all of Danone’s Businesses and geographic regions. In 2017, 50 entities representing about 70% of consolidated sales reported Health & Nutrition indicators. |
| Danone Way                 | In 2017, 117 entities have realized a Danone Way self-assessment, representing 83.9% of Danone’s consolidated sales (compared with 94.1% in 2016).                                                             |
Like-for-like changes in scope (constant scope and constant methodology)
Danone measures changes in certain environmental indicators on a like-for-like basis, i.e. at constant consolidation scope. The 2017 data has been restated using the same consolidation scope as that of 2016 and with the same methodology.

DEFINITION OF THE BUSINESSES

<table>
<thead>
<tr>
<th>Business Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essential Dairy and Plant-Based</td>
<td>Production and distribution of fresh fermented dairy products and other specialty dairy products; plant-based products and drinks (made primarily from soy, almonds, hazelnuts, rice, oats and coconut); and coffee creamers.</td>
</tr>
<tr>
<td>Early Life Nutrition</td>
<td>Production and distribution of specialized food for babies and young children to complement breast-feeding.</td>
</tr>
<tr>
<td>Waters</td>
<td>Production and distribution of packaged natural, flavored and vitamin-enriched water.</td>
</tr>
<tr>
<td>Advanced Medical Nutrition</td>
<td>Production and distribution of specialized food for people afflicted with certain illnesses or frail elderly people.</td>
</tr>
</tbody>
</table>

DATA COLLECTION

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

These reporting guidelines for social, safety, environmental, GHG and health and nutrition data are available upon request from the Sustainability Integration Department.

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

Social and safety indicators
The Human Resources Department is responsible for social and safety indicators. The subsidiaries’ social data are generally derived from their payroll systems and reported via Danone’s financial information consolidation software (SAP/Business Objects Financial Consolidation).

Environmental indicators
The Nature & Cycles Sustainability Department is responsible for environmental indicators. These indicators are reported by each production site’s Environment manager using the Calame application. Data related to Greenhouse Gas emissions (scope 3) is reported via the Danprint application and/or SAP Carbon.

Health and nutrition indicators
The Corporate Nutrition Department is responsible for health and nutrition indicators. Health and nutrition data are reported by Danone’s financial information consolidation software. Lastly, training data are taken from the Human Resources reporting systems.

Danone Way indicators
The Sustainability Integration Department is responsible for the Danone Way indicators. These indicators correspond to the percentage of subsidiaries to which it has been determined that one or more practices apply. They are reported by the Danone Way coordinators at each subsidiary using the Calame application.

INFORMATION REGARDING METHODOLOGIES

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

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

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

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

Employees on long-term leave (more than nine months) are not counted in the total workforce at the end of the reporting period. In China, employees paid by Danone but whose contracts are with a third-party company (equivalent to a temporary work agency) are not included in the workforce.

Fixed-term contracts and movements within Danone are not included in the entries/exits.
Number of training hours / Number of permanent employees trained / Percentage of permanent employees trained / Number of training hours per permanent employee

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

The number of permanent employees trained takes into account all permanent employees who received at least one training course during the year, including those who were no longer employed as of December 31, 2017.

The number of training hours takes into account all courses during the year, including hours of training received by those who were no longer employed as of December 31, 2017.

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

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

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

Employees with disabilities in France

This indicator covers employees declared as disabled workers. The status of disabled person is defined by the regulations applicable in France.

Absenteeism

The absenteeism rate is expressed, in percentage, as the total number of hours of absence divided by the total number of theoretical hours worked. The reasons for absence taken into account by this indicator include sick leave (with or without hospitalization), absences due to work-related illness and injury, absences due to strikes and unauthorized absences. Absences due to maternity/paternity leave, other authorized leave and long-term absences (more than nine months) are not taken into account.

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

Some subsidiaries monitor absenteeism only for employees who are paid on an hourly basis, while other employees are included in a program under which they receive a number of days that can be used for various reasons (vacation, sickness, special leave, etc.). In particular, this is the case for the activities of The Dannon Company Inc. (EDP Noram, United States) and Danone Inc. (EDP Noram, Canada), Danone Brazil (EDP International, Brazil), Danone’s subsidiaries in Brazil, Danone Argentina SA (Edp International, Argentina), Aguas de Argentina (Waters, Argentina), Grupo Cuzco International S de RL de CV (Waters, Mexico) and PT Sarihusada Generasi Mahardhika (Specialized Nutrition, Indonesia), whose absenteeism rate for employees not paid on an hourly basis is estimated or reported only for the available consolidation scope. Lastly, absenteeism is not recorded at the Danone Japan (EDP International, Japan), Danone Waters of America (Waters, United States) and Happy Family (Specialized Nutrition, United States) subsidiaries.

Frequency rates of work accidents

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

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

The severity rate (SR) represents the number of calendar days of absence due to workplace accidents with medical leave for every 1,000 hours worked. Regarding the number of lost days taken into account in the calculation of the severity rate and given the limited availability of data in certain countries, Danone made estimates for this indicator as of December 31, 2017.

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

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

Workplace accident indicators also cover accidents affecting temporary employees, workers employed through staffing agencies or service providers working at the sites as well as interns who have an internship agreement with Danone. Temporary employees and workers employed through staffing agencies or service providers are individuals who do not have a contract with Danone but are under its management, work on a temporary or non-temporary basis, and for whom Danone is able to collect data on working time (in number of hours). The inclusion of workers employed through staffing agencies or service providers in the reporting scope for 2017 may create discrepancies between the scope of the workforce taken into account by the sites in 2016 (when reporting temporary employees was optional) and in 2017 (when reporting temporary employees and workers employed through staffing agencies or service providers was mandatory).

Production

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

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

Scope 1 and 2 greenhouse gas emissions

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

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

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

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

• The global warming potentials used correspond to data in the IPCC Fifth Assessment Report (AR5), Climate Change 2013. The IPCC (Intergovernmental Panel on Climate Change) is a group of inter-governmental experts specialized in climate change.

Electricity emissions factors follow the hierarchy defined in the new scope 2 guidance document of the GHG Protocol for market-based reporting. Suppliers’ specific factors must be certified by instruments that prove the origin of electricity (guarantee of origin certificates). If some of the electricity used is not of certified origin, the emissions factors used are the national residual mix published by official bodies such as the Association of Issuing Bodies (AIB) in Europe and Green-e in North America. For countries that do not have green-electricity attribute instruments, the emissions factors used are those used for location-based reporting provided by the International Energy Agency (2015 publication of energy mixes in 2013).

The factors used for heating, steam and cooling are from the carbon dioxide content in sludge.

Waste discharged with wastewater and not recovered in the following categories: treatment facilities’ sludge, whey waste, food waste collected on site and food waste discharged with wastewater, packaging waste, hazardous waste and, lastly, other non-hazardous waste.

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

Food waste is measured at all Danone plants with the exception of the Waters Business plants. This includes finished product, raw material and by-product (whey not used for human consumption) losses. This waste may be collected or discharged with wastewater, or form part of the wastewater treatment plant sludge.

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

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

Water consumption

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

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

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

For the Waters Business sites, volumes of water withdrawn but not consumed by the site are not taken into account, either due to losses or to overflow upstream from the plant, nor are losses or overflow at the well or spring level.

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

Energy consumption

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

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

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

Wastewater

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

Number of employees trained on nutrition and/or hydration in the last two years

This indicator tracks the unique number of employees who received at least one training course related to nutrition, health and/or hydration over a two-year period. The training received must have lasted at least one hour.

Percentage of volumes sold corresponding to healthy categories

Volumes sold in healthy categories correspond to fresh dairy products intended for daily consumption, Early Life Nutrition Business products, all waters, sugar-free aquadrinks, and all Advanced Medical Nutrition Business products. The indicator is calculated in the Health & Nutrition Scorecard scope.
Percentage of the volume of nutritionally improved products over the last three years
The percentage of the volume of nutritionally improved products over the last three years is calculated in the Health & Nutrition scope for the Essential Dairy and Plant-Based and Early Life Nutrition Businesses, including the products in these Businesses marketed by the Africa Strategic Business Unit, and sweetened aquadrinks in the Waters Business.

Number of countries covered by Nutriplanet studies
Every year, the Global Nutrition department compiles an updated list of countries covered by Nutriplanet studies (these include: summaries of the local nutrition/health context, more detailed surveys on food and/or fluid intake, socio-anthropological studies). The number of countries covered is therefore reported every year on a consolidated basis.

Percentage of Danone’s expenditures on marketing communications that comply with the ICC guidelines
The percentage of expenditures is calculated within the Health & Nutrition scope for the Essential Dairy and Plant-Based and Waters Businesses.

Number of active education and information programs during the year / Number of people potentially impacted
The people considered to be affected are consumers for the Essential Dairy and Plant-Based and Waters Businesses, parents for the Early Life Nutrition Business and patients and caregivers for the Advanced Medical Nutrition Business.

Number of employees that had access to the Health @ Work program
The number of employees that had access to a Health @ Work program is calculated on the basis of the number of subsidiaries that implemented the program in the Health & Nutrition scope, i.e., 48 out of 50 subsidiaries. A program is characterized as Health @ Work if it includes one of the three dimensions (Healthy Diet, Healthy Body, Healthy Mind).
5.6 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

For the year ended December 31st, 2017

To the Shareholders,

In our capacity as Statutory Auditor of Danone (the “Company”), appointed as independent third party and certified by COFRAC under number 3-1060 [whose scope is available at www.cofrac.fr], we hereby report to you our report on the consolidated human resources, environmental and social information for the year ended December 31st, 2017, included in the management report (hereinafter named “CSR Information”), pursuant to article L.225-102-1 of the French Commercial Code (Code de commerce).

Company’s responsibility

The Board of Directors is responsible for preparing a company’s management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the protocols used by the Company (hereinafter the “Criteria”) and available on request from the company’s head office.

Independence and quality control

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

Statutory Auditor’s responsibility

On the basis of our work, our responsibility is to:

• attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);

• express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

However, it is not for us to express an opinion on the compliance with the other legal provisions applicable, in particular those set out by the article L. 225-102-4 of the commercial code (plan of vigilance) and by the law n° 2016-1691 of December 9, 2016 known as Sapin II (fight against corruption).

Our work involved 10 persons and was conducted between July 2017 and March 2018 during a 27 weeks period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of statutory auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement and with ISAE 3000 concerning our conclusion on the fairness of CSR Information (ISAE 3000 Assurance engagements other than audits or reviews of historical financial information).

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company’s sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the management report.

Conclusion

Based on the work performed, we attest that the required CSR Information has been disclosed in the management report.
2. Conclusion on the fairness of CSR Information

Nature and scope of our work
We conducted 15 interviews with about 10 persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important and whose list is given in annex (Social information: headcount, terminations [dismissals], absenteeism, work accidents, their frequency and their severity, training; Environmental information: waste discharged directly into water and chemical oxygen demand [OCD], waste and their valorization, water consumption and local constraints, energy consumption and efficiency, greenhouse gas emissions):

- at the level of the consolidated entity and divisions, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities (Waters Business: Font Vella [Spain], Bonafont [Mexico], SA des Eaux Minérales d’Evian [France], Żywiec Zdroj SA [Poland]; Essential Dairy and Plant-Based Business: Danone de Mexico [Mexico], Danone Belgique [Belgium], Danone Djurdjura Algeria [Algeria], Danone Pologne [Poland], Danone Produits Frais France [France], Danone Japan [Japan], Danone Canada Delisle [Canada], Danone Argentina [Argentina]; Early Life Nutrition Business: Danone Baby Nutrition India [India], Milupa Fulda Supply Point Baby [Germany], Nutricia Zaklady Produkcyjne Poland [Poland], NELN Programming [China]; Advanced Medical Nutrition Business: Nutricia Great Britain Medical [England], Nutricia Pharmaceutical Wuxi Medical Supply [China], selected by us on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. This work represents 23% of headcount considered as typical size of the social component, and between 18% and 27% of environmental data considered as characteristic variables of the environmental component.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion
Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, March 5th, 2018

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Anik CHAUMARTIN
Partner

François JAUMAIN
Partner

Sylvain LAMBERT
Partner at the “Sustainable Development” Department
Appendix: CSR Information that we considered to be the most important

**Human resources**
- Total workforce and split by gender, age and geographical area;
- Number of dismissals;
- Worktime organization and absenteeism;
- Organization of social dialogue, namely information procedures, workforce consultation and negotiation with the workforce;
- Health and safety conditions at the workplace, workplace accidents, namely their frequency and severity, as well as occupational diseases;
- Training policy, number of training hours;
- Implemented policy and measures taken in favor of the equality between the women and the men, implemented policy and measures taken in favor of the employment and of the insertion of the disabled people and policy against discrimination.

**Environmental information**
- The Company’s organization to understand environmental issues, and when applicable the assessment or certification processes in terms of environment;
- Measures to prevent, reduce or repair direct emissions into the air, water and soil damaging the environment;
- Measures to prevent, recycle, reuse, eliminate and recover waste;
- Actions to fight against food waste;
- Water consumption and water supply based on local constraints;
- Consumption of raw materials and measures taken to improve the efficiency of their use;
- Energy consumption, measures taken to improve the energy efficiency and the use of renewable energies;
- Significant greenhouse gas emission sources generated because of the company’s activity, namely by the use of products and services produced, and the adaptation to the consequences of climate change;
- Measures taken to protect or develop biodiversity.

**Social information**
- Regional, economic and social impact of Danone’s activities on employment, regional development and local communities;
- Partnership and sponsorship initiatives;
- Taking into account social and environmental stakes in the procurement policy, as well as the importance of subcontracting and taking into account their social and environmental responsibility in the relationship with suppliers and subcontractors;
- Measures taken in favor of the health and of the security of the consumers.