

# DANONE 07

## Sustainability Report



## Different sustainable company

In October 2007, the acquisition of Numico, a major player in the baby food and medical nutrition sector, provided a new dimension for DANONE's sustainable development initiative, following the sale of the biscuits business.

The Group's current perimeter can only serve to promote actions in favour of social innovation, to which we have been committed for several years. It helps make our company's activities, culture, expertise and mission more coherent.

"Bringing health through food to as many people as possible, throughout their lives" now takes on a unified and focused economic and social aspect.

This clear positioning around health is anchored in a growth strategy that respects both nature and human development. To achieve this ambition, Groupe DANONE is implementing both global and local initiatives, within a difficult economic climate, which is characterised by a significant rise in the cost for raw materials.

Furthermore, the 2007 version of Groupe DANONE Way Ahead has started well, based on two pillars – respecting the five main types of social principles and innovation. Some 84% of Fresh Dairy Products and Waters have been assessed according to human rights, human relations, the environment, the consumer and the principles of governance.

With regard to the second pillar, each subsidiary has embarked on projects designed to develop or consolidate economic activity, whilst contributing to actions that help local communities and involves employees.

Since 1995, environmental management has followed the "Charter for the environment", which reached new heights in 2007. The production and packaging objectives set for 2000-2010 had already been achieved by 2008 and the Group now has the tools and organisations in place to allow it to measure its environmental footprint and to set up a new agenda that is in line with DANONE's missions and ambition. The reduction of CO<sub>2</sub> and water consumption throughout the value creation chain are among the company's priorities.

The "danone.communities" investment fund created in May 2007 has allowed the company to take on board other projects that help create a different business model in Bangladesh, in partnership with the Grameen Bank. Last year saw a learning curve that is now bearing fruit. There will be similar experiments in the near future.

In terms of the principle of diversity and innovation, several of the Group's subsidiaries have made an active contribution.

The management of springs with water education and the protection of wetlands in several countries bear witness to this, with initiatives to help professional persons in difficulty, by creating a new sales network, with DANONE aiming to respond to multiple local problems.

Overall governance is led by the Social Responsibility Committee, which assesses our initiatives and makes the recommendations required by the board of directors.

The Group continues to base its sustainable development on a philosophy that encompasses innovative initiatives.

There is no doubt that this philosophy is already trickling through the new DANONE that is taking shape with the arrival of baby foods and medical nutrition. This is what makes DANONE a different sustainable company.



Franck Riboud

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and undertakings

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## Strategy and undertakings

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## Social and environmental responsibility within Groupe DANONE in 2007

### Realisations and principal successes

#### A communal method dedicated to sustainable development..

July 2007 saw the launch of a new DANONE Way Ahead initiative that ensures that the basics are respected and which encourages social innovation. At the end of December, 40 of the Group's subsidiaries carried out a self-assessment of 16 principles in a steering committee. In addition, in the Group, around forty social innovation projects have been identified for 2008 thanks to the use of the sustainability mapping methodology by the steering committees.

#### Actions in favour of internal communities

- The frequency rate of accidents at work has been halved following the introduction of the Wise programme, set up in 2003 in relation to work safety. The commitment and participation of directors has played a key role in achieving this ambitious objective.  
Within the water demijohn subsidiary in Mexico, where the WISE programme was deployed in 2007, the rate of accidents has been reduced by 70%. The daily mobilisation of 6,000 employees of HOD Mexico has meant that working conditions and safety have been improved.
- The signature, on 8th June 2007, of a worldwide agreement on diversity, between DANONE and the International Union of Food Workers (IUF) marks a key stage in the policy of promoting diversity between the Group's employees.  
The IUF-DANONE steering committee meets every two months. It defines the indicators to monitor this agreement and will carry out an annual survey of each of the Group's companies to identify good practices to be promoted.
- 9,000 managers and directors, as well as 22,000 employees in 24 countries, have taken part in the 2007 biennial DANONE People Survey. The response rate was 85% for managers, 78% for directors and 67% for other employees. Action plans relating to identified points of improvement are implemented with employees being involved.

#### Actions in favour of local communities

##### The Pasteur Institute

With the aim of continuing the links set up with the Pasteur Institute, in 2007, Groupe DANONE launched a campaign to support research in France. From September 2007 to February 2008, consumers were invited to take part in this initiative, where, for every 10 Actimel bought, DANONE will pay 20 euro cents to the Pasteur Institute.

There are historic links between the Institute and DANONE: since 1919, DANONE yoghurts have been made in Barcelona with lactic ferments from the Institute to combat intestinal infections in children at the end of the Great War.

Researchers from DANONE and the Pasteur Institute are always working to push forward the frontiers of research in terms of immunology, microbiology and probiotics.

#### One litre for ten litres, water for everyone

Since 2006, the Volvic brand has been working with UNICEF in a programme designed to improve access to drinking water in certain developing countries.

The "1 litre bought = 10 litres of water drawn" programme has helped build and maintained wells.

It ensures that the local population has access to 40 litres of drinking water per person per day, i.e. twice the minimum for life as defined by the World Health Organisation (WHO). Initially deployed in Germany and France, this operation was, in 2007, extended to other countries, such as Japan, Mexico, the United States and Indonesia. In more developed countries, monies collected are sent to UNICEF projects in Niger and other African projects (Ethiopia, Mali, Ghana), with local programmes being financed in emergent nations.

In Mexico, the Bonafont brand, one of the Group's subsidiaries and the partner of an NGO, has concentrated its efforts on rural regions, such as the province of Chiapas, where 32% of the population has no access to drinking water. Worldwide, contaminated water is a source of diarrhoea and one of the main causes of death in children under five.

Supported by the Volvic brand, 1 litre for 10 litres is a programme that is highly motivating for employees who have worked with UNICEF to achieve results.

#### Actions in favour of the environment

##### Packaging

- DANONE takes part in collecting and recycling packaging in 23 countries through "Green Point" type organisations.  
The Group has set itself the target of reducing the weight of packaging by 10% at source. In 2007, 40 subsidiaries are maintaining the weight/product packaging ratio for their 10 most important references, which almost represents 60% of their turnover. In six years, the weight of 1.5 litre bottles has been reduced by 35%.
- In 2007, the Group set up a research and development cell dedicated to sustainable packaging. It is working on recycled terephthalate polyethylene (PET) that is used in bottles, with seven countries taking part. Two of them, Germany and France, have already marketed bottles using recycled PET.  
The method consists of recovering part of the PET from recycled bottles so that they can be incorporated into new bottles. To date, recyclable mineral water bottles were used in textile industries.  
This innovation, approved by the French food safety agency (Afssa) should, in time, allow bottles to be produced with 25% of recycled PET.
- In countries with little or no recycling, DANONE has launched pilot projects that benefit both the environment and society by creating jobs. For example, in Mexico, Bonafont is testing a new business model, where the brand pays the supplier for collecting recyclable material at a price that is above the going. At the same time, it saves costs because recycled PET is cheaper than original PET.

Bonafont is supporting an NGO in the construction of an education centre which will allow children to be educated, who were previously employed in the collection networks.

### Protection of water resources

Since 2004, the year when the Subterranean water protection policy was set up, the Group set up an organisation to promote awareness and Water management practices. In 2007, 63 programmes were initiated to improve protection of the resource. These programmes include the internal management of water resources, capture zones protection methods and the promotion of economic and environmental development in association with local people.

### Logistic chain and industrial investment

- In 2007, Groupe DANONE and the Water division constructed the Carbon & Water footprint tool.

It is positioned around one of the major challenges of our time: global warming.

It aims to estimate the effects of greenhouse gases (GG) and the consumption of water linked to the lifecycle of a unit of packaged product and to obtain a global image of the footprint of each subsidiary and to simulate the solutions of exchange in an eco-design initiative.

- In 2007, DANONE United Kingdom changed its logistic chain by increasing current journeys to France by 35%. The effect on the carbon footprint is immediate. The follow-up audits carried out every four months demonstrate that the total carbon emissions have been reduced by 26%. Another example is that, thanks to collaboration with a British distributor, storage centres have been shared from Zeebrugge in Belgium. This decision means that lorries have been filled and their number reduced. The environmental benefit is estimated at almost 350 tonnes of CO<sub>2</sub> per annum.
- In 2000, DANONE set up a programme to audit plants, based on several points: operating permits, water supplies, waste, atmospheric emissions, storage of materials, refrigeration installations, energy, noise, managing the environment, land and waste, etc. Since 2007, all plants have been audited on the basis of a common reference by a third party organisation, which gives each site a mark. It draws up action plans that are scored and put into rank order to make it easier to compare performances.
- Since 2007, production investments have been the subject of a local environment excellence evaluation, based on three criteria: consumption of water extracted from the environment, quality of water ejected into the natural environment and the recycling of waste.

### Agriculture

- Agriculture provides the essential raw materials for the Group, which buys 0.8% of the world's milk.

Despite a difficult context, characterised by a significant price increase, the Group has persevered with its supplier policy.

In 2007, it continued to deploy its milk quality and safety policy (DQSE), with the aim of helping cattle farmers to make progress in terms of quality, economic profitability and environmental impact.

This direct relationship with the producers assists traceability and the management of supplies in terms of quantity and quality.

The improvement in farming practices has allowed producers to manage and improve profitability and enhance their image in terms of the environment.

### Actions to help consumers

- Together with ten companies in the food sector, in December 2007, DANONE announced that it was limiting its advertising for children aged from three to twelve in Europe to the nutritional profile that was suitable for this target (Actimel, Petit Gervais aux Fruits/ Danonino and Velouté). This undertaking is based on the criteria of an independent system, The Food Profiler and will be rolled out throughout Europe between now and the end of 2008. It will also be externally audited.
- In 2007, several food industry Groups, including DANONE, committed themselves to a nutritional information initiative on packaging, based on daily recommended amounts. Today, this information appears on 35% of DANONE products in Europe and, by 2008, will be seen on the vast majority of the Group's products.

### Actions to help suppliers

The worldwide DIALERT alert system that allows any one of the Group's employees to flag up (confidentially) any violation of the principles of business conduct or any action that could have financial consequences for the Group, was "extended" to suppliers at the end of 2007 by creating a dedicated access for them, so that they could indicate, where necessary, any non-compliance with our Procurement Conduct Code (disseminated to all suppliers' Procurement and Development staff).

### Results from Grameen DANONE Foods Limited

One year after start-up, the co-enterprise of Groupe DANONE and the Grameen Bank, created on the initiative of Muhammad Yunus and Franck Riboud, now has 50 employees at the Bogra plant in Bangladesh, which produces 10,000 Shoktidoi yoghurts every day. The door-to-door distribution system provides employment for 300 women in the rural areas that surround the plant, with 400 farmers supplying the milk to make the product.

The impact on children's health and development will be assessed in partnership with Gain (Global alliance for improved nutrition), an international NGO that specialises in tackling malnutrition by using enhanced products.

### In conclusion

- DANONE is, once more, one of the main sustainable development indices: DJSI STOXX, Ethibel Sustainability Index, ASPI Eurozone.
- In 2007 and for the third consecutive year, DANONE is one of the "Hundred most sustainable companies worldwide" according to the Innovest extra-financial notation agency, as was unveiled at the latest economic forum in Davos. The Group is one of six feted in the "consumer goods" category.
- According to the JP Morgan 2007 classification, DANONE is one of the ten largest food companies in terms of health and their response to tackling obesity through food.



## Problems

### The acceleration in diversity and access to training for all

- In 1989, DANONE signed an initial agreement with the IUF regarding sexual equality. In 2007, 23% of DANONE employees were women and, of the Group's 7,279 managers, 39% were females, a 3% increase compared with 2006. However, there is still a lot of progress to be made, mainly in relation to women in areas that are traditionally viewed as being the male domain, such as production. There are still relatively few women directors: 23% directors are female with women only representing 14% of top managers.
- In terms of training, the Evolution programme, which promotes the employability of personnel, has been a success in France, although the roll-out worldwide has been slower than predicted. This delay is due to the resources in place for the management of human resources, site managers and indicators to be put in place according to the various local contexts.
- Groupe DANONE has had problems in recruiting disabled persons across its subsidiaries. It is particularly difficult, because in some countries there is no legislation. Despite this delay, some subsidiaries, especially in France, have signed agreements and set up training designed to tackle stereotypes. At the Group's HQ, 200 of the 500 employees have undergone awareness-raising training, led by disabled trainers.

### The complexity of environmental issues

#### Collection of packaging waste in addition to the domestic selective collection scheme

In countries, where waste collection is not organised, the Group's initiatives have to be locally-based. This is also true for the recyclability of non-bottle plastics.

In 2007, DANONE's initiatives have been reinforced around two axes: the collection of packaging in highly developed areas, with a pilot scheme underway in England, in partnership with Valpack UK Green Dot Association.

The second axis relates to waste collection from consumption areas, outside the home and fast-food outlets. For example, an initiative is currently underway in Canada through the creation of an association called "The Round Table".

Centrally, a working group has united the Sustainable Development and Social Responsibility division and the Research and Development division, as well as the directors of the Fresh Dairy Product unit operations to promote the reuse of polystyrene packaging.

#### Plastic bottles

Huge campaigns have been organised to make the population aware of how much tap water they use. Following supermarket bags, the finger is now being pointed at plastic bottles, because of their visibility and frequency of consumption, rather than their actual environmental impact. In fact, the CO<sub>2</sub> emission caused by consuming a 1.5litre plastic bottle every day for a year represents 0.1% of the annual CO<sub>2</sub> footprint of each consumer.

Groupe DANONE has answered its critics in the United States, the United Kingdom and France in a unique way.

It is insisting on the fact that DANONE protects the natural mineral water's original purity and stresses the fact that Evian, a leading economic player, is working to protect water and conserve the world's wetlands, whilst placing sustainable development at the heart of its production and transport choices.

## The Respect programme

After an initial pilot phase, from 2006 onwards, DANONE has deployed the Respect initiative to buyers from the Group's subsidiaries: a methodology and tools will allow them to track their suppliers and undertake progress initiatives with regard to seven criteria that are the result of the agreements of the International Labour Organisation (ILO).

Despite a risk analysis carried out for all Fresh Dairy Products and Water Division suppliers, with eleven audits being carried out and several corrective action plans being put in place to integrate the initiative into the everyday life of the subsidiaries.

## The integration of sites into the local environment

The Local Communities programme is designed to help site directors and their teams to get to know local players and be integrated into their territory, using a teaching booklet. This approach must now take its place in the site management programmes, particularly for plant directors and human resource managers.

## The main events

### Awards received by Groupe DANONE

The Grameen DANONE Foods Limited project in Bangladesh has been identified as one of the five best solutions in terms of social responsibility. During an event organised in November 2007 by CRS Europe in Brussels, the jury made its selection from over 90 solutions presented to 650 representatives from the private sectors, NGOs, the media, governments and the European Commission.

### Awards presented by Groupe DANONE

- The 2007 DANONE international nutrition prize was awarded to Professor Jeffrey Friedman for his research work into obesity. Considered by scientists to be the "Nobel Prize" for nutrition, this prize, worth 120,000 euros is awarded by Groupe DANONE every two years to a researcher or a team of researchers, whose work on nutrition has made a major contribution in terms of public health.
- The Dan'Innov ceremony, an internal Groupe DANONE event, which recognises innovative projects and products, now has a new "suppliers" category. Graham, an American packaging manufacturer, has been rewarded for helping halve the weight of an Actimel bottle since 1996. DANONE Poland has also been rewarded for "Share your meal", a programme that tackles malnutrition

## The environment

### Protecting Water

DANONE and EVIAN have renewed their partnership with the International Ramsar Agreement. This intergovernmental treaty aims to protect wetlands throughout the world, under the guidance of the United Nations. Through this collaboration, since 2007, Evian has supported the first three projects, called "Water conservation schools" in Nepal, Thailand and Argentina, with the aim of helping the local population to manage their water resources sustainably and independently.

## Transport and logistics

The European Commission supports Groupe DANONE's project, which aims to transport Volvic water to Germany by rail. The Group is the first transporter to benefit from the Marco Polo 2 programme, which started in April 2007 with 300,000 palettes being transported a year. The first phase consists of a project involving all Evian and Volvic supply flows to Germany being transferred to rail and the return of empty bottles to France being discontinued. This will free up the road network by the equivalent of 1000 million t/km per annum.

This ambitious project rests on the shoulders of a single carrier and requires extensive structural changes to the supply chain, both in France and Germany.

## Global warming and carbon management

In the United Kingdom, DANONE has set up the Carbon Trust, in collaboration with PricewaterhouseCoopers. This is a tool used to assess the water and CO<sub>2</sub> footprints, known as the Footprinting & Product Labelling Scheme. It allows the carbon footprint of products from the Water division to be measured and, in 2008, will be rolled out worldwide throughout the Group's activities with around 1000 major references assessed.

## Internal events

### Human resources

July 2007 saw Groupe DANONE human resources convention being held in South Africa, with HR's role in terms of work and the involvement of employees being highlighted. The renovation of the axes of the HR policy was supported by study trips to China and the United States by around fifty HR managers.

### Research & Development

In order to develop its current and future blockbusters, Groupe DANONE has completely reorganised its Research and Development (R&D) in order to create teams that are capable of developing and anticipating the market.

The challenge consists of quickly finding products that make the difference and stimulate consumer preference, both through the advantages they bring and their organoleptic superiority.

R&D's resources have been enhanced, to allow it to develop scientific programmes lasting three to five years and to integrate these programmes as closely as possible with market requirements and the needs of the local population.

### Sustainable Development

- The first Social Innovation Lab saw 120 managers meeting at Evian in July 2007, together with experts and NGOs. The aim was to work with Groups on a regular basis, gathering together subsidiaries that were affected by similar issues. Six themes have been developed around twenty-one social innovation projects.
- The board of directors contains a governance body that is dedicated to social innovation, the Social Responsibility Committee (CRS), which met three times in 2007. Its mission consists of assessing the results of initiatives relating to social innovation, drawing up recommendations and assessing subsidiaries' practices with regard to the Group's five basic principles: human rights, human resources, the environment, clients and consumers, governance and relations with local communities.

## The creation of the Danone.communities fund

The Danone.communities investment fund project is the result of a meeting in 2005 between Franck Riboud and Muhammad Yunus, the 2006 Nobel peace Prize-winner and founder of the Grameen Bank, which specialises in micro-credit, and President of the Grameen Group.

This initiative allows DANONE to state its desire to progress in the sector of social innovation. At the General Meeting of 26th April 2007, 99.8% of participants voted in favour of creating this fund!

Danone.communities' ambition is to support the development of businesses whose social impact is in line with that of DANONE. These businesses' mission is to maximise company and environmental value, whilst also contributing to the economic development of the poorer countries.

The fund mainly encourages projects that offer children who suffer from lack of nutrition a dietary product that meets their needs at a very low price, create employment, preserve the environment and achieve economic viability.

For the investor, DANONE.communities also offers a mutual fund with a minimum yield (2 to 3 %), but which contains an element of saving. Investing in this fund means taking part in the expansion of new development models.

The Group has invested 20 million euros in the DANONE.communities mutual fund, with institutional investors contributing 30 million euros. It is managed by Ideam, a branch of Crédit Agricole, who is responsible for marketing it. The prospectus, approved by the Financial Markets Authority (AMF), can be obtained from Ideam or the AMF website. 90% of the funds are injected into monetary-type financial instruments that correspond to socially responsible investments. A maximum of 10% is used to finance social business projects through a mutual risk placement fund (FCPR), managed by Credit agricole private equity (Cape).

This mutual fund is open to anyone: institutions, private shareholders, employees, savers and consumers... Social performance indicators are tracked in the same way as economic performance. These social indicators depend on the projects and can, for example, include improving nutrition and health or reducing poverty.

In 2008, the FCPR DANONE.communities FCPR will invest in Grameen DANONE to increase the size of the Bogra plan in Bangladesh and to build a second production unit near Dhaka. Other projects are at the study stage in Asia and Africa and partnerships are being sought with local players or NGOs to link their expertise to that of Groupe DANONE.

The DANONE.communities project's ambition is to create a broad community of a new type of investor. Fired by a desire to link finance to sustainable development, all are convinced that the projects' priority is social impact with the necessary profitability, so that this impact may be sustainable.



## The acquisition of Numico

Groupe DANONE took a significant step when it transferred its Biscuits activity in order to focus its strategy on health. The purchase of Royal Numico, its most significant acquisition since 1996, sees DANONE create two new centres of activity: baby foods and medical nutrition.

The new DANONE is, therefore, reorganised around four business units: Fresh Dairy Products, Water, Baby Foods and Medical Nutrition. Throughout its lifecycle, the Group will try and respond to people's nutritional requirements at both ends of their lives: in the first years, which are key in terms of building up health capital and the final years, when it is essential to retain it in order to live longer. It is no longer a matter only of "ensuring the greatest number is healthy", we have to ensure they are healthy "at every stage of their lives".

By acquiring Numico, DANONE has become the leader in the infant nutrition sector in Western Europe and number 2 worldwide. It is, therefore, on a par with some of the historic players in this sector and has become the first player in the food industry to position itself so clearly in the health foods market.

Thanks to this unique positioning, DANONE's ambition is to become the world leader in food for health. This ambition will also mean that the Group increases its social and environmental commitment.

## The development of Medical nutrition

The arrival of Numico has meant that the Group has gained a new sector: Medical Nutrition, halfway between nutrition and pharmaceuticals.

Medical nutrition is aimed at those who are ill or malnourished. They may be hospitalised or cared for at home or they may be people suffering from chronic pathologies, such as allergies, epilepsy or degenerative metabolism problems, etc. They all have to adapt their diet according to targeted objectives, such as reinforcing their defences, making up for deficiencies, tackling or limiting the development of the symptoms or secondary effects of curative treatments. This is not to say that medical nutrition helps cure patients – it forms part of the medical solution and increases the effectiveness of the medical treatments, either by providing dietary solutions to very specific needs, or by restricting or avoiding under-nutrition.

The medical nutrition sector is a very recent one and is still being created, although it is based on deep-seated trends: an ageing population in the countries of the west, a growing demographic in the emergent nations with a consequent increase in life expectancy, a significant number of children suffering from metabolism problems and the appearance of illness linked to the evolution of lifestyles (diabetes, obesity, cardiovascular problems, etc.). However, doctors have long since understood the role of nutrition in the prevention of illnesses. Nowadays, they are more and more looking at the role it plays in treating the illness.

Groupe DANONE will, therefore, be working in a new area: clinical nutrition, which will reinforce its health positioning. More health, but also more science: by combining the DANONE and Numico research teams, the Group now has a potential R&D and a range of scientific expertise that is unequalled in the sectors in which it works.

## Infant nutrition

DANONE was already one of the benchmark operators in the infant nutrition sector with Blédina, in France and Belgium. Numico means that the Group's infant nutrition activity has taken on international significance. The infant nutrition sector falls into two separate segments: baby milk and solid foods. Groupe DANONE has a presence in both sectors with seven main brands: Nutricia, Cow&Gate, Mulipa, Mellin, Dumex, Blédina and Gallia. In these categories, the Numico and Blédina profiles complement each other very well. Numico's activity is based 65% on milk and 35% on solid foods, in inverse proportion to that of Blédina. The axes of innovation are, therefore, different and will mutually enrich each other.

The same is also true in terms of geographic location. In any category of the baby food sector, Groupe DANONE is present in 45 countries worldwide and is the leader in 16 of these. 91% of Blédina's sales come from Europe (with 84% in France) and the remainder mainly from Lebanon, Algeria, Morocco, Senegal, Ivory Coast and the Cameroon. Unlike its competitors, Blédina has no production sites outside France. The company, therefore, makes all its products, including those for export, in its three French factories. Numico, on the other hand, achieves 65% of its sales in Europe (with 50% in Western Europe), 30% in Asia (Indonesia, China, Thailand and Malaysia) and 5% in Africa and the Middle East. Numico is, therefore, active in markets that complement those of Blédina.

## New responsibilities for the Group

By acquiring Numico, Groupe DANONE has become one of the major players in the world in terms of baby foods and its positions have been strengthened in the emerging nations and the baby milk sector.

In 1981, the World Health Organisation adopted the International code for marketing breastmilk substitutes, in order to protect and promote breastfeeding. The Code applies to all the foodstuffs that are presented as being able to replace breastmilk totally or partially. According to this Code, babies must be breastfed exclusively for the first 6 months and then weaned by being given additional foods until they are two or more. The code stipulates that there should be no promotion of substitutes for breastmilk, bottles and teats, that health professionals must no longer play any part in promoting breastmilk substitutes and that free samples must no longer be handed out to pregnant women, young mothers or families. In addition, labels must be designed in such a way as to provide information so that the product can be used appropriately and not to discourage breastfeeding. UNICEF is working at the local level to implement the Code. In the last few years, the Code has been defined in more exact terms and reinforced by other laws and resolutions.

In relation to the sale and marketing of baby products, in 2005, Blédina set up a Charter for marketing preparations for young children. As indicated in this charter, Blédina totally supports the WHO's 1981 recommendations in relation to the sale of preparations for infants, as referred to in the International Code for the sale of breastmilk substitutes, and the resolution of the World Health Assembly of the WHO of May 2001, recommending breastfeeding only up to 6 months. Blédina follows these recommendations according to the methods of application defined by current local regulations, or by the state if no regulations exist. During 2007, Blédina increased from 4 to 6 months the recommended age for starting additional foods (cereals and foods for babies) sold within the context of its international activities in all countries outside Europe. To ensure that the Blédina Charter is respected throughout the Supply Chain, six external audits were carried out by SGS ICS in 2005

(Algeria, France, Gabon and Senegal) and in 2006 (Morocco and Cameroon). The next external SGS ICS audits are scheduled for January and March 2008 (Congo Brazzaville and Ivory Coast).

In 2004, Numico created a code to govern the sale of its infant products – the Infant Milk Formula Marketing Guidelines.

Groupe DANONE is aware of the significance of the challenges facing it and its responsibilities in the early childhood sector, as well as the role that it can play in providing solutions that allow health to be improved through nutrition within the context of its mission.

Immediately after the acquisition of ROYAL NUMICO at the end of 2007, the Group set up an open initiative designed to identify the major challenges and its responsibilities in terms of this activity. It has engaged in a very broad dialogue with the players in the infant nutrition sector both locally and internationally: parents, health professionals, public authorities, international institutions and NGOs. This consultation has allowed four priority challenges to be defined:

### The four priority challenges linked to infant nutrition

- a) The need to promote breastfeeding, which constitutes the best form of nutrition for the initial stages in life and an essential lever in terms of tackling the problem of malnutrition in several countries.
- b) The importance of respecting the right of women to choose and of taking into account the evolution in professional and family lifestyles, by providing nutritional responses tailored to the health of mother and child.
- c) The need for suitable nutrition to complement breastmilk, after the period of breastfeeding only or for therapeutic reasons, the quality of products and their accessibility are essential levers for improving the world nutritional situation.
- d) The need for appropriate nutritional solutions to improve the health of pregnant and breastfeeding women especially for populations suffering from nutritional deficiencies.

Groupe DANONE is, therefore, looking at the guidelines defined by the World Health Organisation in the International Code of Marketing of Breastmilk Substitutes and the resolutions associated with it, as an international reference. A little after NUMICO was acquired at the end of 2007, a study was launched into the implementation of the Code and the national regulations it inspired, in order to identify any problems and the actions that would be required.

The Group also intends to use its expertise, research and development capacities and its financial resources to come up with innovative responses aimed at reducing infant and maternal malnutrition, in accordance with the United Nations' Millennium Objectives.

It is looking at developing food additives to tackle nutritional deficiencies that are accessible to the greatest number. The initial projects are scheduled for 2008 onwards.

The problems of infant nutrition go beyond the question of breastfeeding, which cannot be looked at globally. In effect, infant nutrition forms part of very different socio-economic contexts. DANONE has to find suitable responses that take into account the malnutrition of young children whilst food is diversifying. How do we tackle nutrition deficiencies during weaning? The question of the health of pregnant and breastfeeding women also has to be taken into account in the solutions that the food industry can offer. With its expertise, DANONE must contribute to solutions that are tailored to public health in the various countries.

## The challenges for 2008

### The social challenges

- The major challenge facing both developing and emergent countries is employment. Companies have a direct responsibility with regard to the creation of employment, as well as in the resources used to improve the job security of employees. In a highly competitive sector and faced with globalisation, companies must regularly reorganise their production capacities, which means jobs cannot be guaranteed. The quality of social dialogue, the resources used for training and the development of skills, become essential factors in the economic performance of the companies and the employability of the employees.
- Within a context of change both in demographics and lifestyles, the reception and management of diversity, the quality of the working life and the business culture become significant challenges in recruiting staff and increasing their loyalty. Management practices designed to develop people have a differentiating character.
- In emergent countries, the Group must explain how it contributes to economic development and respect for human rights as well as the improvement of social standards. This challenge also goes beyond the company's sphere. It concerns economic conditions and the employment conditions of suppliers of Groupe DANONE, particularly producers of agricultural raw materials, as well as all partners, with which Groupe DANONE is working within a given territory. The economic contribution to the local communities is a particularly sensitive challenge for companies and Groupe DANONE, which are accelerating their international development.

### Challenges linked to products and consumers

- The safety of food and the quality of the marketed products are vital for consumers and the company's primary responsibility. In addition, consumers express very varied expectations, including quality, taste, facility (procurement, conservation, and preparation), availability and price. In developed countries, their expectations are mainly relayed by consumers' associations that have become essential partners of the company. The major challenge is to continue to develop consumers' trust in brands, which permanently invest to ensure the quality and safety of products, which respect the environment and which are attentive to their social impact.
- Nutrition is now at the heart of public health problems, in which Groupe DANONE, as a food company, is a player. Health is very broadly constructed on the quality of the food: all the scientific studies confirm this. A balanced and varied diet and regular physical activity are recognised protection factors in the fight against cancer, cardiovascular illnesses, osteoporosis, diabetes or obesity. On the other hand, scientific studies have recognised the role of an unsuitable diet in the prevalence of these illnesses, together with sedentary lifestyles, without being able to state the exact share in responsibility of each of these two factors.
- In this context, consumers are more interested in the composition of food; expectations in terms of information are increasing. This information must be sufficient and verifiable, which results in increased requirements in terms of the labelling of products and advertising messages
- In emergent countries, these challenges are also linked to economic under-development. Malnutrition and under-nutrition are still very present. In these countries, particularly, we expect countries to propose accessible products that meet the specific nutritional needs of populations. The challenge is to develop products with the same nutritional qualities and food safety as the products for developed countries, whilst being able to be tackled by peoples with poor purchasing power.

### Environmental challenges

- The world's population is due to increase by over 40% in the next twenty years. The needs in terms of food and the pressure brought to bear on natural resources are bound to increase. This evolution can be seen in many ways: ground pollution, the pollution of watercourses and water tables, greenhouse gas emissions, the increasing production of waste and the rarefaction of environments rich in biodiversity.
- The food companies are faced with a dilemma that, on the one hand, involves meeting the needs of an ever-increasing number of consumers and, on the other, to limit the impact of their activities on the environment. In the face of them, the expectations of stakeholders relate first to the reduction of the impacts of industrial activity and the precise measurement of this reduction (ISO certification, reduction of water and energy consumption, contribution to the elimination of waste). The management of impacts linked to packaging includes the reduction of materials at sources, recycling, reuse and/or the availability of biodegradable packages.
- A mean temperature of 2.5°C could cost up to 3% of the worldwide GDP. The various scenarios of the Stern report published a year ago, warn us against the very serious economic, social and environmental consequences of global warming.
- The pressure on the supply of raw materials from agriculture is increasing. Prices are more volatile, the emergence of biofuels is increasing competition in terms of who owns what and the effect of the climate is impacting on cultures. This news lends weight to the offer and is pushing society to look for ways to improve strategy way upstream.
- We should also remember that, whilst agriculture is vital for humans, it is also responsible for nearly 25% of greenhouse gases, 70% of water consumption, and even 40% of the pollution of water tables. For their part, consumers are voicing their expectations about agriculture more and more loudly, with regard to safety, preserving the environment and respecting natural cycles. In response, the evolutions of regulations and the progress made by research are moving towards a better idea of the environment and health fears.
- The world's major distribution leaders are taking up new positions in terms of sustainable development: using 100% renewable energies, recycling all waste, using green labels and working with suppliers who respect the environment. Suppliers' networks have also been set up to work on problems such as water or agriculture to define shared good environmental practice.
- The main potential dangers facing Groupe DANONE's activities are water pollution (mainly organic and biodegradable), the risks linked to refrigeration plants (ammoniac and other coolants). We also have to consider the risks relating to the storage of raw materials (flour or sugar silos) or hazardous products (acids or bases for cleaning and disinfecting installations).



## Impacts and responsibilities up- and downstream from activities

### Supplies of raw materials

#### Impacts

- **Economic impact.**

In 2007, the Group spent 3.7 billion euros on raw materials, broken down as follows: milk and dairy ingredients (36%), other agricultural materials (30%) and packaging (33%). As can be seen, milk is the most important agricultural raw material, with DANONE being supplied by 24,000 producers in 19 countries.

- **Environmental impact.**

The increase in agricultural productivity is accompanied by pressure on the natural environment and a reduction in biodiversity. Pollution linked to fertilisers and pesticides is worsening and methane emissions from cattle are contributing to the greenhouse effect.

The mineral water comes from natural reserves, which only the Group can use, a fact which does not mean it can be any less responsible.

#### Responsibilities

- To procure raw materials at prices that ensure sufficient profitability for producers and high quality and competitive supplies to plants, whilst ensuring that basic social rights are respected
- To ensure the safety, quality and traceability of raw materials.
- To be aware of the employment conditions and environmental impact of agricultural production and help to improve them whilst promoting sensible agriculture.
- To ensure the sustainability and protection of the water resources that the Group uses.

### Industrial Production and Packaging

#### Impacts

- **Economic impact**

DANONE produces locally for local markets. With 139 production sites employing 63,793 people at the end of December 2007.

- **Environmental impact**

Sites consume energy and water and produce waste.

Packaging still represents 6% of the average weight of products and consumes non-renewable resources such as oil for plastics or renewable resources, such as wood and recycled paper for cardboard.

#### Responsibilities

- To ensure the respect of Fundamental Social rights and to promote an initiative of social progress on the Group's sites
- To contribute to the economic development of local communities
- To manage the plants' environmental impact
- To reduce packaging without harming the services they provide: food safety, transport, preservation, consumer information.

### Transport

#### Impacts

- Almost all of transportation is subcontracted. In Europe, 95% of yoghurt and biscuit freighting was by lorry, with 60% of water being transported by lorry and 40% by train. A Danone product (yoghurt or biscuit) travels an average of 600 km in Europe from its place of production to its place of consumption.

These journeys lead to the consumption of energy, greenhouse gas emissions and other atmospheric pollutants, as well as noise pollution.

#### Responsabilités

- To minimise the impact linked to the transportation of raw materials and products, promoting transportation practices that respect the environment
- To ensure respect of the cold chain and traceability of the products.

### Sales

#### Impacts

- **Economic impact**

With a commercial presence in 120 pays, DANONE achieved sales worth 12,776 billion euros in 2007. Two thirds of sales are achieved in large to average hyper/supermarkets, with one third in neighbourhood shops.

- **Environmental impact**

Refrigeration equipment in shops consumes energy and give off CFCs. Customer journeys to points of sale are also the cause of energy consumption and pollution.

#### Responsibilities

- To ensure respect of the cold chain and traceability of the products.
- To ensure that the products are accessible (price, distribution) especially in emergent countries.

### Consumption

#### Impacts

- **Economic impact**

In 2007, the Fresh Dairy Products Unit accounted for 68.8% of sales and Water 27.7%. Baby Food and Medical Nutrition generated 3.5% of turnover, corresponding to the two months after Numico was acquired on 31st December.

- **Environmental impact**

The main impact comes from the consumption of energy and the aforementioned CFC emissions caused by refrigerating fresh dairy products.

- **Social impact**

Product quality and safety have a global impact on society. These products have an influence on nutrition methods. Their accessibility is a major social challenge.

#### Responsibilities

- To guarantee the quality and safety of products
- To help develop healthy nutrition methods and respond to local needs.
- To provide transparent information for consumers and promote dialogue with consumers.

### End of cycle

#### Impacts

- The consumption of products results in the production of packaging waste: recycled, disposed of or incinerated according to locally available options
- Depending on the method of processing waste, disposal may result in the pollution of the earth, air and water.

#### Responsibilities

- To reduce the end-of-lifecycle impact of packaging by integrating these concerns from the design stage and by inviting public waste collection bodies to take part.

## Undertakings and objectives: Danone's report in triplicate

	The economy	Employees	Consumers	Local communities	Suppliers	The environment
<b>The main challenges</b>	<p><b>DANONE is pursuing its growth strategy, based on:</b></p> <ul style="list-style-type: none"> <li>A portfolio of activities concentrated on categories that are very dynamic for health positioning.</li> <li>A voluntarily restricted number of strong brands that benefit from significant advertising support.</li> <li>A significant presence in sectors that have the best perspectives for sustained long-term growth, notably Russia, Mexico, Argentina and Brazil.</li> <li>Positions as local no 1 in each of its activities.</li> <li>High-performance innovation centred on health benefits.</li> <li>Potential for market growth in Infant Food and Medical Nutrition.</li> </ul>	<p><b>Rapid internationalisation of the Group over fifteen years: development in Eastern Europe, Asia, increased presence in emergent nations. Whilst pursuing rapid internationalisation by opening up new and notably emergent countries, the Group has taken a strategic turn by recentering its entire portfolio on health products, transferring Biscuits activities and acquiring Numico's Infant food and Medical nutrition.</b></p> <ul style="list-style-type: none"> <li>In this context: implementing an ambitious human policy in line with the Group's values, enriched by the mixture of cultures linked to the arrival of the new activities and continuing to ensure the strict application of basic social principles and contributing to social progress by taking the diversity of contexts into account.</li> <li>Dealing with the evolutions of the employment sectors, implementing various action levers to allow employees to be better armed in the face of the changing workplace, interviews, training and employment organisations facilitating the exchange and evolution of skills.</li> </ul>	<p><b>To ensure product safety and quality.</b></p> <ul style="list-style-type: none"> <li>To meet consumers' expectations in terms of nutritional need, taste, accessibility (price and availability) and practical aspects (preservation, preparation),</li> <li>To meet public health needs and to take part in the promotion of a varied and balanced diet. To anticipate and adapt to the regulation that reinforces the need for communication linked to nutrition and health</li> </ul> <p>To propose products that meet specific needs of people in emergent countries and that are accessible for consumers with very low purchasing power.</p>	<p><b>To construct relationships of trust with local players, key element in the company's overall performance</b></p> <ul style="list-style-type: none"> <li>Economic challenges: salaries paid out, purchases, local taxes</li> <li>Company challenges: employment, contribution of know-how, training</li> <li>Company changes: undertakings to benefit civic society.</li> </ul>	<p><b>Expansion of companies' responsibility upstream of their activity</b></p> <ul style="list-style-type: none"> <li>To construct long-term partnerships with strategic suppliers to provide quality raw materials at competitive prices and to contribute to innovation.</li> <li>To ensure the health safety of products by controlling supplies and ensuring the economic development of local producers around our sites.</li> <li>To ensure that fundamental social principles are respected by suppliers (RESPECT initiative).</li> <li>To promote more environmentally-friendly farming practices through specific guides, the network of DANONE agricultural technicians and the Considered Agriculture pilot scheme.</li> </ul>	<p><b>To meet the needs of ever more numerous consumers whilst limiting the impact of activities on the environment:</b></p> <ul style="list-style-type: none"> <li>To produce raw materials in safe, clean and economic plants,</li> <li>To preserve water resources sustainably</li> <li>To reduce waste linked to packaging through eco-design (recognising the environment in the design of the packaging) and the contribution to recycling strands.</li> <li>To manufacture in plants that are safe, clean, save natural resources and are proactive within their local environment.</li> </ul>
<b>The responses of Groupe Danone in 2005</b>	<ul style="list-style-type: none"> <li>Turnover increased by 6.7% at perimeter and constant rates of change, in line with annual objectives for the 6th consecutive year</li> <li>Operational margin established at 13.35%, i.e. +25 base points compared with previous year,</li> <li>Net current diluted profit per share increased by 15.9%</li> <li>Progression of 29.9% of Danone shares in 2005. Groupe DANONE is selected for the 7th consecutive year in the Dow Jones Sustainability Index and, for the second year, in the INNOVEST classification of the world's top 100 companies in terms of involvement in sustainable development.</li> </ul>	<ul style="list-style-type: none"> <li>The Danone Way initiative was implemented in 94% of subsidiaries, 1/3 of them doing it for the second time.</li> <li>Safety at work: a frequency rate of 8.5 accidents/million of hours worked, i.e. a reduction of 18% at Group level. Over 80% of sites now have a health/safety committee and 90% of these sites organise regular meetings on employment safety. Launch of the WISE initiative, aimed at accelerating the process of improving subsidiaries in terms of safety,</li> <li>The agreements signed with the International Union of Food Workers (IUF) henceforth include Fundamental Social Principles</li> <li>Employability of employees: implementation of the EVOLUTION programme in 15 pilot sites, 68% of employees underwent training in 2005</li> <li>Launch of the Networking Attitude initiative aimed at accelerating the exchange of good practice.</li> </ul>	<ul style="list-style-type: none"> <li>Adoption and deployment of the health Nutrition Diet Charter in subsidiaries</li> <li>Pursuit of the Affordability initiative with the marketing of Danimal in South Africa, yoghurt with added iron, zinc and vitamin A, to make up for specific deficiencies in children, and sold at the single price of 1 rand a pot in the townships</li> <li>Creation of distribution circuits in poorer quarters: "Daniladies" in South Africa, Rombok kiosks in Indonesia</li> <li>Launch of new nutrition education programmes and "You need to move it" promotion of physical activities in France, nutritional health centre in Spain, "Bon appétit la santé" in Belgium.</li> </ul>	<ul style="list-style-type: none"> <li>Launch, in Germany, by Volvic in collaboration with UNICEF of a vast operation "1 litre for 10 litres" with the aim of financing the digging of wells in Africa.</li> <li>16.7 million euros committed in solidarity actions carried out in countries where the Group is located: help for children via the Danone day of childhood, help for sport via the Danone Nations Cup, support for nutrition research via Danone Institutes, help for local communities principally including the donation of products, initiatives for the environment and emergency aide.</li> <li>Internal skills made available via associations</li> </ul>	<p>Thirteen French dairy companies that supply DANONE have been granted "Considered agriculture" status</p> <ul style="list-style-type: none"> <li>Continuation and end of the pilot phase of the RESPECT initiative: definition of the strategy and practical tools used by the relevant managers. Realisation of 10 additional social audits by an independent provider.</li> </ul>	<ul style="list-style-type: none"> <li>Realisation of the 2000-2010 "Sober plant" programme to reduce the consumption of water resources, thermal and electrical energy.</li> <li>Environmental investments: 16 million euros, stable compared with 2005</li> <li>42% of production sites (84 plants out of 200) certified ISO 14001, i.e. +12% compared with previous year</li> <li>Dissemination of the global policy for the protection of underground water resources and realisation of initial diagnostics for the protection of underground water resources</li> <li>Participation in "refrigerants naturally" programme supported by UNEP and Greenpeace.</li> </ul>
<b>The responses of Groupe Danone in 2006</b>	<ul style="list-style-type: none"> <li>Turnover increased by 9.7% at perimeter and constant rates of change</li> <li>Operational margin continued to progress in 2006, for the 12th year and was established at 13.60%, an increase of 25 base points compared with the previous year (+32 base points at perimeter and constant rates of change)</li> <li>Net current diluted profit per share increasing at 17.9%</li> <li>Increase of 30.1% of the Danone share in 2006.</li> <li>Danone is selected for the 8th consecutive year in the Dow Jones Sustainability Index and, for the third consecutive year, in the INNOVEST classification.</li> </ul>	<ul style="list-style-type: none"> <li>Danone Way is now deployed in almost all subsidiaries. Several of them have implemented a system of interviews with their stakeholders</li> <li>Employment safety: a frequency rate of 7.6 accidents/million hours worked, i.e. a decrease of 10.5% at Group level compared with 2005.</li> <li>78% of the Group's employees underwent training during the year</li> <li>7,000 employees have taken part at least once in "networking attitude" meetings that allow good practices to be exchanged</li> <li>Recommendations for the Diversity working group to Groupe DANONE Executive Committee</li> </ul>	<ul style="list-style-type: none"> <li>Reorganisation of R&amp;D structures to reinforce innovation to help the consumer. Over 600 products renovated in within the context of the realisation of the programme of nutritional renovation of formulations</li> <li>Creation of the first Grameen Danone plant in Bangladesh</li> <li>Creation of Stoneyfield Europe and launch of the brand of yoghurts from Agriculture Biologique "Les deux vaches" in France,</li> <li>Launch of Mieczny Start, accessibly breakfast based on cereals and milk for children by Danone Poland. This product has added vitamins and minerals to remedy the nutritional deficiencies of Polish children.</li> </ul>	<ul style="list-style-type: none"> <li>Launch of the Volvic-Unicef operation "1 litre for 10 litres"</li> <li>16.7 million euros committed in solidarity actions, including 6.1 millions benefiting associations in the children's sector, 1.8 million to research institutes, 1.75 million of sporting associations and 7 million for other causes</li> <li>First stages of the partnership between "Planète Urgence" and DANONE Research: 5 employees from the Daniel Carasso Research Centre spent some time on the project during their holidays.</li> </ul>	<ul style="list-style-type: none"> <li>In France, a hundred dairy breeders working for Danone France are qualified as "responsible agriculture" farmers</li> <li>Deployment of the RESPECT initiative in all the Group's subsidiaries under the responsibility of the Procurements departments. Realisation of 11 additional social audits by an independent provider</li> <li>First market place organised between Danone buyers and suppliers on the theme of innovation to exchange good practice.</li> </ul>	<ul style="list-style-type: none"> <li>Continuation of the 2000-2010 "Sober plants" programme to reduce the consumption of water, thermal energy and electrical resources</li> <li>Environmental investments: 25 million euros, an increase of over 50% compared with 2005</li> <li>48% of the Group's sites (industrial sites, company offices and research centres) are now certified ISO 14001</li> <li>Continuation of action plans for protection of underground water resources following diagnostics carried out in 2005.</li> </ul>



Undertakings and objectives: Danone’s report in triplicate

	The economy	Employees	Consumers	Local communities	Suppliers	The environment
The responses of Groupe Danone in 2007	<ul style="list-style-type: none"><li>Sales developed in the same way as in 2006, i.e. 9.7 % at perimeter and constant exchange rates</li><li>The operating margin continues to rise for the 13th year. At 13.27%, it is 3 base points up compared with the previous year, i.e. 45 base points at perimeter and constant exchange rates</li><li>Net current diluted profit per shares has increased by 1.2%</li><li>Increase of 7% per share. Danone is selected for the 9th consecutive year in the Dow Jones Sustainability Index and, for the fourth consecutive year, in the INNOVEST classification of the world's top 100 companies in terms of involvement in sustainable development.</li></ul>	<ul style="list-style-type: none"><li>40 subsidiaries have implemented the new DANONE Way Ahead initiative</li><li>Accidents at work stopping production per million hours worked dropped from 12.38 in 2003 to 6.41 at the end of 2007, i.e. a reduction of 48% This figure is based on an accounting perimeter that includes the biscuit activity until last quarter. It relates to all countries, even Asia</li><li>The Evolution programme is not an integral part of production efficiency research activities, carried out by the Fresh Dairy Products and Water units, involving supervisors and operators in particular. The Group is aware of the efforts to be made in this area</li><li>9,000 managers and directors, as well as 22,000 employees in 24 countries, took part in the 2007 version of the biennial DANONE People Survey of employees</li><li>The registered offices of the Group and DANONE France are, together, classed as the eighth Best Workplace France, of companies with over a thousand employees and who took part in Great Place to work</li><li>The shareholding initiative for all employees deferred to 2008</li><li>Despite interesting local initiatives, with three agreements signed in France, Groupe DANONE is making slow progress in integrating disabled persons. The percentage of disabled employees is stable at 1% despite a slight rise in numbers (+17)</li><li>At 31st December, in the company, i.e. the Fresh Dairy Products and Water activities, the number of female directors increased by two points (23%)</li><li>An international convention of Human Relations directors is held in South Africa, with social activities in Soweto schools.</li></ul>	<ul style="list-style-type: none"><li>Sixteen clinical studies and nineteen study reports provide evidence of research into the health benefits of ingredients. The dissemination of recommendations in terms of nutritional composition and communication is targeted, particularly for products making claims</li><li>Soktidoi, a yoghurt enriched with iron, zinc, iodine and vitamin A, designed for children, sold in Bangladesh for a price per (80g) unit of 5 bat (6 cts €)</li><li>A programme of nutritional information on packaging is underway, in line with the model proposed by the Food Producers Confederation (CIAA) in Europe. The information is given for a portion of the product and indicates the portion's contribution to the Recommended Daily Requirement in terms of energy (proteins, sugars, fats, saturated fatty acids, fibres and sodium). It appears on around 35% of DANONE products in Europe</li><li>The Groupe is committed to reducing advertising aimed at children under twelve in Europe only to products whose nutritional composition and size are suitable for children. They are selected using The Food Profiler nutritional profiling system</li><li>An international convention on probiotics was attended by over 150 international clinicians and scientists</li><li>DANONE institutes have organised an international symposium on "The factors that determine children's feeding behaviour, at the Tenth European Congress of Nutrition. They awarded the sixth International DANONE International Prize for Nutrition to Professor Jeffrey Friedman for the discovery of leptin, as well as launching a leadership training programme, aimed at French-speaking African nutritionists.</li></ul>	<ul style="list-style-type: none"><li>The Volvic-Unicef operation is expanded to other countries, such as Japan and the USA, to benefit well-digging projects in Africa (Mali, Niger and Ethiopia). In Indonesia, the "1 litre for 10 litres" programme has been developed together with the Action Contre la Faim NGO. In Mexico, a local NGO "Un kilo de ayuda" (A kilo of help) and the Bonafont brand are working together in the programme. In these two countries, profits go to local projects that provide access to drinking water.</li><li>18.9 million euros have been allocated to solidarity initiatives, with 4.1 million euros benefiting associations in the children's sector, 1.7 million to research institutes, 1.3 million to sports associations and 11.8 million to other causes.</li><li>The partnership with Planète Urgence has been expanded. Group HQ has proposed that employees go on five short-term missions in under-privileged countries, in order to support projects linked to nutrition and children. These initiatives, known as "solidarity breaks", are based on a three-way undertaking: the employee uses his skills and free time to help a solidarity mission, the company provides the training beforehand, as well as travel and mission costs. The NGO finds the missions, matches skills up with needs and looks after the volunteers in situ</li><li>The initial Social Innovation Lab involved 120 managers in Evian in July 2007. Subsidiaries affected by a common issue work regularly together to select ideas and produce operational tools.</li></ul>	<ul style="list-style-type: none"><li>Over fifty audits have been carried out since the RESPECT initiative was launched and one hundred and fifty managers have attended three interactive work sessions.</li><li>DANONE has joined the AIM-PROGRESS initiative, which is designed, together with other agro-foods companies, to limit the number of audits, by encouraging suppliers to allow all their clients access to their profiles (self-questionnaire and audit results).</li><li>For the Fresh Dairy Products and Water units, 250 suppliers have been identified as being at risk in relation to the Fundamental Company Principles and are currently being checked. A RESPECT coordinator has been appointed in each unit.</li><li>A tool to assist the economic steering of dairy operations in France has been rolled out.</li><li>Several "Innovation Days" have been attended by suppliers, buyers and R&amp;D and marketing managers from DANONE. A second marketplace has taken place to exchange ideas on innovation.</li></ul>	<ul style="list-style-type: none"><li>"The 2000-2010 "clean plants" programme is 84% complete</li><li>Environmental investments are at 15 million euros</li><li>54% of the Group's sites (production sites, company offices and research centres) are now ISO 14001 certified.</li><li>DANONE now has tools in place to measure its CO2 and water footprint.</li></ul>
2008 objectives	<ul style="list-style-type: none"><li>Organic growth of sales between 8% and 10% inclusive</li><li>Progression of the current operational result above that of the organic growth of sales, i.e. at least 30 base points</li><li>growth in net current profit per share greater than 15% in 2008 compared with the current net profit per "pro forma" share (see page X).</li></ul> <p><i>* These objectives are provisional. Although Groupe DANONE estimates that these objectives are based on reasonable hypotheses, they include uncertainties and, consequently, may differ significantly from those expected.</i></p>	<ul style="list-style-type: none"><li>The DANONE Way Ahead initiative will continue to be rolled out into the subsidiaries of the Fresh Dairy Products and Water units, with the aim of covering 90% of these two units' turnover. A pilot phase will be launched in the recently acquired sectors. An audit will be carried out on 20% of the perimeter of activities covered by DANONE Way Ahead.</li><li>Safety at work and training are integrated into managing directors' and steering committee members' targets when calculating bonuses.</li><li>The convention signed with THE IUF in June is designed to encourage diversity or cultures and people throughout the organisation, including the new activities.</li><li>The international survey of trade union representation and social dialogue will take place for the second time in the subsidiaries.</li><li>The Group has set itself a target of 4% of apprentices in the French subsidiaries, which is above the national percentage of 3.3%.</li></ul>	<ul style="list-style-type: none"><li>The Group will continue with the initiatives started in 2007 in terms of optimising recipes and researching the health benefits of ingredients and products</li><li>It will roll out the programme for framing brands making claims (Brand Nutritional Platforms programme).</li><li>The nutritional information on packaging programme will be rolled out 100%.</li><li>The commitment to restricting advertising to children to those products selected using The Food Profiler nutritional profiling system will be retained. The Group undertakes to ask an external body to monitor this and to publish the results of this audit.</li><li>DANONE will include on their agenda the organisation of an international symposium on "Digestive tract fatty acids, iron and brains in children". The context will be the Sixth World Gastroenterology, Haepatology and Paediatric Nutrition Congress.</li><li>The nutritional study in association with Soktidoi yoghurts launched in Bangladesh, will be carried out by the GAIN association.</li></ul>	<ul style="list-style-type: none"><li>"Sustainability mapping is part of the new DANONE Way Ahead approach. This is a grid that allows subsidiaries to identify, within their local context, the positions of the main stakeholders with regard to local sustainable development themes in association with DANONE business and to see if communal actions are possible.</li><li>The second Social Innovation Lab will take place in July 2008.</li><li>Training for site directors in Europe will be implemented to help them set up the international Local Communities programme.</li><li>The partnership with the "Planète Urgence" association will be reinforced</li></ul>	<ul style="list-style-type: none"><li>Within the context of AIM-PROGRESS, an initiative shared by several food companies to assess suppliers in terms of sustainable development and social responsibility, invitation to DANONE suppliers to register with a common platform (SEDEX) for all suppliers identified as at risk.</li><li>100% of suppliers identified as being at risk in 2007 under control in 2008.</li><li>Integration of infant food and clinical nutrition activities into the RESPECT initiative.</li><li>Development of an internal tool to assess the Carbon and Water footprints of DANONE products.</li><li>Development of tools that allow Sustainable Development indicators to be integrated into supplier evaluation and monitoring, particularly by using AIM-PROGRESS initiative.</li></ul>	<ul style="list-style-type: none"><li>From 2008 onwards, the Groupe proposes to achieve the targets set by the executive committee for the "clean plants" programme: 30% less water and heat energy consumption, 20% less electrical energy consumed, 10% less packaging weight and 80% of waste recycled.</li><li>New environmental targets are being set, to develop activities that manage risks, to ensure respect for the basic principles and to steer environmental performance. Innovations with triple benefits (triple win) will be encouraged.</li><li>The water and carbon footprints will be measured in all the Group's subsidiaries. The 2009-2011 reduction targets will be defined, along with the ways of achieving them.</li></ul>

## The DANONE business model

### ● Key dates prior to 2008

- 2007**
  - Creation of the Danone.communities fund
  - World Convention on Diversity signed between DANONE and the IUF
  - Transfer of Group's Biscuits and Cereal Products activities on 30th November (except for holdings in Latin America and India)
  - Takeover of Royal Numico N.V.A Group specialising in infant foods and medical nutrition, on 31st October
  - Creation of the Social Responsibility Committee in the Board of Directors.
- 2006**
  - Creation of the Grameen Danone Foods Ltd company.
- 2005**
  - Health, Nutrition, Supply Charter
  - Global policy of protecting underground water resources
  - Integration of the Basic Company Principles in conventions revisited and signed again with the IUF
  - Review of Principles for Conducting Business and creation of a system of alerts for employees.
- 2003**
  - Membership of the Global Compact of United Nations
  - DANONE a founder members of the Sustainable Agriculture Initiative .
- 2001**
  - Launch of DANONEWay
  - Formalisation of Fundamental Social Principles
  - Restructuring of Biscuits axis in Europe.
- 2000**
  - Over 70% of Group's employees outside Western Europe.
- 1999**
  - Creation of the Managers barometer, a survey of opinions allowing adhesion to the Group's strategy and values to be measured
  - Danone selected for the Dow Jones Sustainability Index.
- 1998**
  - Publication of the first annual social and environmental responsibility report
  - Support for the Ramsar international convention relating to the protection of wetlands.
- 1997**
  - Recentering on 3 divisions with high significance in terms of healthy nutrition: Fresh Dairy Products, Biscuits and Drinks
  - 1<sup>st</sup> quotation of Danone shares on Wall Street
  - DANONE no. 1 for water in China.
- 1996**
  - Appointment of Franck Riboud as CEO
  - Environmental charter
  - Principles for Conducting Business
  - Creation of Danone Conseils, consumer relations department in France.
- 1992**
  - Creation of 1st collection and recycling network for packaging, Eco-Emballage.
- 1991**
  - Creation of the first Danone Institute.
- 1985**
  - Signature of the 1st accord with the IUF, inaugurating a social dialogue within the Group.

- 1977**
  - Creation of employment antennae in charge of accompanying the restructuring of flat glass plants.
- 1972**
  - Antoine Riboud's speech in Marseilles (twin economic and social projects).

### Reference documents

- **Antoine Riboud's speech in Marseilles** (1972) constitutes the Group's cultural heritage. It was formalised in 1974 in the dual economic and social project.
- **The Fundamental Social Principles**, based on the standards defined by the International Labour Organisation, constitute the basis to be respected by all companies within the Group, subsidiaries, partners and suppliers.
- **The joint statements signed with the International Union of Food Industry Workers (IUF)** since 1985, which include the World Convention on Diversity, signed on 8<sup>th</sup> June 2007, are the reference for international trade union dialogue within the Group.
- **The environmental charter** (1996) commits the Group from the design of products to the recycling of packages to management that is more environmentally-friendly.
- **The Blédina charter for marketing preparations for infants** (2005) relates to the marketing of baby products.
- **The Principles for Conducting Business** (1997, revised in 2001 and 2005) detail the behaviour expected of managers on questions such as corruption and conflicts of interest.
- **The Group's values**, formalised in 1997: openness, enthusiasm, humanism and proximity. .
- **The Health Nutrition Food charter** (2005) formalises the Group's commitments. It is based on five strong convictions: balanced food, variety of choices, pleasure of eating or drinking, conviviality of meals and consumer information..
- **The global policy of the protection of underground water resources** (2004) commits the Group to sustainable management of its sources.

## An original company model anchored in the Group's history

In 1972, Antoine Riboud affirmed that "the company's responsibility does not stop when the threshold of the plants or offices is crossed. The jobs that it distributes condition the entire lives of individuals. Through the energy and raw materials it consumes, it affects our planet's appearance. The public are charged with the task of reminding us of our responsibilities in this industrial society." This vision was formalised in the DANONE economic and social project, which is the basis for the DANONE model and is based on one simple principle: economic performance and attention paid to people go hand in hand.

The Group has developed a very distinctive business culture that promotes reactivity, adaptation and the capacity to accelerate innovation by working in networks. Operational responsibilities are broadly decentralised. DANONE's values, "humanism, enthusiasm, openness and proximity", are the subject of very extensive internal communication and the company is now making efforts to translate them into the way individuals and groups behave.

This original way of thinking has helped the Group to develop quickly in the new markets that include Asia, Latin America, Eastern Europe, Africa and the Middle East. Cultural information, in fact, plays a vital role in terms of food. Analysing nutritional needs, tastes and eating habits are an essential part of DANONE's marketing.

Groupe DANONE directors consider that this business model is a major competitive advantage. First of all, it is a factor for collective efficiency and internal motivation. It is also an attraction factor, since employees are becoming more and more aware of this idea of a competitive and responsible company. Finally, it is a powerful lever for developing bonds of trust between the company and stakeholders.

## A gradually formalised initiative.

In order to ensure that this philosophy is disseminated throughout the company, DANONE mainly makes use of DANONE Way, a participative initiative that helps each subsidiary to integrate economic performance and social and environmental responsibility.

Over the years, the DANONE view of the company has been formalised in documents that define the Group's principles and policies: fundamental social principles, principles for conducting business, environmental charters and the Health Nutrition Food charter are some of the key documents that shape the actions of the DANONE teams throughout the world.

Dialogue with stakeholders has been structured gradually. Since the food industry is at the core of important debates within the company, the Group has tried to organise its relations with very diverse partners, from the social, public, economic, industrial and scientific sectors. This desire to dialogue, which may be seen in terms of regular meetings, written communications or collaborations with consumer and environmental protection associations, employees' trade unions, scientific institutions or public authorities, has been developed even further by means of:

- Cooperation with suppliers, clients and competitors,
  - The creation, in 2007, of multi-stakeholder task forces for the purpose of finding new solutions to specific challenges.
- Since 2004, managers in charge of social responsibility, external communication or even public affairs have started to be put into subsidiaries. The purpose of this is to set up sustainable contacts with the authorities in countries where the Group operates, not just as a reaction to crisis situations.

In addition, DANONE has:

- A Sustainable Development and Social Responsibility Department within the General Human Resources Department
- A Scientific and Regulatory Affairs Department within the General Secretariat.

# 02

## Profile, governance and management systems

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# Profile, governance and management systems

## Company profile

The information on the company's profile is available in Groupe DANONE's reference document. The references to the relevant pages are given in the GRI index published on page 26 of this report.

The 2007 technical report covers the economic, social and environmental performance of Groupe DANONE between 1st January and 31<sup>st</sup> December 2007. The published indicators and management systems described in this report:

- follow the recommendations and the framework of the Global Reporting Initiative. They provide a balanced and reasonable picture of our economic, ecological and social organisation
- correspond to the information requested by the NRE law,
- take into account the "annual company indicators" that the IUF and Groupe DANONE together compiled in September 2004.

Part of the social and environmental data published in this document has been audited by PricewaterhouseCoopers and SGS. It is the subject of a statement published on page 21.

This report, which covers the period from 1st January to 31<sup>st</sup> December 2006, was published on 26<sup>th</sup> April 2007, the date of the general meeting of shareholders.

The figures and information communicated within the context of this report are, unless stated to the contrary, are reported within a worldwide perimeter of companies controlled by Groupe DANONE (list of consolidated companies in the reference document), the reference document and economic and social report being complementary and downloadable from <http://www.danone.com>

## Governance and management systems

The information required on the governance of the company is available in Groupe DANONE reference document. As before, page references are indicated in the GRI Index published on page 24 of this report.

### Stakeholders' undertakings

The table opposite summarises the way in which Groupe DANONE works with its various stakeholders. It is not exhaustive, inasmuch as the Group does not necessarily consolidate centrally all the initiatives carried out by its various subsidiaries.

### Strategy and management systems

**3.12 Use of information resulting from stakeholders' involvement (table opposite)**

### Strategy and management systems

**3.13 To explain to what extent and how the organisation has taken on board the initiative or precaution principle.**

See PRI indicator

**3.14 Charters, principles or other voluntary initiatives of external origin, within the economic, environmental and social sectors, to which the organisation subscribes or gives its backing.**

The undertakings of Groupe DANONE, as defined in its Principles for Conducting Business, are based on a certain number of principles that refer to the following international documents:

- The Universal Declaration of human rights,
- The international conventions of the International Employment Organisation,
- The steering principles of the Organisation of Development and Economic Cooperation in the intention of multinational companies,
- The Global Compact relating to human rights, human rights to work, the protection of the environment and the fight against corruption. These undertakings are anchored in the values of Groupe DANONE and the philosophy of "Danone Way" and are applied to all employees of companies controlled by Groupe DANONE worldwide.

Groupe DANONE undertakes to promote these principles within all companies, in which they invest.

**3.15 Main memberships of professional and industrial associations and/or national or international pressure groups and bodies.**

See table opposite

**3.16 Strategies and/or management systems of up- and downstream impacts.**

The DANONE Way initiative has been implemented to respond to a management objective of our relations and our impacts with the company's stakeholders. Several initiatives and complementary initiatives within the sector of environmental policy or with suppliers also illustrate this undertaking. See HRI indicator.

**3.17 Strategy of the organisation relating to the management of the indirect economic, environmental and social impact of its activities.**

See previous paragraph.

**3.18 Main decisions taken during the considered reporting period relating to the installation of activities or the modification of sites.**

The information relating to the main decisions regarding the installations of activities or modification of sites during 2006 are available in the 2006 Reference Document of Groupe DANONE. Refer to the information given in "performance sectors" section of this report, for example, the EN6, EN7, EN14, EN33 EN34 and HR2 indicators.

**3.19 Programmes and procedures relating to economic, environmental and social performance.**

See previous paragraph.

**3.20 Certification status of management systems in the economic, environmental and social sectors.**

See the table giving the number of ISO 14001 certified sites presented in the introduction of the section relating to the environmental performance indicators (page 32).



## Stakeholders

## Method of dialogue

## Social sphere

## Employees

- Dialogue and negotiation of accords with representatives of personnel and trade union organisations at company establishments and country level
- International social dialogue within the context of the International union of Food Workers
- Regular information of employees during site meetings, information via internal journals and intranets
- Participation in the DANONE Way initiative.

## Consumers and consumer associations

- Regular meetings with consumer associations
- Product tests with consumers
- Information on nutrition via DANONE Institutes, internet sites, brand consumer departments, packaging, brochures and the DANONE et Vous magazine (in France).

## Public sphere

## Public authorities

- Regular exchanges with administrations and local councillors/MPs at Group and site level
- Regular contacts at national and European level (External Relations Department)
- Contacts with international organisations
- Membership of the United Nations' Global Compact and information from the internet site.

Social and environmental associations and NGO  
Organisations for the promotion of social responsibility

- Consultations during regular meetings at Group level (Sustainable Development and Social Responsibility Department, External Relations Department)
- Participation in CSR Europe, IMS-Entreprendre pour la cite, ORSE (Observatory of Company Responsibility in Europe)
- Compilation of the awareness-raising document with the National Council for Packaging (France)
- Collaborations with GAIN (Global Alliance for Improved Nutrition).

## Media

- Daily relations with the national or international press
- Press conferences

## Economic sphere

## Shareholders

- General meeting
- Economic and Social Report, Reference Document
- Letter to shareholders
- Meetings with institutional shareholders ("road shows")
- Participation in food industry conferences.

## Financial community and social and environmental notation agencies

- Meetings with financial and extra-financial analysts
- Meetings and responses to notation agencies questionnaires
- Requested notations
- Integration within DJSI World and STOXX Ethibel, ASPI ethical indices
- Integration in the INNOVEST list of the 100 worldwide companies most committed to sustainable development.

## Distributors

- Participation in inter-professional organisations.

## Suppliers

- Partnerships with milk producers, cooperatives and upstream producers
- Participation in inter-professional organisations
- Compilation of good agricultural practices within the Sustainable Agriculture Initiative (Groupe DANONE is one of 4 founding companies of this initiative)
- ORSE Procurement and Sustainable Development Club (France).

## Industrial and scientific sphere

## Professional organisations

- Participation in national and international inter-professional organisations (ANIA, CIAAA, GMA...).

## Scientific community

- Regular contacts between the Group and the scientific community
- Support and encouragement for nutritional research (International Danone Prize for Nutrition awarded by an independent jury invited by the DANONE Institute, participation in nutrition research programmes: SU.VI.MAX, INC, EU Childhood Obesity...)
- Collaboration between DANONE Research and independent research institutes
- Organisation of scientific colloquia, publications and debates by DANONE Research and the Danone Institute

## Explanation regarding the perimeter, method, sources, data feedback cycle and formats

### Consolidation perimeter

The perimeter used for the consolidated accounting data in the 2007 Reference Document corresponds to an obligation arising from the IFRS accounting standards. It consists of presenting 12 months of activities by the Fresh Dairy Products unit, 12 months of activities by the Water unit and 2 months of activity by Numico. This perimeter differs from that used for data relating to the environment and social aspects, which for 2007, corresponds to 12 months of activities by the Fresh Dairy Products unit, 12 months of activities by the Water unit and no months of activity by Numico. (comparative base 2005, 2006 and 2007). This rule is applicable for the 2007 Sustainability Report.

The appendix to this report contains the data relating to 12 months of activity by Numico (unconsolidated data).

The social indicators are consolidated for all Groupe DANONE subsidiaries by global integration, whatever their activities (production sites, research sites, logistics bases, administrative office).

The environmental indicators only cover the impacts of production sites. The environmental impact of the administrative offices and logistics bases is not included in the consolidation perimeter (unless, for some indicators, the logistics bases relate to the production site).

Within this perimeter, the social and environmental data are fully integrated (global data integration).

In order to take into account any disparities in data feedback, a coverage rate is calculated for each if the indicators published. For social data, this is calculated on the basis of the total workforce on the books at the end of 2006. For the environmental data, it is calculated on the basis of total annual production.

#### Perimeter variations

The perimeter variations are linked to creations, acquisitions, cessations or closures, total or partial, of sites and new subsidiaries. To maintain a perimeter that is comparable from one year to another, the following rules have been defined for company and environmental data:

- acquisition: the body's data is included in the consolidation perimeter from the first calendar year under the Group's control, except for the acquisition of Numico, on 31.10.2007)
- creation: the entity's data is integrated into the perimeter from the first calendar year of operation
- cession/closure: the entity's data is withdrawn from the perimeter of consolidation in the year of cession or closure of the entity and for subsequent years. The data from the Biscuits activities are not included in the consolidated data in this report.

### Choice of indicators

#### The choice of social indicators presented:

- corresponds to the Group's human resources policy relating to the monitoring of the workforce and social performances, in terms of the management and development of staff
- takes into account cultural specifics and local disparities (different national legislations, various legal obligations, etc.)
- takes into account the indicators fixed by convention with the IUF.

#### The choice of environmental indicators presented:

- corresponds to the environment policy and reflects establishments' progress initiatives; these indicators are relevant to the Group's activities,
- allows the Group's environmental performance in terms of its major challenges to be monitored.

### Data feedback references

In order to ensure that indicators are standardised throughout the perimeter, common references for social and environmental data feedback are deployed and updated every year following data consolidation work and comments from contributors they detail the methodologies to be used, the main methodologies, calculation formulae and standard factors.

An environmental technical guide, designed for site environment managers was published in 2007 in French, English and Spanish. It has been sent to site environment managers.

Common data collection tools are also in place to facilitate data feedback:

- Social data: a specific bundling of the Magnitude financial data feedback system allows social data to be collected from all organisations within the Group. Where necessary, a calculation sheet is made available to contributors.
- Environment data: the environmental indicators presented in this report are collected using a specific IT tool developed by the Enablon company.

These two tools systematically present the data from the previous year to facilitate data entering and its control.

### Precisions and methodological limits

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

- the absence of common definitions at national and/or international level
- the estimations required, the representativeness of measurements carried out and the limited availability of the external data required for the calculations
- methods used for the collection and entry of this information.

This is why the definitions and methodologies used for the following indicators are stated.

### Workforce

An insignificant fraction of the manager workforce is not collected within the context of data feedback. In fact, the data feedback system based at "subsidiary" level may sometimes pose a problem when capturing part of the internationally mobile workforce. In addition, long holidays, taken despite the recommendation of the Group are not applied in the same way by the various BUs.

More detailed instructions will be given in 2007 so that the internationally mobile workforce can be represented more faithfully from the first quarter of 2008 onwards.

### Consumption of raw materials

This indicator is estimated on a world scale on the basis of the consolidated information supplied by the procurement department. The monetary data is converted into tonnage through the use of mean ratios. It groups together procurements of milk, sugar, dairy products, fruits, flour, fatty materials and chocolate.

## Consumption of packaging

This indicator is also estimated on a world scale on the basis of the consolidated information supplied by the procurement department. The monetary data is converted into tonnage through the use of mean ratios. It groups together procurements of rigid and flexible plastics, cardboard, paper, PET, stoppers and films.

## Recycling rate

The recycling rate of packaging by end European consumers is calculated on the basis of national data relating to the recycling of plastics and cardboard supplied by Pro-Europe and weighted by the respective production of each country. Some countries have a recycling rate greater than 100%, since they import packaging to be recycled. This explains the excellent rate of recycling indicated.

## Waste

The feedback of data relating to waste is based on 9 separate categories of waste (glass, PET, miscellaneous plastics, paper/cardboard, wood/pallets, mixed packaging, material waste, common industrial waste and hazardous industrial waste).

It may also happen that some waste not taken into account by the categories are not reported, the relevant quantities are insignificant and the definitions of categories of waste are to be found in the IT tool developed by Enablon.

## Water consumption

The consumption of borehole water or surface water is likely to be estimated if the sites do not have counters available. The definitions and the methods of taking the various water uses into account (including spillages and water pumped/ejected into rivers), are defined in the environmental technical guide and the tool developed by Enablon.

## Frequency rate of accidents at work

The frequency rate of accidents at work is the number of accidents when work is stopped for one day or more that have occurred during a period of 12 months, reported according to a million of hours worked (Hygiene, Safety, Environment data) also cover accidents relating to interim personnel intervening on the sites.

Accidents during home-workplace journeys are not taken into account in this indicator. The perimeter relating to the health and safety indicators corresponds to Groupe DANONE safety scale, i.e. 87.3% of the total workforce recorded on 31<sup>st</sup> December 2007.

## Atmospheric CO<sub>2</sub> emissions

Direct emissions are calculated from data from the Greenhouse Gas Protocol Initiative according to emission by combustible factors. Indirect emissions from other energy sources procured externally are assessed according to emission factors specific to each site. Those from the transportation of material flows are not included in this total. The emissions of other greenhouse gases are not significant compared to those of CO<sub>2</sub>. Emissions from transporting material flows are not included in this total. Most of the data relating to energy and CO<sub>2</sub> comes from production sites, although, for some sites, indicators also include data relating to a logistics base linked to a production site.

## Waste ejected into water

The data presented correspond to effluents from internal or external processing, if no information is available regarding external processing, a purification yield of 90% is considered.

## Consolidation and internal controls

The Group Human Resources Department and the Group Environment Department within the Sustainable Development and Social Responsibility Department respectively ensure the consolidation of social and environmental data, based on the information fed back by the Group's production sites and subsidiaries.

Social data is collected subsidiary by subsidiary. In general, the reported data has come from payment systems set up in subsidiaries. An initial check is carried out by the Director of Human Resources of the subsidiary prior to consolidation.

Environmental data is collected from each production site by the environment manager. It is then checked and validated by the subsidiary's environment coordinator before consolidation.

When consolidated, coherence controls are carried out on the data by the Human Resources Department and the Group Environment Department. These controls involve comparisons with the results of the previous year and the calculation of the specific ratios to detect aberrations. Any difference deemed to be significant will be analysed.

## External controls

In order to obtain an external opinion on the reliability and robustness of the data feedback process, we have asked one of our auditors, PricewaterhouseCoopers, to carry out specific verification work on certain social and environmental indicators that appear in this report and identified with the following symbol: ♦. Their assurance report that details the work carried out and their comments and conclusions is included on page 16.

In addition, the Group has entrusted additional verification work regarding the social and environmental data feedback process to SGS within the context of its certification audits. At the Group's request, PricewaterhouseCoopers used the conclusions from the work carried out by SGS.

## Adjustments to previous data

Some errors in data feedback relating to previous financial years may be detected during the current financial year. Therefore, some data relating to subsequent financial years is adjusted, with the detected errors having a significant impact on the interpretation of results.

## **Investigation report by one of the auditors on the processes used in establishing certain social and environmental information published in the 2007 Groupe Danone technical report on sustainable development.**

Following the request made to us in our capacity as auditors to Groupe DANONE, we carried out an investigation that allowed us to express moderate assurance regarding the processes used to put in place certain social and environmental indicators published on pages 32-65 of the 2007 Groupe DANONE Sustainability Report:

- For the social section, the indicators are “Workforce on the books as of 31/12/2007”, “Number of disabled employees”, “Number of employees benefiting from training during the year”, “Average number of hours training per employee during the year”, “Frequency rate of accidents at work” and “Number of fatal accidents”.
- For the environmental section, the indicators are “Number of sites covered by ISO 14001 certification”, “Water consumption”, “Heat energy consumption”, “Electrical energy consumption”, “Total quantities of solid waste (not sludge from sewage plants)”, “Quantities of DCO after processing”, “Total greenhouse gas emissions”. These indicators are expressed both as total quantities and per tonne of finished product.

These indicators, published in the 2007 Groupe Danone Sustainability Report have been created by the “Human Resources Skill Centre” of Groupe DANONE’s “Group Environment Division” and “Sustainable Development Division” in accordance with the Group’s internal reporting references, which are available from the Group, on request.

Our mission is to express a conclusion, based on the work we have carried out.

### **Nature and extent of the works**

We have put in place the following diligences leading to a moderate assurance that the processes for putting social and environmental information in place with regard to the afore-mentioned indicators do not include any significant anomalies. A higher level of assurance would have required more extensive work.

For the afore-mentioned social and environmental indicators, our work comprised:

- Analysing the reporting procedures drawn up by Groupe DANONE, in terms of their coherence, relevance, reliability, objectivity and comprehensible character.
- At Group level, we carried out interviews with those persons responsible for creating and applying the procedures, as well as consolidating the data (“Human Resources Skills Centre” and “Group Environment Division”). Here, we used analytical procedures and used samples to check the calculation and consolidation of the data.
- We have selected a sample of production sites and Business Units: Parets, Aldaya, Tres Cantos (DANONE Spain); Lanjaron, San Hilario (Fontvella); Irapuato (DANONE Mexico); Toluca (Bonafont) and Texcoco, Volcanes (HOD Mexico). For the sites and Business Units selected, we checked the comprehension and correct application of the procedures and carried out detailed tests, based on samples, which consisted of checking calculations and linking the data to the evidence.
- For the following bodies: the offices of Blédina, Dannon US, DANONE Brazil, DANONE Belgium and the sites at Villefranche-sur-Saône, Brive-la-Gaillarde, Steenvoorde for Blédina, Minster for Dannon US, Pocos de Caldas for DANONE Brazil and Rotselaar for DANONE Belgium, we have based our findings on the work of an office of independent experts, mandated by Groupe DANONE. In this instance, together with this office, we have written an audit procedures manual and reviewed their work and conclusions.

To assist us in our tasks, we have used the expertise of our Sustainable Development department.



### Information on applied methodologies

The Group provides additional information about the methods used to compile these indicators and their limits in chapter 2.3 and the “Methodology” tab of the “Indicator” pages of the Sustainable Development report.

Furthermore, the Methodology memo provides information about the coherence control implemented by par GROUPE DANONE and the improvements envisaged.

### Conclusion

For the indicators relating to training (“Number of disabled employees” and “Number of employees benefiting from training during the year”), we have found that the data reported by the various Business Units are heterogeneous and unreliable, both in regard to the number of hours of training and the exact number of people trained.


Based on our work and given the above reservation, we have found no other significant anomalies to indicate that the social and environmental indicators identified in the first paragraph have been compiled, in their significant aspects, according to the internal reporting references applicable in 2007 within Groupe DANONE.

Drawn up at Neuilly-sur-Seine, 10<sup>th</sup> April 2008

PricewaterhouseCoopers Audit

Olivier Lotz  
Associate  
Auditor

Sylvain Lambert  
Associate  
Sustainable Development Department

PRICEWATERHOUSECOOPERS 



03

DANONE Way Ahead



## DANONE Way: a company initiative to confirm our undertakings

### Why a new initiative?

In 2001, DANONE launched DANONE Way as a self-assessment initiative that allowed teams worldwide to share and implement the company's vision, particularly in the areas of social and environmental responsibility. At the end of 2006, DANONE Way had been rolled out into 94% of the group's subsidiaries and 700 progress initiatives were in place.

In 2007, initiatives such as Grameen-DANONE in Bangladesh and the creation of the danone.communities funds have opened up new avenues in relation to the Group's mission to bring health to the greatest number of people, through food.

These initiatives bring together 3 criteria: they contribute to economic activity, help local communities to develop and involve the company's employees.

The DANONE Way Ahead initiative is designed to support this new ambition and take on board all the work realised since 2001.

### The two pillars of DANONE Way Ahead

To consolidate the foundations of sustainable development, based on demanding criteria and to accelerate company innovation by contributing to the differentiation of the company: these are DANONE Way Ahead's two main objectives.

The first pillar, DANONE Way Fundamentals, is based on the self-assessment system put in place within the context of the initial initiative, although four major changes have been made:

#### Four major changes

- Self-assessment is simplified around 16 fundamental principles
- A system of indicators allows results to be measured in concrete terms
- This is a management tool to be used by the subsidiary's steering committees
- The tool is integrated into the company's internal audit system.

The assessment covers the 5 areas of sustainable development and company responsibility: human rights, human relations, the environment, consumers and governance (including relations with external partners).

Having completed this assessment, each steering committee defines the progress plans, based on the objectives confirmed by the Group.

This assessment relates to demanding fundamental principles, which embodies the Group's desire to apply the same standards worldwide, whatever the subsidiary's size. Each unit, therefore, must achieve maximum compliance within a certain time period.

To assess this work, some of the DANONE Way Fundamentals have been taken into consideration in the new remuneration plan for managing directors, as their annual bonus now includes a social and an environmental part.

The second DANONE Way Ahead pillar is dedicated to company innovation. It is a decision-making tool so that each subsidiary can identify one or more sustainable development projects with three objectives:

- Developing company activity,
- Developing local communities,
- Engaging employees through direct participation in the project.

Local experimentation is preferred to global initiatives, but it must remain within the major issues that are common to the Group.

The aim is to test new business approaches, whilst maximising social and environmental benefits and retaining the economic performance required for any project to be sustainable.

### The pillar dedicated to fundamental principles

#### The method

The 16 fundamental principles are organised into five chapters. These principles are evaluated against policies, with four levels of progression, with results also being assessed using around fifty indicators.

By consolidating the evaluation of both policies and indicators, each subsidiary can obtain a total number of points, which, in turn, determines the number of stars for each subsidiary. This number may be between no and five stars, according to the demanding chart below:

#### DANONE Way Fundamental Principles Star Chart

- At least 900 points for 5 stars
- At least 800 points for 4 stars
- At least 700 points for 3 stars
- At least 600 points for 2 stars
- At least 500 points for 1 star
- Fewer than 500 points, no stars awarded


Like its predecessor, DANONE Way Ahead is still based on a principle of progress. Each steering committee sets objectives that the Group confirms for the year and the next three years within the context of its strategic plan. The five stars must be achieved as quickly as possible.

Below are the definitions of the five themes, with their fundamental principles illustrated by some examples of the processes involved in the four levels of policies:

<b>Human Rights</b> , which ensure respect for universal social principles	<b>3 fundamental principles,</b> <ul style="list-style-type: none"> <li>• The absence of forced labour and child labour,</li> <li>• The diversity of people working for DANONE,</li> <li>• Safety at work.</li> </ul> Example: with regard to safety at work, the subsidiary must have taken on board the Wise safe behaviour initiative.
<b>Human Relations</b> , which bring the double social and economic project directly to the attention of employees	<b>4 fundamental principles,</b> <ul style="list-style-type: none"> <li>• social dialogue,</li> <li>• work time</li> <li>• employees and social benefits</li> <li>• the development of all employees</li> </ul> Example: with regard to the training and development of all employees, a training plan must be created and tracked.
<b>The environment</b> allows environmental protection to be included in operations and the supply chain	<b>4 fundamental principles,</b> <ul style="list-style-type: none"> <li>• Resources dedicated to this issue</li> <li>• An audit of environmental risks</li> <li>• Secure supply of raw materials</li> <li>• A reduction in the impact of packaging</li> </ul> Example: production sites must have rolled out the GREEN environmental tool that allows industrial environmental risks to be managed.
<b>Consumers:</b> The aim of this theme is to position the company closer to consumer expectations.	<b>2 fundamental principles,</b> <ul style="list-style-type: none"> <li>• Product quality</li> <li>• Nutrition / health policies</li> </ul> Example: the Group's nutrition and health charter must be put in place (in terms of consumer information, advertising, etc)
<b>Governance and relations with external partners</b> define the context and the ways of conducting business.	<b>3 fundamental principles,</b> <ul style="list-style-type: none"> <li>• Business ethics policies</li> <li>• Suppliers' respect of the principles of social responsibility</li> <li>• Relations with local players</li> </ul> Example: the subsidiary must have identified all its local players and lead initiatives that help its partners develop.

The steering committee needs to be heavily involved in leading the initiative. The various levels of the company, therefore, take part in the three stages below:

- Shared evaluation of the policy levels and consolidation of indicators. This stage is usually coordinated by the human Resources director, assisted by internal experts and involving the subsidiary's Internal Audit department
- Setting progress objectives that are submitted by the managing director, for validation by the Group
- Definition of action plans and implementation by each level. This stage involves a larger number of employees.

The social and environmental indicators that form part of the fundamental DANONEWay indicators are identified in this report by the following symbol: 

## The main results

DANONE Way forms an integral part of the Group's culture, so that DANONE Way Ahead was able to be quickly disseminated to all its subsidiaries.

Deployment was centred on Water and Fresh Dairy Products in 2007, whereas 2008 will see baby foods and clinical nutrition coming on board.

40 subsidiaries, representing 84% of the Group's sales in these two areas, have moved to self-assessment worldwide, in Asia, America, Eastern Europe, Western Europe and the countries of the Maghreb.

50% of the subsidiaries carrying out this new evaluation, representing almost 60% of the sales of the two units, have obtained between three and five stars.

We insist on a particularly high level of adherence to these fundamental principles, which Groupe DANONE has voluntarily created in certain areas. In addition, the system of granting stars is very strict.

Being aware of this level of requirement, the subsidiaries have been very ambitious when carrying out this self-assessment.

Finally, in order to define a tool that is in line with the latest evolutions, several current deployment policies have been included in the fundamental principles.

In decreasing order, the five themes are classified as follows, on a scale from 0 to 2000 points:

## 5 themes classified on a scale of 0 to 2000 points

1. Human rights with 1900 points
2. Human relations with 1800 points
3. Governance and relations with external partners with 1650 points
4. Consumer relations with 1600 points
5. The environment with 1150 points

Therefore, the environment is the theme with the largest margin for progression. Fully aware of the challenges within this sector, the Group is accelerating its initiatives and putting steering measures in place.

## The main results per theme are as follows:

<b>Human Rights</b>	The foundations are solid and the initiative of progress in terms of safety and work environment is properly in place. Groupe DANONE is committed to increasing its efforts in terms of diversity.
<b>Human Relations</b>	The same solid foundations are in place in all countries in terms of social relations and employee policies. The acceleration will relate to all employees' development. The question of working times is closely linked to local environment is also an area of progress.
<b>The environment</b>	Steering tools are currently being deployed. Reducing the impact of packaging is integrated into several projects. Partnerships are sought for processing packaging, but local subsidiaries are not always ready for recycling.
<b>Consumers</b>	The fundamental principles in terms of product quality are well-established. The Group has defined a very high level of excellence in terms of nutrition / health policy. The various tools are currently being deployed.
<b>Governance and relations with external partners</b>	Business ethics policies are in place, but rolling out the suppliers' social responsibility evaluation initiative has been more problematic than previously thought. Initiatives in favour of local communities are in place.

Since this initiative is new, the Group currently has nothing to compare it with. More details will be available in 2008.

## Adjusting the DANONE Way audit system

After start-up, the DANONE Way initiative was subject to an external audit.

Following the launch of the new approach this year, the audit system was reviewed and two tests have been carried out. Future audit methodologies will include a check on how policies are evaluated and indicators calculated.

In 2007, PricewaterhouseCoopers issued an opinion about certain social and environmental indicators, which are included in DANONE Way fundamental principles.

To form this opinion, PricewaterhouseCoopers Audit reviewed 19 DANONE sites and checked the Group's consolidation process. This opinion is published in this report.

## The pillar dedicated to social innovation

The new initiative allows the challenges of sustainable development to be mapped in relation to local business. This cartography means that the local environment can be better understood and possible projects identified.

The working methods regarding company innovation are left for each subsidiary to be assessed. However, a dedicated and transverse working group is also recommended, if this process is to be completed successfully.

The cartography involves three stages:

- A stage of documentation and analysis of the various local players and their respective concerns
- The prioritisation of these concerns for each key partner
- Actions already undertaken by the subsidiary to respond to these expectations

The projects are centred on six priority themes proposed by the Group, involving the naturalness of ingredients, water protection, global warming (CO<sub>2</sub> emissions), managing packaging, nutrition/health, local communities, governance and ethics. However, one or more local themes may be added.

To date, 43 company innovation projects have been registered. These are currently being put into rank order and some are being implemented.

The participation and commitment of all employees must form an integral part of any company innovation project. On this point, DANONE has launched several experiments or labs, including those based around nutrition and health at work. Through them, any employee can become a preferred partner of the group's mission.

To support the innovation initiative, 150 of the Group's staff took part in the first company innovation laboratory, which allows them to share existing good practice and set up exchanges with NGOs, which also take part in these days.

## Future prospects

As a priority, 2008 will be dedicated to extending the method and acceleration company innovation.

Creating networks and good practices to breathe life into the two DANONE Way Ahead pillars will be an essential part of ensuring the initiative continues.

On this basis, typical action plans may be proposed for subsidiaries joining the Group so that they can quickly achieve five stars, which is synonymous with perfect compliance. Facilitating exchanges will bring ideas for launching a local company innovation project.

### The four objectives relating to the new DANONE Way Ahead approach are:

- To refine the evaluation tool for the fundamental principles. A few adjustments are necessary before it can be rolled out to the subsidiaries that have come on board as the result of acquiring Numico. The methods of applying the initiative to the "commercial" subsidiaries and new bodies must be defined and the consolidation of indicators facilitated.
- To extend DANONE Way Ahead to existing subsidiaries, to cover 90% of Water and Fresh Dairy Product sales, to complete a minimum of two tests within Infant Food and one evaluation in Medical Nutrition
- To roll out the new audit system with KPMG
- To promote the creation of networks, based on company innovation, by launching an intranet site, dedicated to exchanging good practice. The experiment of a company innovation laboratory will also be revisited with more people participating.



04

GRI content index



# GRI content index

		Report page	Perimeter	SDR page
<b>1. VISION AND STRATEGY</b>				
1.1	Declaration regarding the vision and strategy of the organisation relating to its contribution to sustainable development	2	F	
1.2	Declaration by the CEO (or equivalent director) describing the main elements of the report	1	F	
<b>2. PROFILE</b>				
2.1	Name of organisation compiling the report	16	F	13
2.2	Main products and/or services with mention for bands where necessary		F	17
2.3	Operational structure of the organisation		F	28-30 122-128
2.4	Description of main divisions, operational bodies, subsidiaries and joint-ventures		F	22-27; 28-30
2.5	Countries in which the organisation is located		F	28-30 122-128
2.6	Structure of capital and legal format		F	13; 73-74
2.7	Nature of sectors in which it operates		F	22-27
2.8	Nature and size of organisation		F	4; 13-15
2.9	List of stakeholders, with description of main characteristics of each and their relation with the organisation	9; 16-17	F	
2.10	Person(s) to be contacted about any questions relating to the report, particularly e-mail address and website	4 <sup>th</sup> cover	F	
2.11	Period under consideration (financial year; calendar year) for information supplied	16	F	
2.12	Date of last published report, if applicable	16	F	
2.13	Perimeter of report (countries/regions, products/services, divisions/sites/joint-ventures/subsidiaries) as well as any restitution specific to the field of study	16; 18-19	F	
2.14	Major changes in size, structure, structure of capital, or products/services since the last report		F	14-15
2.15	Principles adopted for the communication of information relating to joint-ventures	NR	P	
2.16	Nature and consequences of all reformulations of information communicated in previous reports	18	F	90
<b>Report profile</b>				
2.17	Decisions not to respect GRI principles or protocols when compiling the report	NR	F	
2.18	Criteria/definitions employed for any accounting of costs and economic, environmental and social benefits		P	
2.19	Significant changes, comparing to previous years, in the measurement methods applied to key economic, environmental and social information		F	
2.20	Internal methods designed to improve and check the precision, comprehensiveness and reliability of information	18-21	F	
2.21	Current rules and methods relating to the complete verification of the report by an independent provider	16; 18-19	P	
2.22	Means made available to users of the report to obtain additional information	4 <sup>th</sup> cover	F	
<b>3. GOVERNANCE AND MANAGEMENT SYSTEMS</b>				
3.1	Governance of the organisation		F	48-50; 56-63;
3.2	Proposal of independent unremunerated directors within the board of directors		NR	
3.3	Process for determining the needs of members of the committee of experts to guide the strategic orientations of the organisation, particularly in terms of environmental and social opportunities and risks	3	F	58
3.4	Process allowing, at board level, the supervision of the identification and management by the organisation of environmental and social opportunities and risks	3	F	56-59
3.5	Links between the remuneration of executives and the realisation of the organisation's financial and non-financial objectives		P	51-52
3.6	Governance and main managers for the supervision, implementation and verification of economic, environmental, social and connected orientations		F	48-50; 56-63;
3.7	Mission and prohibited values, codes of conduct and principles drawn up internally	14-15	F	
3.8	Mechanisms allowing shareholders to make recommendations and send instructions to the board		NR	
<b>Stakeholders' undertaking</b>				
3.9	Principle of identifying and selecting the mains stakeholders	8-9; 17	F	
3.10	Stakeholder consultation initiatives, frequencies of these consultations by type and by group of stakeholders	15-17	P	
3.11	Type of information generated by consulting stakeholders	8-9; 17	P	
3.12	Use of information resulting from the involvement of stakeholders	10-13; 17	P	
<b>Strategy and management systems</b>				
3.13	Explaining to what extent and how the organisation has adopted the initiative or principle of precaution	16	NR	
3.14	Charters, principles or other voluntary initiatives of external origin	16	F	
3.15	Main memberships of professional and industrial associations	16	F	
3.16	Strategies and/or systems of management of upstream and downstream impacts	16	F	
3.17	Organisation's strategy relating to economic, environmental and social performance	16	F	
3.18	Main decisions taken during the relevant reporting period relating to the implementation of activities or the modification of sites	16	F	15-16; 31
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3.20	Certification status of management systems within the economic, environmental and social sectors.	16	F	

		Report page	Perimeter	SDR page
<b>GRI INDEX</b>				
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EC2	Geographic distribution of markets	28	F	35
EC3	Cost of all merchandise, raw materials and services procured	28	F	
EC4	Percentage of contracts honoured under agreed conditions, excluding foreseen penalties	28	NR	
EC5	Total salaries and paid provisions	28	F	66
EC6	Payments to suppliers of capitals, broken down into interest on debts and borrowings and dividends	28	F	39-41
EC7	Increase/reduction of profits not distributed at the end of the period	28	F	135
EC8	Total taxes of all types paid per country	28	F	116-117
EC9	Subventions received by country or region	28	NR	
EC10	Donations to collective bodies, civil companies and other groups in cash or in kind	28	F	
EC11	Distribution of supplies by company and country	28	NR	
EC12	Total invested in the development of infrastructures outside the organisation's central activities	28	NR	
EC13	Indirect economic impacts of the company		NR	
EN1	Total consumption of raw materials (other than water) by type	31	P	
EN2	Percentage of materials consumed that are waste (recycled or not)	31	NR	
EN3	Direct consumption of energy, broken down by primary source	31	P	133
EN4	Indirect consumption of energy	31	P	
EN5	Total consumption of water	32	P	133
EN6	Location and surface area of land held, leased or managed in habitats rich in biodiversity	33	F	
EN7	Description of the main impacts on biodiversity of activities and/or products and services of the organisation	34	F	
EN8	Greenhouse gas emissions	36	P	133
EN9	Use and emission of substances that harm the ozone layer	37	P	
EN10	Emission of NOx, SOx and other significant atmospheric pollutants, per type	37	P	133
EN11	Total quantity of waste by type and by destination	37	P	
EN12	Significant waste in water, by type	37	P	133
EN13	Significant accidental leakage from chemical products, oils, and carburant	37	F	133
EN14	Significant environmental impacts of the main products and services	39	F	
EN15	Percentage of the mass of products sold recoverable at the end of the useful life	41	F	
EN16	Instances and penalties for the non-respect of all international declarations, conventions and treaties	41	NR	
EN17	Initiatives to exploit renewable energy sources and improving energy yield	31	P	
EN18	Energy consumption imprint (i.e. energy needs updated during the life cycle) of the main products	31	P	
EN19	Other indirect consumers of energy (upstream/downstream) and implications, such as business travel, management of the product lifecycle and use of materials with high energy intensity.	32	NR	
EN20	Sources of water supply and connected ecosystems/habitats greatly affected by water consumption	33	P	
EN21	Annual removal of water from the surface water table, as a percentage of the annual renewable quantity available from the sources of supply	33	F	
EN22	Total volume of recycled and reused water	33	F	
EN23	Total surface area of land held, leased or managed for production or extraction activities	34	F	
EN24	Total surface area of impermeable lands as a percentage of lands purchased or leased	34	NR	
EN25	Impacts of activities on protected or sensitive zones	34	F	
EN26	Modifications of natural habitats due to activities and percentage of protected or restored lands	34	NR	
EN27	Objectives, programmes and forecasts for the protection and restoration of ecosystems and indigenous species in the zones affected by the activities	34	P	
EN28	Number of threatened species appearing in the UICN red list and whose habitats are located within areas affected by the activities	36	NR	
EN29	Units of production exercising or providing activities within or around protected or sensitive zones	36	P	
EN30	Other indirect emissions relating to greenhouse gases	37	P	
EN31	Production, transportation or exportation of any waste deemed to be "dangerous" according to the Basle Convention, Appendices I, II, III and VII	37	NR	
EN32	Sources of water supply and connected ecosystems/habitats significantly affected by waste and runoffs	38	NR	

# GRI content index

		Report page	Perimeter	SDR page
EN33	Performance of suppliers with regard to the environmental aspects of programmes and procedures described in the "Governance and management systems section" (point 3.1.6)	38	F	10
EN34	Significant environmental impacts of methods of transport used for logistical purposes	41	F	
EN35	Total environmental costs per type	41	F	
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LA2	Net creation of jobs and mean rate of renewal of personnel per region/country	43	F	
LA3	Percentage of employees represented by independent trade union organisations	44	P	
LA4	Regulation of information consultation and negotiation procedures with personnel relating to modifications of changes and organisation (for example restructuring)	44	F	49-50
LA5	Methods of accounting and declaration of accidents at work and professional illnesses	44	P	
LA6	Description of partner commissions officially charged with health and safety questions, including representatives of directors and personnel; proportion of personnel covered by any commission of this type	44	P	
LA7	Classic accidents at work, working days lost and rates of absenteeism as well as number of fatal accidents (including subcontractor personnel)	45	F	66
LA8	Description of the policy and programmes (in the workplace and not including HIV/AIDS)	45	P	
LA9	Mean number of hours' training per year and per employee, per category of employee	45	P	
LA10	Description of the equal opportunities, monitoring systems policy or programmes	46	F	67
LA11	Composition of the general directorate and directing elements in the organisations (including the Board of Directors), with male/female proportion and other indicators of diversity adapted to cultural differences	48	P	
LA12	Provisions accorded to employees in addition to legal obligations	43	P	
LA13	Official representation of employees when the decision is taken or management, including in terms of governance of the company	44	NR	
LA14	Proof of the substantial respect of the Steering Principles (of OIT) relating to management systems or safety and health at work	45	F	
LA15	Description of official agreements, signed with trade union organisations or other legitimate representatives of personnel in terms of health and safety at work; proportion of personnel covered by any agreement of this type	45	P	
LA16	Description of programmes designed to ensure the continuous employability of personnel and managing ends of careers.	45	F	
LA17	Policy and specific programmes of management of skills or continuous training	46	F	
HR1	Description of strategies, guidelines, structures and procedures designed to manage the aspects of the organisation's activities relating to human rights, with mention of the monitoring mechanisms and their results	49	F	
HR2	Proof of the recognition of impacts in terms of human rights in the investment and procurement decisions, including the selection of suppliers/subcontractors	49	F	
HR3	Description of the rules and procedures for evaluating and processing performance relating to human rights in each supply chain and with subcontractors	52	F	
HR4	Description of the general policy and procedures/programmes aimed at avoiding any forms of discrimination in activities, with mention of monitoring systems and their results	53	F	
HR5	Description of the policy with regard to trade union freedom stating to what extent this policy is universally applied independently of the local legislation	54	F	
HR6	Description of the policy of excluding children from work by virtue of Convention 138 of the OIT and the extent to which this policy is published and publicly applied	54	F	
HR7	Description of the policy designed to prohibited forced labour and the extent to which this policy is published and publicly applied	54	F	
HR8	Training of personnel in the rules and practices relating to human rights within the organisation's activities	53	F	
HR9	Description of appeal procedures, particularly in relation to human rights		NR	
HR10	Description of the policy of non-reprisals and an effective confidential system of expression of grievances by personnel (particularly, but not exclusively, incidence in terms of human rights)		NR	
HR11	Training of personnel in safety and human rights		NR	
HR12	Description of the policy, guidelines and procedures designed to recognise the needs of native populations		NR	
HR13	Description of mechanisms/ procedures to deal with expressions of grievances by collective bodies		NR	
HR14	Share of operating revenue from zone of activities redistributed to local collective bodies		P	



		Report page	Perimeter	SDR page
SO1	Description of the policy for managing impacts of collective bodies in zones affected by the activities	55	F	67
SO2	Description of the policy, procedures/management systems and control mechanisms of organisations and employees with regard to corruption	56	F	60
SO3	Description of the policy, procedures/management systems and control mechanisms of organisations and employees with regard to policy lobbying and the financing of political parties	56	F	
SO4	Distinctions received in recognition of social, ethical and environmental performance	56	P	
SO5	Total of sums paid to political parties or institutions whose first concern is to finance political parties or their candidates	57	F	
SO6	Legal judgements relating to infringements of anti-trust and monopoly regulations	57	F	
SO7	Description of the policy, procedures/management systems and control mechanisms designed to avoid anti-competitive behaviour	57	F	
PR1	Description of the policy designed to preserve the health and safety of consumers using the organisation's products and services	57	F	7-8
PR2	Description of the policy, procedures/management systems and control mechanisms with regard to the consumer about the product and labelling of products	59	F	
PR3	Description of the policy, procedures/management systems and control mechanisms designed to ensure respect of the consumer's private life	63	F	
PR4	Number and nature of cases of non-respect of regulations in terms of the health and safety of consumers penalties and fines incurred for these infringements	58	NR	
PR5	Number of complaints filed by official courts regarding the supervision or regulation of products and services in terms of health and safety	58	NR	
PR6	Respect for voluntary codes; labels or distinctions granted to the organisation with regard to social and/or environmental responsibility	58	P	
PR7	Number and nature of cases of non-respect of regulations in terms of consumer information regarding the product and labelling of the products; penalties and fines incurred fro these infringements	62	NR	
PR8	Description of the policy, procedures/management systems and control mechanisms relating to client satisfaction; results of satisfaction surveys	62	NR	
PR9	Description of the policy, procedures/management systems and control mechanisms designed to respect the standards and voluntary codes in terms of publicity	63	F	
PR10	Number and nature of infringements of regulations in terms of publicity and marketing	63	NR	
PR11	Number of complaints made regarding incursions into consumers' private lives	63	NR	

#### Legends

- SSR : Reference document (equivalent of 20 F in English)  
 F : fully reported (within the perimeter of companies controlled by Groupe DANONE)  
 P : partially reported  
 NR : not reported

Additional information may be obtained from [www.danone.com](http://www.danone.com)

# 05

## Performance indicators

<b>Economic performance indicators</b>	<b>30</b>
<b>Environmental performance indicators</b>	<b>32</b>
<b>Social performance indicators</b>	<b>44</b>
<b>Numico Appendix</b>	<b>68</b>

## Economic performance indicators

More detailed information regarding the economic performance of Groupe DANONE is available in the Group's 2007 reference document.

### EC1 Net turnover

The net turnover of Groupe DANONE for 2007 was 12,776 million euros, with a net result of 4.3 billion euros.

### EC2 Geographic distribution of markets

57.7% of the group's turnover comes from Europe (compared with 56.5% in 2006), 12.1% from Asia (18.3% in 2005), 12.1% from Asia (18.3% in 2006) and 26.7% from the rest of the world (compared with 25.2% in 2006).

### EC3 Cost of merchandise, raw materials and services procured

In 2007, the total of procurements represented a cost of 7,402 million euros, including:

- 726 million euros of industrial investments, broken down as follows: 44% in Europe, 17% in Asia, 36% in the rest of the world and 3% at Group Danone's registered offices
- 4,905 million euros of procurements of raw materials and energy
- 1,584 million euros of procurements of non-logistical services (publicity and promotions represent 21% of the total amount of procurements).

### EC4 Percentage of contracts honoured under the agreed conditions, excluding foreseen penalties

This indicator is not monitored within Groupe DANONE.

### EC5 Total of salaries and provisions paid (salaries, pensions, other non-salary benefits and dismissal indemnities) broken down according to country or region

The total of salaries or provisions paid out in salaries, pensions, other non-salary benefits and dismissal indemnities by Groupe DANONE in 2007 represented 1,612 million euros (1,437 million in 2006), not including the Biscuit and Cereal activities.

In addition, 106 million euros have been paid out to employees by way of investments and contributions in 2007 (104 million euros in 2006).

### EC6 Payments to suppliers of capital, broken down according to interest on debt and borrowings and dividends on all types of shares, with mention of any arrears from priority dividends

152 million euros (39 million euros in 2006) were in 2007 by way of net financial interest paid and cashed.

622 million euros (489 in 2005), representing dividends paid to shareholders in 2007. In addition, the repurchase of own shares represented a total of 508 million euros in 2007 (731 million euros in 2006).

### EC7 Increase/reduction in profits not distributed at the period end

See 2007 reference document.

### EC8 Total taxes of all types paid by country

The amount of taxes on profits paid in 2007 by Groupe DANONE represented a total of 369 million euros (369 in 2006).

### EC9 Subsidies received by country or region

This indicator is not used in Groupe DANONE.

### EC10 Donations to collective bodies, civil companies and other groups, in money or in kind, per type of group

Danone donated 18.9 million euros in 2007 (2.2 million euros more than 2006) to solidarity operations principally with regard to sport and children's aid. This sum is broken down as follows:

- 4.1 million for associations in the children's sector
- 1.7 million for research institutes
- 1.3 million for sporting associations
- 11.88 million for other causes (charity organisations, hospitals...).

### EC11 Distribution of suppliers by company and country

This indicator is not used in Groupe DANONE.

### EC12 Total invested in the development of infrastructures outside the organisation's central activities

This indicator is not used in Groupe DANONE.

### EC13 Indirect economic impacts of the company

This indicator is not used in Groupe DANONE.





## Environmental performance indicators

Groupe DANONE has made the protection of the environment a distinctive element in its reputation. To achieve this, it has made some significant commitments since 1996 by signing a Charter for the Environment and setting target figures for all its subsidiaries, each of which defines the Group's policy and objectives proactively whilst taking its own environment into account.

The Group has defined the following priorities:

- Managing the environmental risks of sites and reducing water and energy consumption
- Reducing the environmental impact of packaging
- Protecting water resources

Precise objectives for the environment have been set by the Group's Executive Committee in 2001:

- Compliance of sites with regulations and controlling risks
- Reduction of water and energy consumption between now and 2010
- Progressive generalisation of ISO 14001 certification.

A network of environment correspondents within the Group's various subsidiaries mean that these objectives are monitored and implemented.

### Summary of data relating to DANONE's environmental policy: challenges, objectives, implementation and tracking methods.

Challenges	Objectives	Resources/Tools	Indicators
Managing risks and reducing the environmental impacts of plants	Regulatory compliance and controlling risks	<ul style="list-style-type: none"> <li>• Audits</li> <li>• Monitoring of regulations</li> <li>• Action plans</li> <li>• Investments</li> <li>• Budgetary review</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation using DANONE ERM methodology: annual GREEN evaluation based on 17 criteria.</li> <li>• Investments in environment</li> </ul>
Include management of the industrial environment in a dynamic of continuous improvement	ISO 14001 certification of plants	<ul style="list-style-type: none"> <li>• Training</li> <li>• Environment network</li> <li>• Sharing good practice</li> <li>• Setting up Enablon reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Number of plants launching certification</li> <li>• Number of certified plants</li> </ul>

From 2007 onwards, Groupe DANONE is committed to a new stage in the protection of the environment, which is based on three axes:

- A systematic review of our fundamental principles: to be more economical and develop our activities that manage our risks
- Measuring and piloting the environmental performance:
  - of packaging (recyclability of materials, reduction in the weight of packaging cf pack ratio), - agriculture (DQSE)
  - Carbon & Water footprint.
- Differentiation due to Triple win projects, development of activities that allow risks to be managed, fundamental principles to be respected and environmental performance to be piloted.

The verification of the management of environmental risks on production sites, as well as the regulatory compliances was initially managed by means of specific audits. A specific initiative (GREEN) rolled out to all sites. It covers all the fundamental risks facing the Group.

#### The Group has constructed its environmental policy around international reference ISO 14001

Several guides and tools created around this standard allowing production sites to move towards certification. Therefore, of the 1139 production sites that are part of the Group's global integration perimeter, 79 had been certified by the end of 2007.

#### Number of ISO 14001 certified sites ♦

	2007	2006	2005
Total number of sites	139	148	158
Total number of ISO 14001 certified sites	79	77	65

NB : The coverage rate of the environmental indicators is 92%, except for those that are presented in ENI, those relating to the recyclability and recycling of packaging and those relating to the total number of sites, for which the coverage rate is 100%.

#### Evolution of activity (organic growth + coverage rate)

	2007	2006	2005
Total production (in thousands of tonnes)	22 254	17 632	17 155

#### The continuous improvement initiative is supported by the Group's initiatives

In 2007, investments in terms of environmental protection were worth 15 million euros, i.e. around 2.1% of the Group's total industrial investments (compared with 24 million in 2006, and 13 million in 2005). In order of significance, these investments relate to waste, air, water and energy.

Operating expenses were around 36 million euros in 2007 (compared with around 34 million euros in 2006, and 26 million euros in 2005). In order of significance, they include waste management, water and taxes, other than contributions relating to packages.

## Danone's policy on water and energy savings and greenhouse gases reductions.

Challenges	Objectives	Methods/Tools	Indicators
To reduce energy and water consumption	30% reduction in terms of water and heat energy ratios per tonne of product (2000-2010)	Energy diagnostics Setting up consumption benchmarks and production site benchmarks	Results of physical indicators
To tackle the greenhouse effect	20% reduction in terms of the total energy ration per tonne of product (2000-2010)  Reduction and recycling of waste	Water and energy saving guide Construction of carbon/water footprint indicator for Groupe Danone (2007)  Internal benchmark for results and exchanging experiences	Ratios: Water m <sup>3</sup> /tonne Energy kW/tonne Waste kg/tonne % recycling Pack ratio kg packaging/kg product

## Raw materials

### EN1 Total consumption of raw materials (other than water) by type

Total consumption of raw materials over 3 years compared with annual production (in thousands of tonnes).

Performance indicators	2007	2006	2005
Agricultural raw materials (thousands of tonnes)	6 218	5 834	5 395
Consumption of primary and secondary packaging (not reused bottles and demijohns) in thousands of tonnes	582	643	644

### EN2 Percentage of materials consumed that are waste (whether recycled or not)

DANONE does not consolidate this data at Group level. Nevertheless, the majority of secondary packaging, i.e. packaging that does not come into contact with the consumed product, is made from cardboard or recycled paper.

## Energy

The "Clean plants" programme launched in 1995 has already allowed reductions to be made in terms of water and energy consumption by plants, the production of waste to be limited and waste to be recycled optimally. The results of this programme based on an initiative of continuous improvement, are measured by specific indicators.

### EN3 Direct consumption of energy, broken down by primary source

Performance indicators (in MWh)	2007	2006	2005
Natural gas	1 192 595	1 110 679	879 650
Heavy fuel	281 521	312 874	360 607
Domestic fuel	114 327	83 756	81 876
Butane/propane	78 365	50 082	45 221
Coal	108 298	97 265	127 154
Other sources	4 279	3 036	1 902
Thermal energy consumption	1 912 410	1 798 464	1 713 347

### EN4 Indirect consumption of energy ♦

Consumption in MWh	2007	2006	2005
Steam (bought)	133 025	140 772	216 937
Electricity consumption	1 613 825	1 514 515	1 410 992

Total consumption of energy (in MWh)

	2007	2006	2005
Total consumption of energy	3 526 234	3 312 979	3 124 339

It should be noted that the table of data relating to total energy consumption takes into account the direct consumption of energy given in the EN3 indicator table as well as the indirect consumption of energy in the first table for the EN4 indicator.

### EN17 Initiative for using renewable energy sources and improving the energy yield

There are two sources of energy required for activities on the Group's sites: the electricity used to power the production equipment and domestic electricity for installations and buildings (lighting and heating).

Activities are progressively developing regarding the use of renewable energies within the context of domestic use (e.g. solar panels for lighting at Stoneyfield and the mechanisation of EVIAN-DANONE France organic waste), although the group has not put in place any initiatives relating to power equipment. With regard to the improvement of the energy yield, Danone has set up a network of electrical efficiency experts and engineers with Barrett industries in all its Fresh Dairy Products production sites.

### EN18 Energy consumption imprint of main products

Groupe DANONE has carried out analyses of its products' lifecycle. These demonstrate the low impact of direct emissions linked to its activities compared with other industries.

## Analysis of the lifecycle of a 1.5 litre bottle of Evian mineral water

Primary energy consumed by a 1.5 litre bottle of mineral water is 34 times less than that consumed by a person per day at home.

An analysis of the lifecycle demonstrates that the major contributors in terms of primary energy consumption are:

- the production of PET used to make the bottle,
- the production of energy consumed at the bottling site
- the distribution of the product (road).

Analysis of the lifecycle of a 1.5 litre bottle of Evian mineral water: consumption of energy for 1 litre of product

Daily consumption of one French person (MJ)	103
Total lifecycle (MJ)	2,6
PET (CO <sub>2</sub> equivalent)	72 %
Production (CO <sub>2</sub> equivalent)	6 %
Distribution (CO <sub>2</sub> equivalent)	28 %
End of life	-6 %

NB: energy consumption is per 1 litre of product. The -6% at the end of life relates to incineration with energy recovery and recycling.

## Analysis of the lifecycle of 1 kg of natural yoghurt: primary energy consumed (125g pots)

Analysis of life cycle of a kg of natural yoghurt (125g pots): 1.8 kg equivalent CO<sub>2</sub>/ kg product

Daily consumption of one French person (MJ)	103
Total lifecycle (MJ) (CO <sub>2</sub> equivalent)	15,3
Sale and purchase by the consumer (CO <sub>2</sub> equivalent)	25 %
Primary packaging (CO <sub>2</sub> equivalent)	19 %
Yoghurt production (CO <sub>2</sub> equivalent)	8 %
Milk production (CO <sub>2</sub> equivalent)	48 %

**Analysing the lifecycle of the yoghurt demonstrates that carbon emissions mainly come from:**

- putting the product on sale and its purchase by the consumer, including electrical consumption for refrigeration of products in shops, the consumption of fuel required to buy the product
- milk production, including forage for cattle and farm activities.

## ENI9 Other indirect consumers of energy (upstream/downstream) and implications, such as business trips, management of the product lifecycle and use of materials with high energy density

DANONE is not in a position to provide consolidated data regarding the points covered by this indicator.

The significant environmental impacts of the products are shown in indicator EN14.

In 2002 and again in 2006, the Group produced a carbon total for its registered offices. This amounted to 3820 to 3580 kg/employee, a 6% reduction in four years.

## Water

Water is a renewable resource, albeit one that is distributed unequally and threatened by pollution. Water is part of a cycle linked to the phenomena of evaporation, precipitation, run-offs and infiltration. If, on a terrestrial scale, this equilibrium persists, as for instance in a hydro-mineral deposit, poor management and over-exploitation could harm the resource. This may also be reduced by pollution, it is estimated that everyday, two million tonnes of waste are tipped onto surface water worldwide.

The world consumption of water doubles every 20 years and this affected the three major users of water. Agriculture is the main user taking 70% throughout the world. The considerable progress made in terms of production over the last 50 years has been made possible in the main by increased irrigation. Industry uses 22% of the fresh water available, with domestic use only accounting for 8% of resources. This includes water for daily activities and for drinking. From its 47 springs, Groupe DANONE uses up only 0.0014% of the fresh water available in the world.

The bottled water sector represents 120 billion litres/annum. This sector is continuously growing, including in regions with low revenues, because bottled water is synonymous with health safety. In this context, Groupe DANONE is leading a global initiative to protect its springs as far as it can and to preserve the resource. The water collection equipment ensures that the entire operation is very hygienic. The composition and quality of the water is checked by daily controls at the bottling stage.

To communicate its strategy clearly to all its subsidiaries worldwide, the Group has compiled a charter entitled "A global policy for the protection of underground water resources", signed by Franck Riboud in October 2004.

This policy defines the obligation, both in terms of exploiting natural and patrimonial resources, of sustainably managing underground water. It restates the major protection objectives and precisely describes the principles of application by all subsidiaries worldwide. These principles of application are the subject of a systematic diagnostic for each spring, as well as action plans under the responsibility of the subsidiaries' general directors.

In international terms, Groupe DANONE is a very active partner within the Ramsar convention, which works for the conservation of wetlands, a key element in ecosystems, which filters rainwater and replenishes water tables.

## EN5 Total consumption of water

Groupe DANONE uses water both as a raw material (put into finished products) and as a consumable within its production processes in plants (cooling cycles, cleaning, etc.).

Total consumption of water (in thousands of m<sup>3</sup>) per type ♦

	2007	2006	2005
Total water taken from the surrounding environment, of which:	54 060	47 473	42 956
- water from boreholes	39 514	33 935	30 255
- mains tap water	11 028	10 200	9 211
- river water	3 518	3 338	3 490
Sites' water consumption (not water put into containers)	37 609	33 576	30 946



## EN20 Sources of water supply and connected ecosystems/habitats greatly affected by the consumption of water

See indicator EN5 for the various origins of the water used. Groupe DANONE uses around 15,000 thousand cubic metres of water in its finished products, mainly from 47 springs that it exploits worldwide.

The Group has set itself the target of ensuring the protection of the supply zone (impluvium), the transition zone (the path along which the water runs within the geological strata) and the emergence zone (area where the spring exits). See the explanations given in indicator EN6.

## EN21 Annual removal of water from the water table and surface

See indicators EN5 and EN20.

## EN22 Total volume of recycled and reused water

The water used for production (manufacture of products, cleaning of installations) is ejected into the natural environment after processing at a mean rate of 139.5 mg/l of CDO (which is lower than current regulations in European countries). 90% of industrial sites recycle water for the cooling cycles on production lines.

## Biodiversity

### EN6 Location and surface area of land held, leased or managed in habitats rich in biodiversity

Groupe DANONE's production sites are located in habitats that are rich in biodiversity, such as Villavicencio in Argentina and Salus in Uruguay.

Within the context of its programmes for protecting its underground water resources, the Group has initiated actions to protect the biodiversity of the underground water.

The exploitation of a spring is linked to its intrinsic quality. The spring must demonstrate excellent geological and natural protection. The Evian mineral aquifer, for example, is protected by an impermeable layer several tens of metres thick and by a mean renewal period of 20 years.

Each spring is the subject of extensive geological research in addition to environmental studies to determine the risk factors for the environs and actions are put in place to protect the natural and rural heritage. The Group uses local and national legislations, as well as contractual agreements to ensure a guarantee of exploitation that may be seen in the implementation of constraining prescriptions (prohibited boreholes, regulated polluting activities, and many others).

Water is mainly collected from boreholes within an enclosed perimeter, which unauthorised persons are prohibited from entering. The collection equipment guarantees the hygiene and constancy of the working and is tailored to the resource's hydrodynamics. This is why Groupe DANONE is surrounded by experts so that the rational and sustainable exploitation of the springs is assured. For each layer worked, the renewal of the natural resources is the necessary and vital criterion. The Group never tackles more than the spring can naturally produce.

The constancy of the water composition is checked by regular samples, carried out by approved external laboratories. Bottling is carried out under very strict conditions of hygiene and daily checks are made on the quality of the water.

### A local development that respects the resources.

The protection of springs is a strategic imperative that can only be achieved with the local players and which must be compatible with local development. Groupe DANONE, together with local associations and players, has developed programmes designed to maintain the sites' natural aspects, to improve and protect the environment, work in partnership with the world of farming for environmentally-friendly agriculture.

Evian, for example, was a pioneer, when, in 1992, it created the Association for the Protection of the Impluvium of Evian Mineral Waters (APIEME) in collaboration with the local players: the municipalities in the impluvium and emergence zones, the Chamber of Agriculture and the authorities.

### Protecting the impluvium of Evian mineral waters

The recognised zone of infiltration of the water that gives birth to Evian Mineral Water extends over 34 km<sup>2</sup> at a mean altitude of 850 metres. The impluvium has been specifically preserved. 85% of the surface is made up of forests, natural meadows and peat-bog. Human activity takes place in some villages and there is artisan agriculture based on AOC milk production that is still the main economic activity.

Since 1926, the year of declaration of public interest, the Cachat Spring has been associated with a protection perimeter, within which human activity is regulated or even prohibited. This provision allows us to protect the emergent springs from possible risks, such as excavation or drilling boreholes.

With a budget of around 520,000 euros, two thirds of which are financed by Evian, the APIEME supports initiatives in three divisions:

- preserving the natural and rural environment: for example, one of the association's first actions was to extend the sanitation network (creation of sewage plants, studies to tackle risks...)
- to develop a modern agriculture that respects water quality: using manure in place of chemical fertilisers; suppression of the use of some phytosanitary products... APIEME helps farmers to standardise breeding buildings and dairy parlours.
- managing and protecting the wetlands that constitute the impluvium and that act as a natural purifier. It is with this same desire to protect the environment that, since 1999, the Evian Gold Club has put in place strict rules in terms of maintenance. For example, the use of chemical fertilisers has been prohibited, due to their influence on the increased rates of nitrate in water. In 1997, Evian put in place an observatory, together with the National Institute for Agronomic Research (INRA), to measure the effectiveness of existing policies, as well as to create indicators to measure the impact of human activities, such as the evolution of demographic pressure.

### Villavicencio, a nature reserve in Argentina

The resource's protection has been ensured by the creation of a natural reserve that stretches over 74,000 hectares, between 900 and 3,200 metres above sea level. This reserve constitutes an exceptional site in terms of its flora and fauna.

During the last century, animal husbandry, hunting and several fires damaged the site, causing several species to disappear. More recently, the situation has been made worse by unregulated tourism.

The objectives of the Villavicencio nature reserve have been to preserve and protect the region's water resources, develop research relating to them, promote awareness of local assets and provide education relating to environmental protection. The project was rolled out in two stages:

- The development of the natural reserve;
- The management, dissemination and promotion of eco-tourism.

An environment education and information centre has been created and houses a hydrological museum.



## EN7 Description of the main impacts on biodiversity of activities and/or products and services of the organisation within terrestrial, fresh water and maritime environments

In terms of its activities, Groupe DANONE does not have a significant impact on biodiversity, except as described with regard to actions to protect its springs (see indicator EN6).

The Group has also put in place with some of its raw material suppliers (principally milk) of programmes for the promotion of considered agriculture that respects biodiversity: (Danone Quality Safety Environment programme for milk (DQSE), Sustainable Agriculture Initiative.

## EN23 Total surface area of lands held, leased or managed for production or extraction activities

Groupe DANONE does not have any consolidated data relating to the total surface area of land held, leased or managed for its production activities.

Estimated data based on the number of sites and the mean surface area of the production site may, however, be communicated.

Estimated surface area of land occupied by production activities (in millions of m<sup>2</sup>)

	2007	2006	2005
Surface area of land occupied by buildings	5,6	5,9	6,3
Total surface area	10,3	11,0	11,7

## EN24 Total surface area of impermeable land as a percentage of lands purchased or leased

This type of data is not consolidated for Groupe DANONE.

## EN25 Impact of activities on protected and sensitive zones

Groupe DANONE's production sites are not located in protected and sensitive areas.

## EN26 Modifications of natural habitats due to activities and percentage of protected or restored lands

Groupe DANONE is not affected by this indicator. See indicator EN6 with regard to the programmes for the protection of underground water resources.

## EN27 Objectives, programmes and forecasts for the protection and restoration of ecosystems and indigenous species in the zones affected by the activities

The Groupe is not affected by this indicator: it is, however, involved in the protection of wet area by means of its support for the Ramsar convention.

Since 1998, Groupe DANONE has supported Ramsar, an inter-governmental treaty for the protection of wetlands placed under the aegis of UNESCO. Since 1971, Ramsar has classified and protected over 1,400 sites, remarkable for their biodiversity, i.e. over 100 million hectares worldwide.

The wetlands (marsh, peat-bog, deltas, etc...) are reservoirs that play a fundamental role in the preservation of the water resources, because they filter rainwater, purify it and supply the water tables.

Over half of these areas have disappeared from the planet during the Twentieth Century or have been damaged by pollution.

In 2002, the Group created the Danone-Evian Fund for the natural heritage of water. The main objectives of this Fund are:

- To develop decision-maker's and the public's awareness of challenges facing water;
- To raise awareness of local populations in water management, particularly children, through the development of educational tools;
- To share good practices for the management of natural sites. The aim is to network all the Group's players, who are involved in using and protection springs.
- From 2002, the Group has awarded a special prize to laureates of the 3 Ramsar Prizes for their actions to promote wet areas.

## Communication initiatives

- Participation in the world wetlands day (February 2, 2007): On this occasion, information documents for the public (poster, stickers, etc...) are disseminated widely by Ramsar correspondents worldwide. Ramsar proposes appropriate software so that each country can edit these documents and reproduce them in its own language.
- Communication of the Ramsar action programme: Ramsar has a presence at various international trade shows, thus allowing it to be aware of the challenges of the protection of wetlands and to make decision-makers aware: United Nations' sustainable development commission at New York, UICN Congress, etc...)
- Educational game developed by UNESCO: A game on the topic of water, aimed at children aged 7 to 10, disseminated to schools within the UNESCO network. The game aims to raise the awareness of the rational use of water by means of simple everyday actions.

## International cooperation: the networking of Ramsar sites

Since 1998, Groupe DANONE and Evian have supported the Ramsar Convention within the context of a programme of initiatives to protect water resources and quality, from mountain to sea, entitled "waterways for man and biodiversity".

The DANONE Fund is a financial contribution that allows the Convention to carry out actions that could not be instigated with its ordinary resources.

The Fund relates to the Ramsar site managers and allows national Ramsar managers to be in a spirit of sharing knowledge and solidarity; it is on this basis that actions have been set up, which are designed to unite and reunite all these countries and these people, particularly in Evian, where, since 1998, six regional meetings have been held for South and Central America, French-speaking Africa, English-speaking Africa, the Middle East, South-east Asia and Eastern Europe.

On the ground, working networks have been set up, thanks to the fund, such as the Mediterranean and Black Sea fund (Medwet programme), the fund for the Atlantic between Northern Europe and West Africa (Eurosite programme) and the funds relating to North-East Asia (Birdlife-WBSJ programme), the Niger Basin, Andes and Himalaya (WWF programme). A specific partnership was also signed in 2003 between DANONE, Ramsar and the international WWF international to implement actions linked to the WWF "living water" programme.

These regional initiatives have allowed different people in the cultural sector to meet together to share their expertise and know-how. Countries that were at war not long ago have even signed twinning agreements with Ramsar sites, following meetings organised thanks to the DANONE Fund, as was the case between Senegal and Mauritania with regard to the sensitive zone of the lower Delta of the Senegal River. The fund meant that partnerships have been created, with countries and NGO brought on board. Managers of isolated Ramsar sites have been able to benefit from training courses.

### Rewarding remarkable initiatives

What is the status of the world's water resources? How can we reduce poverty by managing water rationally? These kind of questions were asked at the Ramsar Convention Conference for wetlands held in Uganda in November 2005. On this occasion, Groupe DANONE, in support of the Ramsar Convention, awarded three prizes. Created in 1996, the Ramsar Prize rewards and honours, every three years, individuals, organisations and government bodies that have made a significant contribution to conservation and the rational use of wetlands and water resources.

- **Ramsar Prize: management category**

**Dr Sh.A. Nezami Baloochi** (Iran) was rewarded for the pivotal role he played in setting up an effective plan for conserving the Ramsar site in the Anali wet area, Iran. Throughout his career, Dr Sh.A. Nezami Baloochi has played a major role in creating several protected areas and educational and public-awareness initiatives.

- **Ramsar Prize: science category**

**Pr Shuming Cai, of the Academy of sciences of China** was rewarded for his research into the Yangtze River. Professor Cai also highlights the importance of wetlands for sustainable economic development and human well-being.

- **Ramsar Prize: education category (ex-aequo)**

**Mrs Reiko Nakamura (Japan)** was rewarded for the role that she has played for over 15 years in the promotion of the conservation of wetlands and the Ramsar Convention in Asia.

- **Ramsar Prize: education category (ex-aequo)**

**The Wetlands Centre** in Australia was rewarded for its initiatives to promote conservation of wetlands by means of its work in terms of communication, education and raising the awareness of the public.

→ For more information, visit [www.ramsar.org](http://www.ramsar.org)

### EN28 Number of threatened species appearing in the IUCN red list and whose habitats are located in areas affected by the activities

See indicator EN25.

### EN29 Units of production exercising or providing activities within or around protected or sensitive zones

See indicators EN6, EN25 and EN26.

## Emission, effluents and waste

Groupe DANONE, faced with the problem of greenhouse gases, has assessed its activities and identified their impact in order to orientate new initiatives better in addition to the programmes undertaken since 2000 relating to the sober and sustainable use of resources in its industrial activities and within the context of the Kyoto protocol.

Analyses of the lifecycle of products from Groupe DANONE indicate a low impact by direct emissions linked to its activities compared with other industries. Direct emissions from the 139 sites in 2007 were estimated to be 428 kilotonnes (Kt) of CO<sub>2</sub> (96% of indirect emissions), i.e. a reduction of 15% compared with 2005.

From 1992, Groupe DANONE has initiated a policy that prioritises:

- The reduction of the consumption of thermal and electrical energy having direct consequences for CO<sub>2</sub> emissions, particularly with the "Sober Plants" Programme,
  - The application of the Montreal Protocol relating to the use of refrigerating gases.
- Since 2000, these points have been the subject of precise undertakings for the period 2000-2010 aimed at reducing energy ratios by 20%. At the end of 2007, heat energy ratios from all sites had decreased by 23% and the composition of organo-fluoride gases has been divided by 3 from 2000.
- In 2007, each of the three divisions of activity has decided to implement a more ambitious "Energy" plan in tandem with the "Sober Plants" initiative and centred around 3 axes:
- Management of the "Energy" plans by putting in place indicators for each site and energy experts in each plant. This network of experts has existed since 2006 in the 3 divisions of activity and is managed by a manager within each division,
  - Integration of "Energy" standards into the new investments,
  - Revision of industrial processes (e.g. flash pasteurisation of fresh dairy products).

For developed countries subject to quotas: the Groupe DANONE plants are only slightly affected by all the national transpositions of the Kyoto protocol for the initial period from 2005-2007: 4 plants out of 41. The quotas for Groupe DANONE sites in France represent 0.02% of the national plan for the attribution of quotas.

For developing countries that have signed the protocol: even if no plant is subject to a quota, all sites are engaged in achieving targets of reducing energy consumption and applying the Montreal protocol.

### New initiatives for reducing greenhouse gases

For nearby sales activities:

Current installations are fitted with refrigerating gases that respect current local regulations relating to technologies in accordance with the Montreal protocol both for fresh product activities and drinks distribution activities.

Since 2005, Groupe DANONE has taken part in the "Refrigerants Naturally" programme supported by UNEP and Greenpeace, to find natural alternatives. By way of example, since 2005, 1200 refrigerated distributors have been tested with HC that have zero impact on the ozone layer and 900 vehicles from the Argentinean subsidiary "La Serenissima" have been fitted with new refrigerant generators.

# Performance indicators

- In terms of product transport:

Groupe DANONE is progressively engaged in initiatives relating to alternative solutions to traditional road transport. In France:

- all bottled water for export is transported by barge and then by board to its country of destination. Result: the environmental impact of the transportation of a bottle is lower than the transportation of a bottle by lorry in France
- all the milk from the Normandy basin is collected by a fleet of lorries fitted with biofuels.

The Group has created the first CO<sub>2</sub> plan for its English drinks subsidiary over 3 years, leading to savings and a 25% reduction in emissions.

In 2007, Groupe DANONE constructed a tool that allows each subsidiary to measure the environmental impact of each of its reference according to the two carbon and water indicators. The deployment plan is scheduled for 2008.

- For agricultural raw materials.

Within the context of its Quality programme for raw materials, since 2005 Groupe DANONE has developed within its milk subsidiary an environment programme that engages all its suppliers in a programme of energy savings and phytosanitary products.

## EN8 Greenhouse gas emissions ♦

Emissions over 3 years of greenhouse gases detailed by component relating to activities of Groupe DANONE (in tonnes)

	2007	2006	2005
CO <sub>2</sub> emissions	406 387	368 491	348 535
CH <sub>4</sub> emissions	30	25	29
NO <sub>2</sub> emissions	15	14	12
CFC emissions	0,277	0,199	0,172
HCFC emissions	7,941	8,804	9,036
HFC emissions	0,611	1,318	0,430
Halons emissions	0,008	0,023	0,010

Emissions over 3 years of greenhouse gases detailed by component relating to activities of Groupe DANONE (in equivalent tonnes of CO<sub>2</sub>)

	2007	2006	2005
CO <sub>2</sub> emissions	406 387	368 491	348 535
CH <sub>4</sub> emissions	679	575	670
NO <sub>2</sub> emissions	4 440	4 144	3 599
CFC emissions	2 941	2 109	1 823
HCFC emissions	13 499	14 967	15 361
HFC emissions	794	1 713	601
Halons emissions	55	159	69
Total emissions	428 795	392 158	370 658

## EN9 Use and emissions of substances that harm the ozone layer

(in tonnes of equivalent CFC)	2007	2006	2005
CFC	0,28	0,20	0,17
HCFC	0,44	0,45	0,49
Halons emissions	0,08	0,23	0,10
Total emissions	0,80	0,88	0,76

## EN10 Emissions of NO<sub>x</sub>, SO<sub>x</sub> and other significant atmospheric pollutants by type

Emissions over 3 years

	2007	2006	2005
Consumption of NO <sub>x</sub> (nitrogen oxides) in equivalent tonnes of NO <sub>2</sub>	987	916	776
Consumption of SO <sub>x</sub> (nitrogen oxides) in equivalent tonnes of SO <sub>2</sub>	2 052	2 126	2 364

## EN11 Total quantity of waste by type and by destination

Quantity of generated and recycled waste ♦ ♻

	2007	2006	2005
Total quantity of waste generated (in millions of tonnes, except for sludge from sewage plants)	201	177	169
Total quantity of waste eliminated by specific subsidiary (in millions of tonnes, except for sludge from sewage plants)	165	141	122
Proportion of waste eliminated by specific subsidiary (except for sludge from sewage plants)	82 %	80 %	72 %

## EN12 Significant waste in water, by type

By their activity, Groupe DANONE sites do not eject hazardous materials into water. See indicator EN22.

The table below gives the charge of the water ejected into the natural environment after processing, based on 89% of sites, representing over 99% of the Group's total DVO.

Final ejection of Chemical Demand for Oxygen (in thousands of tonnes) ♦

	2007	2006	2005
Final ejection of CDO (chemical demand for oxygen)	4,633	5,114	3,503



### EN13 Significant accidental leakages from chemical products, oils, and carburant (number and total volume)

An accidental leakage of chemical products occurred in one of our installations in 2007, when ammoniac was dispersed into the atmosphere, following a leak from evaporator condensers. The incident had no consequences for human health or any perceptible damage to the environment. Maintenance procedures have been reinforced and a section of the installation replaced to reduce the quantity of ammoniac present on the site and the danger of leaks.

### EN30 Other indirect emissions relating to greenhouse gases

The analysis of the yoghurt lifecycle (see indicator EN18) demonstrates that potential indirect atmospheric impacts are estimated at 1.8g of equivalent CO<sub>2</sub> per grime of finished product, with the following contributions: CO<sub>2</sub> (31%), CH<sub>4</sub> (28%) NO<sub>2</sub> (22%) and HFC/HCFC (18%).

The production of yoghurt is therefore responsible for 6%.

### EN31 Production, transport, importing or exporting of all waste deemed to be hazardous according to the Convention of Bale appendices I, II, III and IV

Groupe DANONE is not affected by this indicator.

### EN32 Sources of water supply and connected ecosystems/habitats affects by waste and runoffs

See indicators EN6, EN 290 and EN27.

## Suppliers

The links with suppliers are defined by a context, where companies' responsibly are expanded upstream of their activity, even if their influence may only be indirect.

The main challenges are:

- The health safety of the products. This is the first requirement of consumers. It is ensured by the selection of suppliers and by managing supply,
- The economic challenge. Producers of raw materials are faced with international competition that exerts pressure on prices. Prices must ensure both sufficient profitability for them and a supply of quality products at prices that are competitive for manufacturers,
- The environment. The considerable increase in agricultural productivity is accompanied by a pressure on the natural environment. Sustainable agriculture may open up new perspectives:
- Working conditions. Companies are more and more asked about their suppliers' respect of the fundamental social principles.

Groupe DANONE, by means of central negotiations and/or through the intermediary of its subsidiaries, deals with thousands of suppliers of agricultural raw materials, packaging, equipment and services. The Group's policy aims to:

- Establish partner relations with its suppliers of strategic raw materials to ensure the safety, traceability and quality of the products;
- Promote considered agriculture in direct cooperation with farmers and by participating in inter-sector initiatives,

Have a better awareness of the application of the fundamental social principles by suppliers, (see indicator HR2).

### EN33 Performances of suppliers with regard to environmental aspects of programmes and procedures described in the "Governance and management systems" section. 🏡

#### DQSE programme for milk producers

Since the middle of the nineties, relations with milk producers have evolved, moving from the collection of a raw material to a partnership. The Group has put in place the Danone Quality Safety Environment (DQSE) programme, the aims of which are:

- Managing the quality of the milk and its safety at each stage in the chain (milk production, transport, storage). Danone has defined a set of practices to warn of the presence of pathogenic agents or chemical contaminants within the milk.
- The implementation of practices that respect the animal's well-being and the environment. The DANONE Guide "Good practice for milk producers" has, since 2005, included the systematic monitoring of 7 environmental criteria and 5 criteria for the animal's well-being that derive from international standards for sustainable agriculture and the European criteria of the Common Agricultural Policy. This objective is valid for all the countries where DANONE collects milk and is part of a logic of reforms of the Common Agricultural Policy in Europe (aide subject to environmental practices being respected), but goes beyond this.
- An operational programme of vigilance, traceability and management of health alerts. Traceability allows us to know which group of farmers have provided the milk for a batch of yoghurts. Vigilance is ensured by national monitoring cells and by the Daniel Carasso research centre. This allows those responsible for collecting the milk to be alerted immediately and so, depending on the nature of the problem, be able to identify to potentially affected herds.

DANONE, by disseminating the DQSE initiative throughout all the countries in which it collects milk, is one of the very few agro-foods companies to develop a quality and safety approach to milk coordinated worldwide and based on training. This programme is completed by specific actions with farmers to help them progress in the way they deal with their herds. In Spain for example, preventive actions are carried out in terms of animal health by specialist veterinarians. In Russia and France (VITAL programme), DANONE advises farmers to increase milk quality alongside their profit margins. In France and in Portugal, DANONE has set up an internet site that can be accessed by farmers and is the source of a lot of information. Loans to farmers have been set up in Turkey and Bulgaria.

#### Promoting sustainable agriculture: the Sustainable Agriculture Initiative

Groupe DANONE was one of the first groups to commit itself to sustainable agriculture as an indispensable tool in meeting consumers' expectations, which it considers to be a complementary approach to biological agriculture, as indicated by the purchase of Stoneyfield Farm Ltd in the United States and the launch in France of the "Les 2 vaches" brand by Stoneyfield Europe.

Sustainable agriculture is a competitive and productive way of farming that, in addition to the quality and safety of its food, takes into account, in a balanced way, respect for the environment, the economic and social effect on the local environment and the profitability of the operation.

The studies carried out since 2001 regarding the analysis of the environmental impact of yoghurt have allowed us to confirm that the movement to sustainable agriculture is a significant lever for reducing these impacts.



# Performance indicators

Since 2002, Groupe DANONE has been in partnership with Nestlé and Unilever to promote sustainable agriculture through the “Sustainable Agriculture Initiative” (SAI Platform). Today, it comprises 25 companies.

Six specialist working groups have been set up within the SAI Platform (milk, cereals, coffee, palm oil, potatoes, and fruits). Groupe DANONE chairs the cereals working group, which was the first to adopt the “Sustainable agricultural practices for the production of cereals in Europe” and takes part in the milk and fruit working groups. Within the context of these working groups, the principles of sustainable agriculture are translated into farming practices that, for the groups, are the most advanced worldwide pilot operations.

In Europe, when the concept of sustainable agriculture is translated onto a national scale (as for example with “considered agriculture” in France), DANONE helps to promote it. In France, in 2006 and 2007, almost 150 dairy farmers supplying milk to DANONE France qualified for the “Considered Agriculture” label after being introduced to the initiative by DANONE technicians.

## Integration onto the General Purchase Conditions

Since 2002, a specific clause has been added into Groupe DANONE's General Purchase Conditions, requesting suppliers to comply with all current laws and regulations in terms of the environment.

## Products and services

### ENI 4 Significant environmental impacts of the main products and services

The lifecycle analyses carried out on natural yoghurt and on bottled mineral water have allowed the main environmental impacts linked to these products to be quantified in terms of water consumption, energy consumption, greenhouse gases and the production of waste, as can be seen from the table below.

These studies have demonstrated that the most significant impacts were indirect, as they were linked to suppliers' activities: agricultural production (milk) and the production of primary packaging (yoghurt pots, plastic bottles).

### Impact of packaging:

The packaging fulfils vital functions as with any pre-packaged food:

- Conservation: The packaging allows products to be conserved as long as necessary, without any loss of quality
- Hygiene: good packaging is the best guarantee of good hygiene
- Diversification: The diversification of packaging allows the product to be adapted to preferences, according to the consumer's habits and methods of usage,
- Portion: The packaging allows the quantity of the product to be adapted to the consumer's needs and the size of his family
- Transport: Good packaging means that the product is transported from the place of production to the processing or consumption site, without being damaged or suffering loss of quality; packaging must allow products to be piled up effectively without damaging them, at the production site, during transport, in warehouses and at the processing site or point of sale,
- Information: Packaging constitutes the best location for identifying the product (place of sale), the instructions, all the indications required by law, (price, weight, list of ingredients, table of analytical composition for natural mineral water...), management tools (barcodes, customer service number; address etc) and any other desirable indications relating to the environment. Packaging allows communication with the consumer and, as such, is an information tool.

Since 2001, Danone has used lifecycle analysis techniques in terms of making a responsible selection of packaging. Convinced that it is awareness of eco-design must come in at the design stage, Danone has developed a simplified tool internally that allows collaborators to see quickly the impact on the environment of a modification to a system or a packaging material.

### ● Results of lifecycle analyses of water and yoghurt.

	Environmental impact of a 1.5 litre bottle of mineral water (lifecycle analysis of 1 litre of product)	Environmental impact of natural yoghurt (analysis of lifecycle for 1 kg of product)	Daily environmental impact of one French person
Consumption of water (litres)	3,4	16	168
Consumption of non-renewable energy (in MJ)	3,04	15	103
Greenhouse gases (g of CO <sub>2</sub> equivalent)	125	1 800	3 954
Production of waste (kg)	0,02	0,3	0,57

These studies have been carried out in accordance with the prescriptions of the ISO 14040 series of standards on the entire manufacturing cycle of the products and packaging referred to.

## Lighter packaging.

From the design of new products, the marketing, packaging, procurement and logistics teams use a "guide to the ecological design of packaging" and a "checklist" that includes both the reduction at source and the possibility of recycling materials at the end of their life. In 2001, the Groupe DANONE Executive Committee set itself the target of reducing the average weight of packaging by 10% over 10 years (period 2000-2010). To do this, monitoring indicators (weight of packaging/product weight ratio) have been put in place. In 2006, some 19 subsidiaries reported the packaging to product ratio of 75% of their sales. Between 2000 and 2006, ratios went down by 6%. 🗑️

Result: the weight of a 1.5 litre bottle of Evian decreased by 15% from 2000 to 2005, i.e. the equivalent oil consumption of 30,000 cars was saved. The Group's efforts in France have meant that the weight of packaging used has been reduced by 12,000 tonnes per annum, i.e. an equivalent of a town of 150,000 inhabitants with no packaging waste for a year.

## Collection and sorting in different countries

With metal cans and glass bottles, PET bottles are the packaging with the highest recycling rates. European Directive 94/62 on the management of packaging and packaging waste set a minimum target recycling rate of 22.5% for plastic packaging by 2008. In some countries, this target is reached by commercial and industrial plastic packaging alone (United Kingdom and the Netherlands). In most other European countries, it is achieved by sorting PET bottles by means of a system of collecting household waste that involves the consumer making the effort to sort his waste. The "green point" systems, such as Eco-Emballages in France, Eco-Embes in Spain or FOST Plus in Belgium, today allow between 40 and 75% of plastic bottles sold to be collected.

DANONE is a member of 23 "green point" organisations with a presence in Europe and helps promote these organisations' initiatives in countries with high population densities as in Turkey (CEVKO) or Mexico (ECOCE).

### Recyclability and recycling of packaging 🗑️

	2007	2006	2005
Recyclability of plastic bottles	100 %	100 %	100 %
Actual recycling of plastic bottles	24.8 % in Europe	22.7 % in Europe	22 % in Europe
Recyclability of paper and cardboard packaging	100 %	100 %	100 %
Actual recycling of paper and cardboard packaging	73.5 % in Europe	77 % in Europe	100 % in Europe

## "Wild" waste

Solving this problem means both raising public awareness and starting programmes for cleaning sensitive sites. A concrete example of success in this area is the "Vacances Propres" initiative in France. This is an association created by major companies in the packaging and consumer sector, to invite tourists to act sensibly and respect the environments of holiday sites by means of annual campaigns. The Vacances Propres initiative may be summarised in three points:

- Providing help for holiday resorts confronted, in summer, by an influx of tourists and a proliferation of abandoned waste.
- Offering councils equipment and bags for collecting waste, specific to leisure sites, in the Vacances Propres colours and therefore identifiable at a glance and identical throughout France.
- Encouraging tourists and citizens to behave in a socially responsible manner, by urging them not to abandon their waste outdoors and to sort it on holiday as they would do at home.

In emerging countries, DANONE is looking at setting up sorting initiatives with regard to rubbish to ensure the collection of materials, the residual value of which is a source of revenue and local development. A test is currently underway in Mexico, on the re-use of PET bottles.

## PET plastic

Since their creation, plastic materials have resulted in an extraordinary reduction in the consumption of raw materials and just as significant a reduction in the production of waste: without plastics, the volume of packaging waste would have increased by 185% (Source Plastics Europ).

Packaging based on biodegradable polymers is about to appear and will, perhaps, find their niche in the food industry in the years to come. These polymers are produced from starch and may be processed by composting. In Germany in 1998, DANONE became the first company to launch a yoghurt in a pot made from biodegradable polymers: PLA (PolylactateAcid). This production was halted because consumers failed to recognise the value of this innovation (PLA is only biodegradable under composting conditions) and the cost of the material was very high.

DANONE continue to monitor technological developments in this area.

This type of material must also become affordable. There is still much research required in the beverages sector.

## PET bottle recycling

Rising oil prices have meant that PET plastic recovered through selective collections now has real value. There is a very high demand in several countries, including Italy, the Netherlands, and China, which have significant requirements in terms of PET. This demand stimulates the collection of bottles.

The 40% recycling rate of PET in France allows 210,000 tonnes of oil to be saved within the transformation strands: textile articles such as rugs, linings for anoraks, non-food packaging and, more recently, food packaging.

All the plastic packaging used for food or other products are made from crude oil. Most of the time, this packaging is not recycled like PET bottles, but is incinerated and the energy recovered.

## EN15 Percentage of the mass of products sold recoverable at the end of the lifecycle and percentage actually recovered.

This indicator is not monitored by Groupe DANONE.

## Compliance with agreements and regulations

### EN16 Instances and penalties for non-compliance with all current international declarations, conventions and treaties, national, sub-national, regional and local regulations relating to environmental problems (excl. Biscuits and Numico).

In 2007, the Group paid out a total of 84k euros in penalties, fines and damages for third parties relating to environmental problems in four different countries. In 2006, this amount was 149k euros, and in 2005 it was 132k euros.

### EN34 Significant environmental impacts of the methods of transport used for logistical purposes.

The Group has defined good environmental practices in terms of transport, formalised within a manual designed for logistical departments worldwide.

Any transport company working for a Groupe DANONE company must, as a minimum, comply with social and environmental regulations current in the country, both for its depots and its fleet of lorries and their maintenance. The subsidiary and its transporters must also sign up to an initiative to reduce the impact of transport by acting on the different links in the lifecycle chain. The manual also contains a list of good practices to be observed by transporters. This initiative may be adapted to the local context.

The case of bottled water is a good example: all products are exported by boat, with an environmental impact 25 times lower than trucks.

As a result, the cost of a combined journey between France and Japan is no more expensive than a truck journey between Paris and Evian (650km).

The 11,000 kilometres between France and Japan can be broken down as follows: 120km by truck, 450km by river transport, and 10,500km by sea in containers

Most of the bottling sites can, technically, provide rail flows from production sites. The development of transport by rail depends on the cost per km and the deadline required by distributors.

DANONE has put in place software to optimise pallets to maximise the weight of products transported/surface area, in order to reduce wasted surface area.

Greenhouse gas impact on the transportation of bottles in g equivalent of CO<sub>2</sub> per tonne of product and per km travelled (analysis of global lifecycle)

Type of transport	Emissions of greenhouse gases in g of equivalent CO <sub>2</sub> per tonne of product and per km travelled
Trucks (25 tonnes)	158
River transport	45
Rail transport (Europe)	39
Rail transport (France)	24
Sea transport (boat)	11
Sea transport (containers)	6

### EN35 Total environmental costs per type

Environmental costs per type, excl. Biscuits & Numico (in thousands of euros).

	2007	2006	2005
Packaging contributions (Green point)	63 498	58 355	57 177
Taxes	5 080	4 926	2 705
Fines and penalties	84	93	132
Third party damages	0,3	55	0
Waste processing	12 422	9 267	6 977
Water treatment	12 186	13 077	11 311
Reduction of atmospheric emissions	558	589	226
Other costs and amortization	5 904	6 454	4 973
<b>TOTAL</b>	<b>99 732</b>	<b>92 817</b>	<b>83 500</b>

In the table above, the "other costs" line includes significant costs not previously reported and, in particular:

- Fees and expenses for studies carried out by specialist consultants: site extension and silo explosion event studies, risk/impact study, permits/authorisation, ISO 14001 certification.
- Salaries and social contributions for persons involved in these activities.
- Cost of integrating the site into the landscape, retentions in storage areas, decontamination of polluted ground, etc.





## Social performance indicators

### What are the major challenges facing Groupe DANONE in terms of social performance?

- Employment: a problem that affects both developed and emerging countries. Jobs cannot be guaranteed anywhere in the world. This requires constant attention to training and skills development, an essential factor in employability.
- The Group's globalisation. Groupe DANONE employs people worldwide. This means that the diversity of social contexts has to be taken into account and the strict application of the fundamental social principles monitored. Sustainable growth must allow social responsibility to be reconciled, based as it is on shared values and economic performance within a context where competition is fierce.

### How does Groupe DANONE respond to this?

Groupe DANONE's human policy is designed to give its staff the means of implementing its mission on a daily basis, meeting the dual challenges of globalisation (rapid opening up to new countries with different economic and social conditions) and social responsibility (taking into account environmental issues and rolling out new business models that bring added social value to local communities)

This human policy is based on the following two main lines:

- Developing skills for all employees, irrespective of where they come from, their education, their responsibilities at the company or personal characteristics, involving them in efforts to ensure safety at work and the economic understanding of their company and the Group, enabling them to grow with the Group and play their part in its success, promoting social dialogue and proximity communication at each site, developing individual confidence and team cohesion. This is the "people first" aspect.
- Running a socially responsible company, which involves all the Group's constituent businesses in every country, in environmental protection, societal innovation based on both the development of solutions with external partners (NGOs, associations local authorities, etc.) and on the commitment of employees - this is the "advanced societal company" aspect.

### DANONE's values

Groupe DANONE is one of those companies that have a strong and attractive identity, as it is based on its own, specific values. These values are ethical principles and, like all ethical principles, partly ideals, but translated into principles of behaviour and broadly disseminated within the company, notably through training initiatives, DANONE Way fundamentals and managerial skills referentials.

**Humanism:** "attention to individuals, whether consumers, employees or citizens, lies at the heart of the decisions we make". Humanism, for DANONE, means sharing, responsibility and respect for others.

**Openness:** "Diversity is a source of wealth and change a constant opportunity". Openness means curiosity, agility and dialogue.

**Proximity:** "drawing nearer and starting to understand. Understanding means already adapting". Proximity means accessibility, authenticity and empathy.

**Enthusiasm:** "there are no limits, only barriers to be overcome". Enthusiasm means daring, passion and appetite.

## Social performance indicators – Practices with regard to employment and decent employment

### Employment

#### LAI Distribution of labour

As of 31st December 2007, Groupe DANONE had a total of 63,793 employees worldwide, not including the Biscuits/cereal products business or Numico. The table below indicates the total number of employees and their distribution by geographic area and business line. These data are presented historically, for 31<sup>st</sup> December for each the years 2005, 2006 and 2007.

	As of 31st December		
	2007	2006	2005
Total number of employees (excluding temps)	63 793	88 124	88 184
of which managers as %	13 %	11 %	11 %
<b>By geographic zone:</b>			
France	11,4 %	13,3 %	13,6 %
Rest of Europe	18,3 %	23,5 %	23,0 %
China	7,7 %	23,6 %	26,8 %
Rest of Asia Pacific	15,3 %	15,0 %	19,8 %
North and South America	26,2 %	20,3 %	13,8 %
Africa and Middle-East	5,0 %	4,3 %	3,0 %
<b>Total</b>	<b>83,9 %</b>	<b>100,0 %</b>	<b>100,0 %</b>
<b>By business line:</b>			
Fresh Dairy Products <sup>(1)</sup>	41,5 %	32,6 %	30,1 %
Beverages	40,7 %	49,1 %	44,4 %
Biscuits <sup>(2)</sup>	-	16,7	21,3 %
Other Food-Related Activities <sup>(3)</sup>	-	-	2,6 %
Central functions	1,7 %	1,6 %	1,7 %
<b>Total</b>	<b>83,9 %</b>	<b>100,0 %</b>	<b>100,0 %</b>

(1) Includes Blédina staff

(2) corresponds to employees of companies belonging to the Biscuits business line, sold in November 2007

(3) corresponds to employees of the companies Amoy Foods Ltd and Shanghai Amoy Foods, sold in January 2006

## Distribution of workforce by permanent, temporary and interim contracts

	2007		2006 (like-for-like)		2007/2006 evolution	2005 (historic data)		2007/2006 evolution
	employees permanent	employees temporary	employees permanent	employees temporary		employees permanent	employees temporary	
<b>Total</b>	<b>85 %</b>	<b>15 %</b>	<b>85 %</b>	<b>15 %</b>	<b>+3,6 % ↗</b>	<b>84 %</b>	<b>16 %</b>	<b>+4,1 %</b>
Europe	87 %	13 %	86 %	14 %	+3,1 % ↗	86 %	14 %	+3,3 %
Asia	81 %	19 %	78 %	22 %	-4,2 % ↘	78 %	22 %	-3,1 %
Rest of world	87 %	13 %	89 %	11 %	+10,5 % ↗	89 %	11 %	+10,8 %
<b>By zone</b>								
Africa and Middle-East	94 %	6 %	96 %	4 %	+6,5 % ↗	96 %	4 %	+8,5 %
Asia Pacific	81 %	19 %	78 %	22 %	-4,2 % ↘	78 %	22 %	-3,1 %
Eastern Europe	86 %	14 %	87 %	13 %	+1,6 % ↗	87 %	13 %	+1,6 %
Latin America	85 %	15 %	86 %	14 %	+12,1 % ↗	86 %	14 %	+12,1 %
North America	94 %	6 %	96 %	4 %	+3,5 % ↗	96 %	4 %	+3,5 %
Western Europe	88 %	12 %	86 %	14 %	+5,8 % ↗	86 %	14 %	+6,3 %
<b>By business line</b>								
Fresh dairy products	86 %	14 %	87 %	13 %	+7,0 % ↗	87 %	13 %	+3,3 %
Beverages	84 %	16 %	83 %	17 %	+0,3 % ↘	83 %	17 %	+7,5 %
Baby Foods & Clinical Nutrition								
Biscuits						80 %	20 %	-
Others	93 %	7 %	94 %	6 %	+4,4 % ↗	94 %	6 %	+3,9 %

NB. All the indicators shown below exclude the companies Stonyfield (of which Groupe DANONE does not management control) and Numico (which was acquired late, on 1<sup>st</sup> November 2007, meaning the social indicators could not be aligned with those of Groupe DANONE, thereby preventing any consolidation).

This distribution between permanent and temporary staff has been calculated on the basis of the mean workforce (obtained by taking the mean workforce registered at the end of each month). It shows the change compared with 2006 on a like-for-like basis, on a coverage rate(\*) of 99.3% of employees and with an historic perimeter.

(\*) The coverage rate is calculated as a percentage in relation to the Groupe DANONE workforce as of 31st December 2007, excluding Numico, i.e. 63,793 employees)

Like-for-like, over the course of 2007, Groupe DANONE overall made less use of temporary use to sustain its growth and satisfy the requirements of its strongly seasonal business. Temporary staff (fixed-term and interim contracts) accounted for 14.6% of the total average workforce, down by 4.8% on the previous year.

An analysis of these temporary workers reveals that there was a drop in the number of temporary contracts (9.2% of the permanent workforce, compared with 10.6% in 2006) and rise in interim contracts (7.8% of the permanent workforce, compared with 7.5% in 2006).

## LA2 Net job creation and mean staff turnover rate by region/country.

At the end of 2007, there was a drop of 12,080 jobs attributable to variations in the perimeter which occurred between 2006 and 2007.

On a like-for-like basis, the variation results in net job creation of 3,281 and workforce growth of 4.5% over the period.

The perimeter variations are as follows:

- Sale of Biscuits and Cereal Products business to Kraft, affecting a total of 13,400 employees.
- Sale of several companies, Chock & Rolls, Papadopoulos, Sources du Mont Roucou, affecting approximately 1,440 employees.
- Application of the equity method to the company Wahaha in China, concerning 12,450 employees.

Variations in business:

- Workforce increase of 4.6%, notably concerning:
- The Fresh Dairy Products division (+7.4%) with the growth of subsidiaries based in Russia, Latin America and Africa, and the development of new activities in Asia and the Middle East.
- The workforce at the Waters division also increased by 2.4%.

## LA12 Provisions accorded to employees in addition to legal obligations.

	2007	2006
% of subsidiaries with insurance against major risks (death, invalidity)	100 %	100 %

These figures are given on a like-for-like basis, reconstituted based on a coverage rate of 95.1% of employees. The coverage rate is calculated as a percentage in relation to the Groupe DANONE workforce as of 31st December 2007, excluding Numico, i.e. 63,793 employees).

Complementary pension schemes have been set up for directors, and for all employees in certain countries (e.g. France). Many subsidiaries have acquired personalised consultation services that are due either to the initiative of directors or to negotiations with employees. These services include notaries, lawyers, medical advice, and so on, in addition to specialist services that allow employees to look after their family life better, such as housekeeping services.

## Social relations: a dialogue with the IUF lasting over 20 years

DANONE has developed extensive relations with the IUF (International Union of Food Industry Workers), an international federation that represents the food sector and that includes 336 trade union organisations in 120 countries. The first agreements have been signed on: sexual equality, economic and social information, and training, exercising trade union law, modifications of activities affecting employment and working conditions.

From 2004, the Group informed the information and consultation committee, the IUF's dialogue body, of the annual results of 20 social indicators defined mutually by convention. For the IUF and its affiliated unions, this is an information tool that fuels exchanges with the Group based on concrete results.

In 2005, Groupe DANONE and the IUF reinforced the worldwide character of the conventions signed since 1985 and integrated the Fundamental Social Principles based on the conventions of the International Labour Organisation (see below, chapter on human rights)

Finally, regular dialogue with the IUF was maintained throughout 2006 with regard to diversity: a draft agreement is in its final study phase prior to signature

On 8 June 2007, the worldwide convention on diversity was signed.

## LA3 Percentage of employees represented by independent trade union organisations or other legitimate personnel representatives. 🗳️

Percentage of employees represented by independent trade union organisations or other legitimate personnel representatives, with distribution by geographic zone or percentage of employees covered by collective agreements, by region/country.

The tables below provide information relating to the percentage of BUs whose staff are represented by independent trade union organisations or other legitimate personnel representatives.

	2007	2006
% of subsidiaries covered by collective business or sector agreement	76 %	79 %

These figures are given on a like-for-like basis, reconstituted based on a coverage rate of 93.9% of employees. The coverage rate is calculated as a percentage in relation to the Groupe DANONE workforce as of 31st December 2007, excluding Numico, i.e. 63,793 employees).

	2007	2006
% of subsidiaries with personnel representatives elected or appointed by trade union organisations	84 %	80 %

These figures are given on a like-for-like basis, reconstituted based on a coverage rate of 94.1% of employees. The coverage rate is calculated as a percentage in relation to the Groupe DANONE workforce as of 31st December 2007, excluding Numico, i.e. 63,793 employees).

## LA4 Regulation of information, consultation and staff negotiation procedures concerning changes to business activities and organisation 🗳️

Groupe DANONE has signed a specific convention with the IUF, applied worldwide, relating to the methods of consulting employees' representatives if modifications are made to activities with consequences for employment (May 1997).

Several Groupe DANONE companies have signed agreements with their social partners to define these rules, under the terms of the convention signed with the IUF on this issue.

## LA13 Official representation of employees in decision-making or management, including in terms of corporate governance 🗳️

This indicator is not monitored by Groupe DANONE.

## Health and Safety

Improving safety at work is a priority for DANONE and constitutes one of the key areas of HR policy.

The Group has put more weight behind its policy since 2004 and has set itself the target of reducing the number of accidents at work by half within three years. The Group's Executive Committee now receives and analyses safety results from all sites every three months. All the Group's general managers have reduction targets that impact on their variable remuneration. Information from all employees is monitored according to a safety barometer. The Wise safety management audits are gradually being extended to all Groupe DANONE sites. All the European countries, along with Russia, Mexico and Argentina, have undertaken Wise audits with the help of the world leader DuPont de Nemours (around forty safety audits were conducted in 2007, adding to the 60 done in 2006 and the 20 in 2005), and 29 internal auditors have been trained at Groupe DANONE. After the audits, each site receives a score out of 60 and a list of recommendations to be implemented in order to improve the safety culture and establish it firmly as part of day-to-day management. The audits are renewed after 12 to 18 months. In 2008, Asia, the United States, Canada, Brazil and Australia will also embark on this initiative.

A specific communication effort has been made internally to ensure that everyone is aware of it, especially at internal conventions and within the exchanges of good practices (Networking programme).



### LA5 Methods of accounting and declaration of accidents at work and occupational illnesses

The method of calculating accidents at work is based on the number of accidents with shutdown of at least one day compared to the number of hours worked in millions, and including accidents involving interim workers.

The frequency of work accidents has fallen once again: between 2006 and 2007, it fell from 7.44 to 6.03. u. ♦

#### Frequency of work accidents 🏢

	Fresh Dairy Products	Beverages	Others	Total
2006	9,1	5,9	2,5	7,4
2007	6,5	5,6	1,8	6,0

These figures are given on a like-for-like basis, reconstituted based on a coverage rate of 87.3% of employees. The coverage rate is calculated as a percentage in relation to the Groupe DANONE workforce as of 31st December 2007, excluding Numico, i.e. 63,793 employees).

### LA6 Description of partner commissions officially responsible for health and safety issues, including representatives of directors and personnel; proportion of personnel covered by any commission of this kind.

The health and safety committees monitor the correct operation of machines and installations and compliance with European standards. Some 80% of sites worldwide have a health and safety committee and 90% of these sites organise regular meetings relating to safety at work. Audits analyse risk and help to construct action plans. The management of safety involves a visible commitment by teams of directors on the ground, training and the establishment of safety dialogue between operators and managers.

### LA7 Standard work accidents, working days lost and absenteeism rates as well as the number of fatal accidents (including subcontracting personnel) ♦ 🏢

Years	Number of accidental deaths
2004	5
2005	1
2006	0
2007	5

The five fatal accidents concerned employees of subcontractors, and took place in Indonesia, Mexico, Russia, Brazil and France.

### LA8 Description of the policy and programmes (in and outside the workplace concerning HIV/AIDS)

The DANONE subsidiary in South Africa has set up awareness-raising initiatives as well as the possibility of anonymous screening for all employees in the plant..

### LA14 Proof of substantial compliance with the Guiding Principles (of the ILO) relating to systems for managing health and safety at work 🏢

All Groupe DANONE companies have signed up to the "WISE" initiative, inspired by tried and tested methods within major companies, in line with the Group's desire to reduce significantly its rates of accidents at work.

The method used begins with audits, initially carried out in plants and which are currently being extended to the sales forces, depots and head offices. These audits allow the detection of any dysfunctions and risks that need to be dealt with.

The success of the method is based on the involvement of the entire management structure, installation of a steering committee, regular field observations that are the subject of a dialogue and the integration of objectives linked to safety for all team managers.

### LA15 Description of official agreements signed with trade union organisations and other legitimate personnel representatives in terms of health and safety at work.

This indicator is not monitored on a centralised basis, although numerous subsidiaries have signed agreements with their social partners enabling them to make progress in this area.

## Training and education

### LA9 Average number of hours' training per annum and per employee, by category of employee ♦

	2007	2006
Total employees trained	50 458	45 423
Managers	7 279	6 896
OETAM	43 179	38 527

The number of employees having received training in 2007 has shown a significant increase (+11%), mainly for the benefit of OETAM staff (labourers, employees, technicians and supervisors : + 12%).

The time devoted to training per employee has also risen, although not all "on the job" training, referred to as "learning work organisations", is counted in the calculations in addition to training given in the classroom.

### Average number of hours' training per annum and per employee, by category of employee 🏢

	2007	2006
All	20	18
Managers	41	41
OETAM	16	14

These figures are given on a like-for-like basis for the two years presented based on a coverage rate of 98.5% of employees. The coverage rate is calculated as a percentage in relation to the Groupe DANONE workforce as of 31st December 2007, excluding Numico, i.e. 63,793 employees).

## **LA16 Description of programmes intended to ensure continuous employability of personnel and managing retirements.**

### **Continuous employability**

Within this context, Groupe DANONE considers that the company must provide employees with the opportunity to develop professionally in order to preserve and improve their employability.

Within a context of hardened competitive challenges, where notions of quality, innovation and respect of time periods are playing an increasingly large role, where computerised machines are gradually replacing manual tasks and the global performance of the company is in correlation to the competence and commitment of the operators.

Similarly, taking account of employees' expectations in terms of training and career development is a key factor in obtaining their commitment, and consequently in guaranteeing the company's performance.

The EVOLUTION programme, launched in 2005, consist of several tools (notably a diagnostic designed to find the most suitable actions for each situation, from the development of literacy to obtaining professional diplomas and including the development of organisations to improve collective performance and individual skills, etc.) and five key points:

- An average of 24 hours a year training for each employee,
  - Mastering basic skills (reading, writing, communicating, mastering basic safety rules, mastering basic quality rules)
  - A skills passport for each worker and employee (allowing the training path to be monitored, qualifications gained and changes of post)
  - A professional appraisal at least every two years
  - A change of post proposed at least every five years.

At the end of 2007, the indicators were as follows:

78% of employees (labourers, employees, supervisors) have received at least one course of training.

The average number of training hours per employee is 16 per year, compared with the Evolution programmes target of 24

12% of employees have a skills passport

99% of employees have basic skills (reading, writing, counting, expressing oneself, understanding simple instructions on quality and safety in the workplace)

89% of employees have been offered a change of post in the last five years.

### **The EVOLUANCE programme in France:**

Since its launch in April 2004, 969 employees have signed up to various professionalisation courses, of whom 68% have opted for the VAE ("validation of the acquisition of experience", a system that allows a national education diploma to be obtained on the basis of a professional experience dossier). Some 647 of those employees have already obtained their diploma.

The diplomas obtained range from the general certificate of training through to the professional baccalaureate and the advanced technician's certificate. Altogether, they include over 50 different qualifications.

Also, at the end of 2007, 284 young people were hosted by Groupe DANONE companies in France (excl. the Biscuits line) on apprenticeships as part of sandwich courses, i.e. 3.3% of the Group's French workforce at the end of 2007.

The target is to raise that figure to 4% by the start of the new academic years in September 2008.

### **Age management**

Since the issue of demographics is a particularly sensitive one in European countries, a practical manual for identifying challenges and assisting with setting up action plans, "the seniors' handbook" was compiled in 2005 for use by plants. Based on field studies carried out in five European plants and compiled in collaboration with the coordinating medical officer of the Group's French subsidiaries, this manual tackles four areas:

- health and working conditions
- the development of skills
- the motivation of senior staff
- the cost of labour.

This manual allows plant teams to construct an appropriate action plan for their local context. It forms part of the EVOLUTION project, the aim of which is to ensure that all employees are employable throughout their working life.

The plants that carried out diagnostic assessments in 2006 are as follows: Villecomtal (DANONE France), Badoit (DANONE Eaux France) and Brive (Blédina) produced action plans designed to maintain employability and motivation and experience, demonstrating that the steps taken benefit all employees (ergonomic adaptations for example).

## **LA17 Specific skills management or staff training programmes and policies**

See indicator LA16.

For over ten years, Groupe DANONE has put in place business-specific training programmes for managers known as "Strands", which are gradually being internationalised as part of the DANONE Campus. DANONE's own version of the corporate university, it allows skills to be developed alongside the development of networks between managers from various areas and all countries.

The concept is a simple one. It involves 200 to 300 managers meeting for five days, five or six times a year, at a different venue each time. Business-specific training is completed by a joint session involving all participants, the Group's strategy, the concrete example of doing business in a country in the DANONE Way Ahead spirit, etc. In 2006, over 2,000 manager took part in Campus, the last session of which was held in Prague. Four sessions will be held in Europe in 2008, with one for the Africa-Middle East zone, one on the American continent and four in Asia-Pacific.

### **Recruiting young managers attracted by Groupe DANONE's values**

In 2003, the TRUST simulation game was designed, aimed at university students, management schools and engineering schools. TRUST offers teams of students the opportunity to manage a fictional DANONE subsidiary by targeting performance and economic objectives and by taking the DANONE Way Ahead approach into account. TRUST is an international competition that allows the Group to raise the profile of its corporate project, and better identify the profiles of the future "complexity managers" DANONE will need to deal with varying social, cultural or political cultures. In 2007, some 16 countries took part in the competition, with more than 1,700 students from 84 universities. At the end of the competition, 85 students were recruited from among the participants.



## Diversity and equality of opportunity

### LA10 Description of equal opportunities policy and programmes: monitoring systems designed to check compliance and their results

Due to its international profile, Groupe DANONE is a company that is diversified in terms of:

- the companies where the Group operates
- the men and women that make up the local teams in all subsidiaries
- its products, adapted to local cultures and eating habits.

The challenges facing the Group are:

#### Developing its leadership in rapidly changing markets

- Opening up new markets and countries
- Being close to consumers
- Being in step with the local environment.

#### Permanent innovation

- Devising new business models
- Changing organisational modes to find the best possible solutions.

#### Being consistent with its reputation

- Responding to society's expectations
- Attracting and retaining talents
- Translating values into actions

The first two concrete orientations and objectives were decided by the Group's Executive Committee in 2006 on the following two themes:

- women's access to the more senior positions
- the integration of disabled persons.

The agreement signed with the IUF points out that the fights against all forms of discrimination is the priority for all employees, and highlights the need for equal opportunities and fairness in recruitment, promotion and remuneration for all categories of workers, from labourers through to supervisors and executives. Groupe DANONE's French companies all signed the Diversity Charter in 2006 and have started concrete actions: diagnostics, training, signing agreements with social partners, opening up recruitment to new pools of candidates.

Two new agreements on the integration of disabled people were signed at DANONE France and Blédina, two agreements on combating discrimination and promoting diversity were signed by the Volvic plants, and one sexual equality agreement was signed at Blédina in 2007.

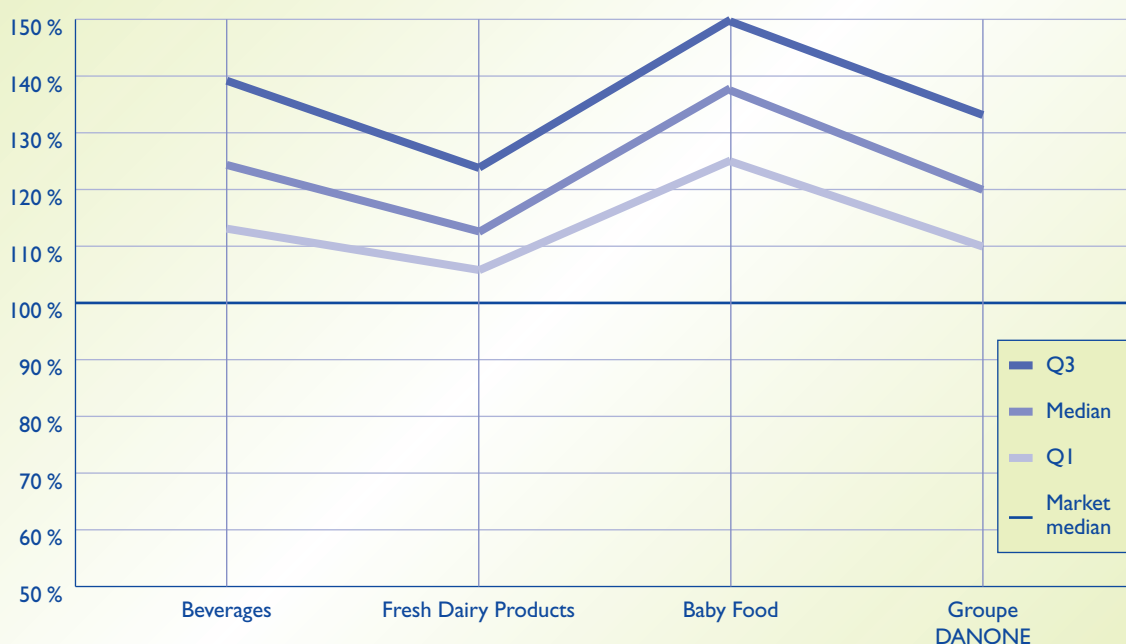
Several specific recruitment drives have also taken place, including "Our Districts Have Talent", the "Universal Night" aimed at salespersons, and "DANONE Explorer", aimed at technicians. They successfully enabled the Group to open up recruitment to a range of different profiles, through partnerships with universities and dedicated associations.

#### Production operators, total annual remuneration in cash/market

Each year, the Group collects that data that allows it to measure the application of instructions in terms of remuneration, country by country, for the least qualified section of these categories, i.e. basic operators.

The Group's aim is to position itself within the good practices of the relevant countries for equivalent activities.

Production operators, total annual remuneration in cash/market



## LAII Composition of the general management and directing elements of the organisation (including the Board of Directors), with male/female proportion and other diversity indicators adapted to cultural differences

Overall, women accounted for 23% of the total workforce in 2007, down slightly on 2006 (due to the sales of the Biscuits business line).

There were no women on the Executive Committee or the Board of Directors as of 31st December 2007.

On a like-for-like basis, the proportion of women in management positions rose slightly and is now as follows:

M/F distribution according to management status ♦ 🏢

	Women		Men	
	2007	2006	2007	2006
Total Managers	39 %	38 %	61 %	62 %
Of which Directors and Senior Directors & VPs	23 %	21 %	77 %	79 %
Of which Senior Directors & VPs	14 %	11 %	86 %	89 %
Of which other managers	40 %	40 %	60 %	60 %

The average age of female managers (34) is younger than that of men (38). Women make up a majority of the under-30 age group. The average time in post is 2.6 years for women compared with 3.3 for men.

The average time in the Business Unit is 4.9 years for women compared to 6.3 for men.

The average time at the Group is 6 years for women compared to 8 for men.

M/F distribution OETAM ♦

Total	2007	2006
Men	43 920	41 875
Women	11 360	11 339
% of women	20,5 %	21,3 %

Women are less well represented in the labourer, employee and supervisor category, down slightly at 20.5%. The trend is particularly marked in Latin America, South-East Asia, Africa and the Middle-East.

Distribution of workforce by age bracket, as a percentage for all statuses ♦

	2007	2006
< 18 ans	0,1 %	0,1 %
De 18 à 24	12 %	13 %
De 25 à 34	43 %	42 %
De 35 à 44	30 %	29 %
De 45 à 54	12 %	13 %
> 55	3 %	3 %

These figures are given on a like-for-like basis, reconstituted based on a coverage rate of 100% of employees. The coverage rate is calculated as a percentage in relation to the Groupe DANONE workforce as of 31st December 2007, excluding Numico, i.e. 63,793 employees).

Year on year, there is a very slight ageing of the population, for all categories together, though the average age of Group's employees remains very young, as 55% of staff are under 35 (compared with 57% in 2006). The upper age brackets have not changed greatly: 30% of the Group's employees are aged between 35 and 45 (compared with 28% in 2006), and 15% are aged over 45 (compared with 16% in 2006).

Distribution by age bracket - Worldwide data (88,124 employees) as a %

Age groups	ALL		
	<35	(35 à 45)	>45
Africa and Middle-East	57 %	30 %	13 %
Asia Pacific	60 %	32 %	8 %
Eastern Europe	34 %	32 %	34 %
Western Europe	62 %	25 %	13 %
Latin America	64 %	27 %	9 %
North America	35 %	33 %	32 %

Age groups	MANAGERS		
	<35	(35 à 45)	>45
Africa and Middle-East	50 %	32 %	18 %
Asia Pacific	30 %	46 %	24 %
Eastern Europe	51 %	30 %	19 %
Western Europe	64 %	29 %	7 %
Latin America	54 %	36 %	10 %
North America	35 %	41 %	24 %

Age groups	OETAM		
	<35	(35 à 45)	>45
Africa and Middle-East	58 %	29 %	13 %
Asia Pacific	62 %	31 %	7 %
Eastern Europe	27 %	32 %	41 %
Western Europe	61 %	25 %	14 %
Latin America	65 %	27 %	8 %
North America	35 %	29 %	36 %

## Disabled employees at Groupe DANONE ♦ 🏢

Despite interesting local initiatives and agreements that have been signed, Groupe DANONE subsidiaries are making slow progress in the integration of disabled persons.

The percentage of disabled employees is stable at 1%, despite a slight rise in number (+17 people).

En 2007 :

- promoting the integration of disabled persons is one the DANONE Way Fundamentals,
- in France, which has some of the most stringent legislation in this area, a Disability network, made up of Disability officers from each of the companies, has been set up to share initiatives aimed at raising awareness and establishing relations with all the bodies that work to promote the professional integration of disabled persons.

## Social performance indicators - Human rights

### Strategy and management

#### **HRI Description of strategies, guidelines, structures and procedures aimed at managing aspects of the organisation's activities relating to human rights, with reference to monitoring mechanisms and their results**

Within a context of significant internationalisation, with an ever increasing presence in emerging countries, in October 2005, Groupe DANONE and the IUF decided to review the content of all their six agreements (1) with a view to their worldwide application. The seven Fundamental Social Principles taken from the conventions of the International Labour Organisation (ILO) have been incorporated into them, to form the basis of these and future agreements.

Published in 20 languages, the agreements form part of a process of continuous dialogue which began some 20 years ago, and has since seen commitments made and regularly renewed by all sides.

This pioneering initiative was the result of the company's vision that, since 1972, has been formalised as Groupe DANONE's "dual economic and social project". It is based on one fundamental belief: that there can be no sustained economic performance without personal and professional development for individuals. The quality of the social dialogue, at all levels of the company, has always been a major area in Groupe DANONE's human resources policy.

At the meeting of Groupe DANONE's Information and Consultation Committee, held on 20 and 21 October 2005, the senior management indicated its commitment to giving the agreements new impetus in all countries where the Group does business.

The way the agreements are applied will continue to be monitored via various channels:

- information feedback from local trade unions directly to the IUF's offices;
- a social reporting process applied to Groupe DANONE subsidiaries according to 20 social indicators defined jointly by the Group and the IUF;
- a the IUF–Groupe DANONE steering committee will convene every quarter, to ensure that the agreements are properly enforced;

A full-time representative from the IUF with Groupe DANONE was also appointed in 2006.

In addition to its subsidiaries, Groupe DANONE was keen to extend these Fundamental Social Principles to all of its suppliers. This is why, in 2003, it started the RESPECT initiative that aims to provide the resources needed to apply the Fundamental Social Principles to all its suppliers. The RESPECT procedure was created in conjunction with an international company with recognised expertise in the field of social audits.

By taking these measures, Groupe DANONE is seeking to strengthen, develop and disseminate its social culture within a context of rapid international expansion.

**(1) Since 1985, six Agreements have been signed between Groupe DANONE and the IUF (available from [www.danone.com](http://www.danone.com) or upon request)**

- Joint IUF / BSN (former name of Groupe DANONE) understanding of 23 August 1988,
- Agreement on economic and social information for staff at BSN Group Companies, dated 26 September 1989,
- Agreement on action to promote sexual equality in the workplace, dated 26 September 1989,
- BSN / IUF agreement on skills training, dated 12 April 1992,
- IUF/BSN joint declaration on trade union rights, dated 25 May 1994,
- Joint understanding in the event of changes in business activities affecting employment or working conditions, dated 9 May 1997.


**(2) The seven Fundamental Social Principles decreed by the International Labour Organisation and incorporated into the Groupe DANONE - IUF Agreements:**

- The effective abolition of child labour,
- The elimination of all forced labour,
- The elimination of all discriminatory practices,
- Freedom of association and the effective recognition of the right to collective bargaining,
- Safety and security of all employees in the workplace,
- Compliance with national laws on working times,
- Appropriate remuneration for employees, in line with salaries practised in the country.

#### **HR2 Proof of the recognition of impacts in terms of human rights in investment and procurement decisions, including the selection of suppliers/subcontractors**

Groupe DANONE deals with thousands of suppliers worldwide. It works with these suppliers within a context where companies' responsibility has expanded upstream of their activity, even if their influence may only be indirect: human rights issues must therefore be taken into account in investment and procurement decisions.

The Fundamental Social Principles (FSPs) that lay down minimum standards to be observed worldwide are taken from the conventions of the International Labour Organisation (ILO).

The proper application of these Fundamental Social Principles is monitored via the RESPECT programme, by: 

- the signing of a specific clause incorporated into General Conditions of Purchase,
- a self-assessment carried out using a social issues questionnaire,
- inspections by quality managers,
- external social audits.

# Performance indicators

The RESPECT initiative can be broken down into three levels, each with its own tools:

- Internal communication with the internal managers involved in this initiative. They may use the booklet entitled "FSP at a glance", which gives simple examples, for each Fundamental Social Principle, of hazardous situations that may be encountered in plants.
- Information for suppliers, using the Guiding Principles for Responsible Procurement. This document summarises all the major points with which suppliers must comply with regard to the Fundamental Social Principles, environmental legislation, business ethics and food quality and safety in the supply of foodstuffs.
- A process for analysing the risk of suppliers' failing to comply with the Fundamental Social Principles.

The process for analysing the portfolio of suppliers is based on four major stages:

- Identification of suppliers who could present risks of non-compliance with regard to the Fundamental Social Principles, according to two main criteria, namely the location of a plant producing for the Group within a country with a poor human rights record, and the weighting of unqualified workers.
- An initial assessment of the non-compliance risk in plants, carried out during supplier quality audits performed by Group managers,
- Depending on the conclusions of this initial evaluation, an external social audit, carried out by a company specialising in this field,
- Definition and monitoring of corrective action plans where necessary and the scheduling of a control audit.

At the end of 2007, all the at-risk suppliers were identified for the Fresh Products and Waters divisions, and over 50 social audits were carried out in 20 countries, such as China, Brazil, Russia and South Africa, for various types of purchases including raw materials (starch, sugar, dried fruits, flour), packaging (PET used for mineral water bottles, cardboard, pots), finished products or services. The audit procedure is as follows:

## 1. PREPARATION FOR THE AUDIT

The local audit office contacts the supplier to agree a date for the audit and provide him with a list of the documents to be supplied.

## 2. ON-SITE AUDIT PROCESS

- **Opening meeting**
  - **Interview with management:** The auditors collect general data on the company.
  - **Documentary review**
  - **Tour of the plant:** the auditors observe the working conditions of employees at their place of work, as well as the situation in terms of hygiene and safety.
  - **Interview with employees:** the auditors interview individuals and groups of employees, selected by them during the tour of the plant.
- These interviews are confidential and take place in a protected room.

## 3. CLOSING MEETING

The auditors take their observations to the company directors. A debate is started with a view to agreeing on corrective actions and their deadline: it ends with the joint signature of a corrective plan of action, a copy of which is then sent to the procurement manager of the relevant subsidiary.

## 4. POST AUDIT

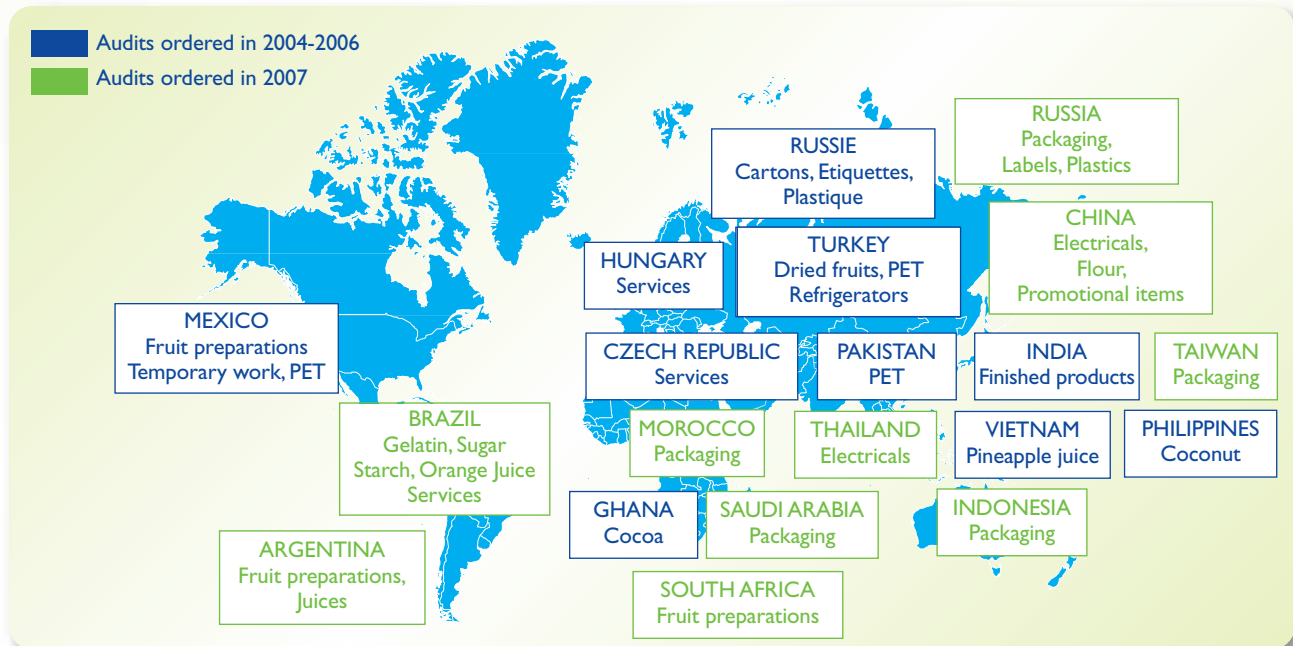
The full report is sent to the relevant subsidiary. The corrective action plan appended to the report is used as a basis for discussions between the procurer and the audited supplier. The subsidiary then leads discussions with a view to deploying a corrective action plan in the way that it deems to be most constructive, given its relationship with the supplier, as part of an approach focusing on progress and effective cooperation.



The results from each audited site are compared with the average situations that prevail in the relevant sector and region. Compliance with local social legislation is also included in the audit.

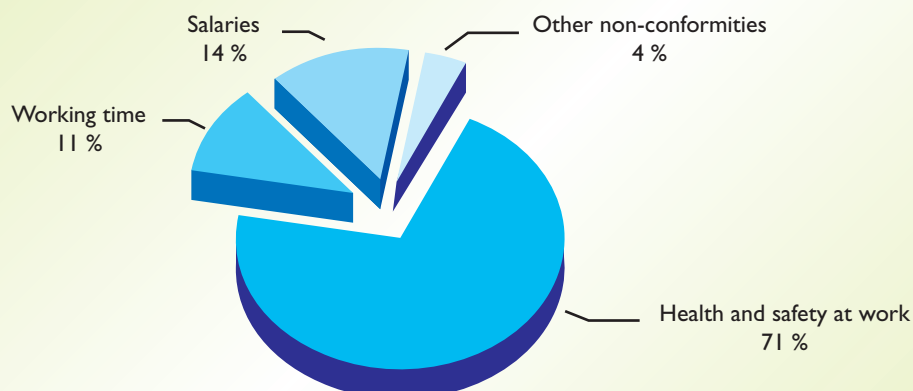
Assessments of working conditions are based on a qualitative approach, which requires finesse and intelligence relating to the situations.

The themes assessed by means of these audits (proper application of Fundamental Social Principles) also involve human factors. This is why it is important to combine documentary reviews, site inspections and interviews with employees.



The main results obtained are as follows:

#### Percentage of non-compliances found during audits



Of all the instances of non-compliance detected, over two thirds related to health and safety at work (fires systems missing or not checked, emergency exits not indicated, lack of first aid training, etc.). Next come the instances of non-compliance linked to remuneration (lack of payslips, partial payment or no payment for overtime, etc.) and those relating to local legislation on working time (11% of non-compliances).

At the end of the audit, a corrective action plan, signed by the plant or company management (see the description of the audit procedure above for more details), serves as a basis for negotiations between the relevant procurement manager and the supplier, to define in more detail the actions to be undertaken and their timeframes.

Naturally, some instances of non-compliance will be easier to correct than others both in terms of cost and time, especially in the area of health and safety at work. However, for other topics, such as working times and remuneration, the cost of compliance may be significant and may pose competitiveness issues for the plant concerned. Depending on the situation, this compliance may be managed over a period of time so that costs may be better taken into account or even avoided through better organisation.

The presence of instances of non-compliance on a site does not mean that all commercial relations stop suddenly. However, if, after dialogue, the supplier continues to refuse to put in place suitable corrective actions, Groupe DANONE reserves the right to cease any activity with this supplier. This is why programmes have to be designed and put in place on an individual case basis.

## Piloting the RESPECT initiative:

Since the start of 2006, the RESPECT initiative has been deployed in all the Group's subsidiaries, under the responsibility of the various local and central Procurement departments. The Group's aim is to have all its suppliers under control by the end of 2008. 2006 was a transitional year, during which the Procurement department was able to manage the risk of suppliers' failing to comply with the Fundamental Social Principles, with the continuation of external social audits.

Procurement managers must now:

- Ensure that their suppliers are informed of the Group's requirements with regard to compliance with the Fundamental Social Principles,
- Check that these Fundamental Social Principles are properly taken into account in all contracts (whether new or renewed),
- Identify which of their suppliers pose risks in terms of compliance with the Fundamental Social Principles and check them using the methodology and tools defined in the pilot phase,
- If an external social audit is carried out, ensure that corrective action plans are monitored.

Three other departments have a part to play in the implementation of the initiative, at the request of purchasers: these are the Quality, Human Resources and Legal departments.

The RESPECT Committee, made up of Purchasing Directors from the various divisions, the Sustainable Development Department and the Social Affairs Department, meets twice a year to check that the approach is being properly implemented, and examines the consolidated results of the audits carried out annually.

Currently, in spite of concerted efforts, and in particular training sessions for Purchasing and Quality managers, purchasers have still not fully mastered the approach, which requires considerable investment in terms of time, especially for putting in place corrective action plans.

In June 2007, Groupe DANONE opted to sign up to the AIM-PROGRESS initiative along with other food industry companies, in order to:

- create a shared platform for accessing existing audit results (with the supplier's consent), thus avoiding the need for repeated audits.
- open up audit fields to include environmental and business conduct issues.

## HR3 Description of the rules and procedures for evaluating and processing performance relating to human rights in the supply chain and with subcontractors, with reference to monitoring systems and their results

See indicator HR2 for suppliers.

With regard to subcontracting (subcontractors are any companies that are delegated by a subsidiary to make any delivery of products or services that could be realised internally, for example, copackers, industrial maintenance companies, manufacturers using the DANONE brand name), a charter has been drawn up and is included in subcontracting agreements. Subcontractors are the subject of very regular monitoring, which includes checks on respect for human rights.

### **HR8 Training of personnel in the rules and practices relating to all aspects regarding human rights in the organisation's activities**

Adhesion to the Global Compact is communicated within the company, as well as the conventions signed with the IUF, including the seven Fundamental Social Principles resulting from the international conventions of the International Labour Organisation.

The DANONE Way Ahead approach includes an evaluation on all questions relating to human rights in the workplace resulting from the international conventions of the ILO.

### **Non-discrimination**

#### **HR4 Description of the general policy and procedures/programmes aimed at avoiding all forms of discriminations in activities, with reference to monitoring systems and their results.**

See information given in indicators HR1, LA10 and LA11, and also see chapter DWF on page 22.

### **Freedom of association and collective bargaining**

#### **HR5 Description of policy on trade union freedoms, specifying the extent to which this policy is universally applied independently of local legislation; description of procedures/programmes intended to deal with this issue.**

See information given in indicators HR1 and HR8, and also see chapter DWF page 2.

### **Child labour**

#### **HR6 Description of the policy to prevent child labour under ILO Convention 138 and the extent to which this policy is publicly exhibited and applied; description of procedures/programmes designed to deal with this issue, with reference to monitoring systems and their results.**

See information given in indicators HR1, HR2 and HR8, and see chapter DWF page 22..

### **Forced labour**

#### **HR7 Description of the policy to prevent forced labour and the extent to which this policy is publicly exhibited and applied; description of procedures/programmes designed to deal with this issue, with reference to monitoring systems and their results.**

See information given in indicators HR1, HR2 and HR8, and see chapter DWF page 22.

## Social performance indicators: Society

Before it is international, a large company is first and foremost local. Plants, logistics platforms and head offices exist with the territories in which they are located.

The challenges are economic (salaries paid, purchasing and subcontracting, local taxes, etc.), as well as social (employment, know-how, role in training, support for local initiatives, etc.)

The company's capacity to develop positive relations with its local environment plays a significant role in overall performance. The company must find the right balance between this social involvement and the economic objectives that

represent its *raison d'être*.

DANONE's commitment for local communities is in line with its "dual economic and social project".

- Knowing local players and developing long term links with them.
- Helping to maintain economic activity and employment by reindustrialising those of the Group's sites which are being restructured.
- Carrying out solidarity actions to benefit children.
- Partnering key investigations in the area of solidarity and sustainable development.

## Collective groups

### SOI Description of the policy of managing impacts on collective groups within zones affected by activities; description of procedures/programmes designed to deal with this issue, with reference to monitoring systems and their results. 🏡

#### Knowing the local environment

Since 2006, a manual for mapping local players has been made available to site managers. It includes existing best practices in place at the Group in various countries.

In 2007, a decision was taken to recreate a training programme for plant directors about the local environment, which previously existed in France. The training will initially be aimed at directors of European plants.

Its purpose is to help directors understand their role and responsibilities towards the local environment, get to know their stakeholders and be proactive to build trust and come up with a structured project for the local environment.

#### Promoting local development: the Evian example

The Evian water company employs 50% of the region's manufacturing workforce, and the Royal domain (golf course, hotels and casino) owned by Groupe DANONE accounts for 30% of tourist jobs. DANONE therefore has a local responsibility, especially because the exploitation of the spring means that non-polluting activities have to be developed.

Since 1992, Evian has been promoting the foundation of local small business and the economic inclusion of young people. The company was involved in the creation of the Chablais Evian Développement and Chablais Initiatives.

This second structure is a platform of local initiatives bringing together manufacturers, banks from the Chablais area and local communities. It actively supports the creation and development of SMEs by granting loans and offering assistance through a network of sponsors.

## Innovative business models to help combat poverty and improve the nutritional situation in countries

Cruceros in Mexico, Daniladies in South Africa, Grameen ladies in Bangladesh... These countries have taken part in the creation of a new distribution system, aimed at generating jobs.

The first experiment was launched in South Africa in 2005.

Danimal, a yoghurt designed to meet the nutritional requirements of children and affordable for the many, went on sale. Some 10% of sales were by the daniladies, unemployed women who sell the product door-to-door in shanty towns. They are supervised by danigrandmas, women with a higher level of education.

In 2007, with the Grameen ladies in Bangladesh, another proximity distribution system was created around the product Shoktidoi.

In Mexico, the "cruceros" sell DANONE's fresh dairy products, in the street, from refrigerators specially installed at crossroads. For every 32 yoghurts they sell, the cruceros earn 100 pesos - more than the Mexican minimum wage. They also get social insurance cover. To help them integrate further, DANONE Mexico has formed a partnership with the NGO Ashoka, which gives them training. The sales figures generated by this initiative remain marginal at no more than 100,000 pesos, a little over 6,000 euros per month, whereas DANONE Mexico's turnover is in the region of 10 million euros. But that is not what the project is truly about. Its profitability means it can provide the cruceros with a decent income. Its purpose is to improve living standards for the poorest in Mexican society.

Today, there are 130 cruceros working in Mexico, whilst 40 are following the training programmes provided by Ashoka and around twenty have been given jobs as supervisors or operators in DANONE plants.

## Listening proactively to its stakeholders

Since 2004, subsidiaries have been offered a complementary initiative to the DANONE Way subsidiary evaluation approach, enabling them to get a better idea of the Group's image in a given territory. Management teams are invited to identify people from every one of the fields in which they interact (universities, schools, corporate clients, local suppliers, administrations, local authorities) and to carry out interviews to ascertain how their contacts' perceive the company.

Several subsidiaries have tried this method, which has allowed them to strengthen links with their environment, identify areas for improvement, gauge expectations and new opportunities and build a dialogue over the long term.

Since 2007, the DANONE Way Ahead approach has offered subsidiaries the "sustainability mapping" tool, which enables them to analyse the challenges and expectations of the company's various stakeholders. Support for social innovation projects is being stepped up, with the creation of a specific organisation and methods to promote local initiatives. All subsidiaries are invited to complete the sustainability mapping process annually. For more details, see page 22 of the report.



### Engaging in solidarity initiatives

Product-driven solidarity actions are becoming more widespread, as an effective way of committing to causes. They are based on a simple mechanism whereby a part of the sale price of a product is donated to a charitable organisation. The Group is anxious to develop win-win partnerships with associations and NGOs, and has set up training for marketing managers.

In 2007, several programmes were put in place to benefit associations working notably in the interests of children in countries as diverse as France, Mexico, South Africa and Poland.

Over the last six years, a worldwide programme bearing the DANONE brand name, the DANONE Nations Cup sponsored by Zinedine Zidane, has seen some 2.5 million children from 40 countries take part, including 110,000 schools and 65,000 clubs across the world. The DANONE Nations Cup is an international football tournament endorsed by FIFA and supported by the national football associations. Most of the teams officially represent their home countries. The competition is intended to bring together teams of young footballers of different nationalities aged between 10 and 12.

It gives huge numbers of children a once-in-a-lifetime chance to take part in an international tournament and to develop their footballing passion and skills. Through the DNC, DANONE helps to uncover future stars. Players are selected through schools and clubs, giving every child the opportunity to believe in his or her dreams, experiencing and sharing the emotion of an international sporting event. Entrance to the Stade de Gerland in Lyons, where the world finals tournament was held in 2008, cost 2.50 euros. All the proceeds were donated to the European Leukodystrophy Association (ELA).

Volvic's "1 litre for 10 litres" programme in partnership with UNICEF and the Evian Water Protection Schools have been deployed in several countries.

### Support for restructuring operations

In November 2006, the Management of DANONE France announced plans to create a DANONE site in the Pays de Bray, which it is intended will become the biggest FDP plant in Europe.

This major project involves transferring employees from production activities at the Neufchâtel plant to the site at Ferrières en Bray. The two sites are 40 km apart. The transfer will be conducted in stages, and will be completed by December 2008.

The project entails the following tasks:

- safeguarding competitiveness for the FDP division in western Europe and France
- capturing additional production volumes
- making the site an efficient plant and a pleasant place to work
- providing employees with assistance to facilitate the move.

A change implementation agreement was signed in 2007 with the social partners at the two plants concerned. It instituted participative projects to deal with the technical and organisational issues surrounding the project.

### SO4 Distinctions received in recognition of social, ethical and environmental performance.

Groupe DANONE does not consolidate this type of data. Nonetheless, we can cite some of the distinctions received:

- As indicated above (see page X), the project by Grameen DANONE Foods Limited in Bangladesh was named as one of the top five social responsibility solutions at an event organised by the association CSR Europe in Brussels in late November.
- DANONE UK has introduced a programme called Active Health for the benefit of employees. It involves an educational approach to nutrition and personal healthcare services: physical activities, fruit made available in offices, free medical check-ups, etc. The programme won the "BBC Healthy Workplace Award" and a "Big Tick" Accreditation from BITC (Business in the Community).
- DANONE Poland won the first "Social Reporting 2007" prize, awarded in recognition of excellence in corporate social responsibility reporting. The jury was chaired by Pr. Witold Orowski, an economics consultant with PricewaterhouseCoopers Poland: "DANONE's winning report was mainly appreciated by the jury for its comprehensive overview of the CSR strategy, transparency as well as broad scope of presented data, diligent communication with the reader and innovative vehicles of presentation".

### Corruption

#### SO2 Description of policy, procedures/management systems and control mechanisms for organisations and employees in terms of corruption

In 2005, Groupe DANONE's Principles for Conducting Business were revised, and foundation texts integrated such as the universal declaration of human rights, a reminder of the Group's commitment to the Global Compact, the guidelines of the OECD and the Fundamental Social Principles.

The Principles for Conducting Business were distributed to all directors and managers by the subsidiaries' Human Resources Departments, which confirmed that this distribution was accompanied by appropriate events and materials to ensure that employees were informed.

Since this date, not only the directors but also all managers have signed a specific clause in their employment contract recognising that they are aware of the Principles for Conducting Business, which they undertake to respect and to ensure that their teams respect.

Various communication resources have been made available to everyone, so these principles can be properly taken on board. This issue forms part of the control points for internal checks and audits.

In addition, a specific programme to prevent fraud was devised in 2006 aimed at General Managers: an awareness handbook, intranet site for reporting and assistance from the Risks Department have been disseminated to all subsidiaries.

Finally, since 2005, an alert system open to all staff has been in place, enabling them to flag up any breaches of:

- current internal control procedures and principles in force at the Group.
- accounting and financial rules liable to affect the reliability of the financial situation or accounts of their or another Group company.
- anti-corruption rules.

## Financing of political parties

### **SO3 Description of policy, procedures/management systems and control mechanisms concerning political lobbying and the financing of political parties.**

CAs indicated in the Principles for Conducting Business, employees are strictly prohibited from using Group funds or other assets, directly or indirectly, for the benefit of organisations of a political nature, other than within the laws and regulations currently applicable in the country and according to the principle of transparency. They may only do so with the formal consent of the management.

However, Groupe DANONE encourages its employees to become involved in local and associative life.

### **SO5 Sums paid to political parties or institutions, whose primary mission is to finance political parties or their candidates**

See indicator SO3.

## Competition and tariffs

### **SO6 Legal judgements relating to infringements of antitrust and monopolies regulations**

On 5 December 2001, the European Commission found anticompetitive agreements in the Belgian beer market and ordered Groupe DANONE to pay a fine of 44.6 million euros, which was fully provided for as of 31 December 2001 and was paid in 2002. DANONE filed an appeal with the Court of First Instance of the European Communities in February 2002, aimed at reversing the Commission's decision or, at least, reducing the amount of the fine.

In October 2005, the Court of First Instance of the European Court of Justice upheld the ruling against the company. The Court nonetheless decided to slightly reduce the fine imposed from 44.04 to 42.41 million euros, judging that the Commission had wrongly retained an aggravating circumstance against the company.

The company lodged an appeal against this decision with the Court of Justice of the European Communities. That appeal was dismissed in February 2007.

### **SO7 Description of policy, procedures/management systems and control mechanisms designed to avoid anticompetitive behaviour**

The reminder of the prohibition on anticompetitive practices has been reinforced in Groupe DANONE's Principles for Conducting Business. Groupe DANONE expects its employees to comply with applicable rules on competition. No agreement or arrangement may be made with competitors designed to restrict free competition.

A code of commercial ethics is currently being finalised, and should be published in 2008.

It will ensure that these principles are adopted more effectively.

## Social performance indicators – product responsibility

Groupe DANONE must guarantee healthy and safe products for its consumers. To do this, it must be beyond reproach in terms of the evaluation and management of real and potential risks, as well as in communication in terms of the safety of food.

## Consumer health and safety

### **PRI Description of the policy designed to preserve the health and safety of consumers using the organisation's products and services and the extent to which this policy is publicly exhibited and applied; description of procedures / programmes designed to deal with this issue, with reference to monitoring systems and their results**

#### **Consumer health:**

##### **Vision & mission**

By setting itself the mission to "bring health through food to as many people as possible", Groupe DANONE, the world's sixth largest food company, is clearly announcing its ambition to be a practical contributor to public health through food, by fighting malnutrition in the broad sense (over-nutrition and under-nutrition), and by helping consumers to choose a balanced diet and more generally a healthy lifestyle.

This commitment is firmly anchored in Groupe DANONE's history. In 1919, Isaac Carasso, a Spaniard, created the first DANONE yoghurts from selected lactic bacteria from the Pasteur Institute (directed by Elie Metchnikoff, Nobel Prize 1908). Those yoghurts were sold in the pharmacies of Barcelona, on medical prescription, to help treat intestinal disorders in children.

Franck Riboud confirmed this health-based approach upon taking over the reins of Groupe DANONE in 1996, when he decided to refocus the company's activities on three core business lines, with a strong health-nutrition positioning (fresh dairy products, waters and beverages, biscuits and cereal products). It became the Group's sole strategy in 2007, with the sale of the biscuits and cereal products activities and the acquisition of Numico and its baby foods and medical nutrition business.

#### **Groupe DANONE's health & nutrition policy**

Groupe DANONE has always had a strategic commitment to decentralisation, and its various subsidiaries enjoy a healthy degree of independence.

This decentralised approach enables the group to develop an intimate knowledge of the local context in each country or region, and instead of merely offering a standardised range, it is able to provide specific products that reflect the needs, cultures, tastes, environment, socio-economic and public health climate in each country.

Currently, Groupe DANONE's health nutrition policy is based around four main lines:

### Four lines of the health policy

1. designing health products that satisfy consumers' expectations
2. taking into account and anticipating changes
3. developing product affordability
4. promoting a healthy lifestyle among consumers

- 1) Designing products that combine nutritional and health benefits with organoleptic qualities, which satisfy the needs and preferences of consumers.
- 2) Adapting the nutritional profile of existing products to reflect changing consumer needs and advances in science and technology. This may be achieved by optimising the amounts of certain nutrients if necessary (reducing fat and sugar content, for example) and/or enriching products with specific vitamins and minerals to counter deficiencies observed in consumers.  
E.g. Groupe DANONE's flagship brand for children, Danonino (called Petit Gervais aux fruits in France) now has a composition that is specifically adapted to nutritional requirements in 14 different countries:
  - In Brazil, for example, where anaemia and malnutrition rank alongside obesity, Danino is enriched with calcium, iron, vitamins A and D as well as zinc, to meet children's needs
  - In Mexico the product is enriched with iron, in Japan with vitamins A and D, in Spain with calcium, in France with vitamin D and in Russia with iodine and vitamin D.
- 3) Developing the affordability of products with high nutritional values for people with low or very low incomes.

Groupe DANONE also markets low-price products, which are within the reach of those on low or very reduced incomes. These products, which meet all Groupe DANONE quality and safety standards and are high in nutritional value, are specifically adapted to counter local nutritional deficiencies (being enriched with vitamins and minerals). This "affordable nutrition" initiative is conducted in partnership with local communities and NGOs, which help to confirm the choice of added vitamins and nutrients and measure their effectiveness in tackling deficiencies.

E.g. several products have already been launched:

### Example of low price products with high nutritional value

- Milkuat milk drink (Indonesia, developed in partnership with the World Food Program): 500 to 1200 rupees (i.e. around 5 to 10 euro cents),
- Danimal yoghurt (South Africa): 1 rand (i.e. around 10 euro cents), Mieczny Start breakfast (Poland): 0.60 zloty (i.e. around 15 euro cents)
- Sokti Doi yoghurt (Bangladesh, developed in partnership with GAIN, the Global Alliance for Improved Nutrition): 5 bat (i.e. 6 euro cents)

- 4) Promoting nutritional information and education, to help consumers develop good eating habits and a healthy way of life, particularly by getting regular physical exercise.  
Examples of nutritional information: Groupe DANONE, along with 17 other companies, is publicly committed to implementing in Europe by 2009, the nutritional labelling plan developed by the CIAA (European Food Industry Confederation), indicating the quantity of energy and nutrients per serving, as absolute values and as a percentage of GDAs (Guideline Daily Amounts).

Example of nutritional education: Groupe DANONE and its subsidiaries are increasing the number of nutritional information initiatives with various partners, healthcare and/or education professionals in particular, especially with regard to children. Here are a few examples:

- In Bulgaria, a programme was launched in 2006 to raise children's awareness of the golden rules of nutrition. They are invited to help the hero of a play find out about the basics of a healthy, balanced diet
- with emphasis on the importance of fruit and vegetables, physical exercise, etc.
- In France, every year the DANONE Institute awards the Matty Chiva Prize to a remarkable initiative aimed at raising young children's awareness about the importance of tastes and flavours. In 2007, the prize led to the publication of a collection of practical tips, accompanied by three songs, designed to help teachers of very young children to organise practical workshops in the classroom.
- In the United States, Dannon's Next Generation Nutrition Program, set up in 2006, aims to provide financial support for associations that develop nutritional education programmes for children.

In applying this strategy, Groupe DANONE does not merely restrict itself to complying with current regulations on nutrition and health (ingredients, enrichment, claims, etc.). It is going even further, by introducing its own, even more stringent voluntary codes, which form the basis of the Group's Health Nutrition Governance (see PR6).

### Consumer safety:

The Group has drawn up a Food Quality and Safety policy, which is shared by all employees in charge of quality. Quality management is organised according to the ISO 9000 and ISO 22000 international references, applicable to any production chain, from raw materials to finished products. At Corporate level, the Quality department defines the Group's quality policy: defining consistent standards, systems and performance indicators between the various Divisions.

The task of the Fresh Dairy Products, Biscuits and Beverages Divisions is to adapt this policy to the specific details of their business lines (production processes, number of ingredients, sources of supply, etc). The subsidiary applies the policy in accordance with national legislations and is responsible for translating the expectations of consumers into the development of products.

The quality function has reviewed its organisation and has redefined skills profiles. It now covers all the following areas: raw materials and packaging, food safety, regulations, management of crises and quality systems. The Group recommends that, in each of its subsidiaries, the Quality Director reports to the managing director. A Quality Committee must be created within the subsidiary. Its mission is to deal with consumer's claims and to decide on the corrective measures to be taken.

On the other hand, Groupe DANONE must guarantee healthy and safe products for its consumers. To do this, it must be beyond reproach in terms of the evaluation and management of real and potential risks, as well as in communication in terms of the safety of food. Within the Group, the mission of the food safety department may be subdivided into three parts:

- defining DANONE's food safety policy
- identifying, evaluating and contributing to the management of emerging and existing risks,
- coordinating the management and measurement of food safety levels at Groupe DANONE.



This policy is expressed by means of reference documents (or Directives) that define the Group's position on key topics, explain regulations or define proper practices between Divisions.

Food safety at Groupe DANONE involves the Group Food Safety Department (integrated into the Group Quality Department), the Food Safety Centre (CSA), the Division Quality Departments and the Plant Quality Departments.

The CSA is responsible for matters upstream of risk piloting.

Groupe DANONE has put in place a method for managing risks that is common to all three of the Group's Divisions. It means that any risks may be managed that are likely to be carried by products in any phase of their lifecycle, from design to production.

The Food Safety Centre (known by its French initials CSA) is the centre of expertise for Groupe Danone in terms of the safety of food with regard to biology and toxicology.

The CSA has a three-fold mission:

- To identify and evaluate risks
- To contribute to the control of risks
- To disseminate and the CSA's knowledge.

In collaboration with each Division, the CSA ensures that risks are ranked in order of seriousness and frequency. This stage means that major risks can be identified that are specific to each Division.

Risks are classified to four categories: chemical, physical, microbiological and allergic. Active scientific monitoring, with the assistance of international experts, allows emerging hazards to be identified and characterised as early as possible and developments in scientific knowledge to be assimilated. The Division quality directors determine the objectives and measures taken to bring risks under control. Subsidiaries adopt the control plans and reinforce them where necessary to meet the specifics of their activity and their local environment. To do this, they use tools designed by each Division's quality department.

The objectives and methods of managing risks are defined globally by Groupe DANONE (foreign objects, allergens, etc.), then specifically defined within the Division (good manufacturing practice, etc.) and finally within the subsidiaries (cleaning and disinfection of plants, identification of critical points). All of the food safety control measures are regularly audited to ensure that they are effective and relevant.

Since April 2006, the CSA has been ISO22000 certified. In 2007, the scope will be extended to all the Group's Food Safety departments.

## **PR4 Number and nature of instances of non-compliance with consumer health and safety regulations; penalties and fines incurred for these infringements**

Wherever there is a serious and immediate threat to consumer health, Groupe DANONE initiates product withdrawals. This only occurs very rarely (once or twice a year at most).

For other, less serious cases, there is no consolidated indicator for Groupe DANONE.

## **PR5 Number of complaints made by official bodies supervising and regulating products and services in terms of health and safety**

Wherever there is a serious and immediate threat to consumer health, Groupe DANONE initiates product withdrawals. This only occurs very rarely (once or twice a year at most).

For other, less serious cases, there is no consolidated indicator for Groupe DANONE.

## **PR6 Compliance with voluntary codes; labels or distinctions awarded to the organisation in the fields of social and/or environmental responsibility.**

### **Health Nutrition governance at Groupe DANONE**

Groupe DANONE's desire to make a practical contribution to public health implies responsibilities that the Group has chosen to express in the form of a demanding line, a real governance approach, a constant logic of progress relating to all its tasks and activities, that aims to meet society's needs and expectations in terms of health and nutrition.

Health Nutrition governance at Groupe DANONE is based on three fundamental principles:

### **1) A rigorous scientific approach**

The first pillar is a rigorous scientific approach to developing products and demonstrating their benefits for nutrition and health.

This pillar relies on the Group's unique Research and Development know-how and constant and open dialogue with the scientific community, through public and/or private partnerships, meetings of experts and symposiums (see specific inset).

This scientific approach has led to the creation of a number of reference tools (International Nutritional Frameworks, Nutripacks, brand nutritional guidelines, ... see chapter on Governance tools) which are used to ensure the suitability of projects (selected nutrition/health objective, dietary vector, nutritional response, etc.) and to provide a convincing demonstration of the product's effect (scientific proof establishing its efficacy).



## Unique Research and Development

### 1 - Focussed research that is connected the scientific sector

DANONE Research, the Group's R&D community, involves 800 people worldwide, including 200 scientific experts (biologists, nutritionists, gastroenterologists, etc.), who work in close collaboration with the global scientific community. Currently, DANONE Research is involved in over 200 collaborative scientific projects with public or private partners around the world.

This organisation is the response to a strategic decision taken by Groupe DANONE: maintaining a balance between internal and external expertise, thereby ensuring greater flexibility and enabling the group to work with the top experts, keep in touch the latest scientific advances and remain at the cutting edge of progress. DANONE Research's efforts are focused on a number of key areas of expertise, and the research fields support the main lines of the group's health and nutrition policy.

### 2 - A historic policy of partnerships

Whether in R&D, at the group's divisions, the head office management or subsidiaries, partnerships have always played an important role in Groupe DANONE's development when it comes to research.

Every year, DANONE Research establishes numerous partnerships to carry out its work, with the aim of drawing on the best expertise available in its priority areas. These collaborations cover basic research (fully outsourced), as well as applied research, and various studies carried out in vitro, in vivo or in clinics (clinical studies also outsourced).

In 2005, in the field of probiotics, for example, DANONE Research established a four-year renewable partnership with the Pasteur Institute, to examine the mechanisms by which probiotics act on the human body.

The collaboration with the INRA (French National Institute of Agronomic Research) relates to the study of bacterial strains of genes, whilst joint efforts with the University of Washington are focused on developing new approaches to understanding the impact of the intestinal flora on our health.

DANONE Research is also involved in a number of European framework programmes, jointly financed by the European Union and industrial partners, such as the EU Childhood Obesity programme, which tests the existence of a relationship between the level of consumption of proteins during early childhood and the incidence of obesity in children.

### 3 - Sharing knowledge

Sharing knowledge with experts allows knowledge to be improved and consensus to be updated. The "Probiotics Convention", the fifth edition of which took place at the end of 2007, invited the world's leading experts to review the latest scientific advances in the field of probiotics and to assess their practical application. Every year, this event draws increasing interest and is attended by more and more participants (170 experts from 35 countries in 2007). In a testament to the quality of the contributions, reports of the conventions have been published in a host of respected scientific journals (American Journal of Clinical Nutrition in 2002, Current Nutrition and Food Science in 2003, European Journal of Nutrition in 2004 and 2005, Journal of Paediatric Gastroenterology & Nutrition in 2006). In the field of public health, Groupe DANONE works in close collaboration with local experts, in order to have a better knowledge of the nutritional situation in each country and according to the age of the population (children, adults, the elderly): nutritional deficiencies or, on the contrary, over-consumption of some nutrients, to adapt its products to the realities of local nutrition.

### 2) Self-discipline

Health Nutrition governance at Groupe DANONE also means having the ability to go beyond regulations and voluntarily adopt more stringent rules, with the aim of ensuring greater relevance, reliability and transparency in our communications. This approach is based on a number of specific internal tools such as the Communication Guidelines, an internal procedure for validating communications on products with claims, the Nutritional Information Charter, or the company's stance on advertising aimed at children accompanied by nutritional criteria (see PR2 and 3).

### 3) Consultation with other stakeholders

Groupe DANONE supports national, European and global consultation initiatives, involving both manufacturers and civil society, especially where they aim to promote clear information for consumers or responsible behaviour in the field of health and nutrition:

- support for codes of practice in the field of advertising (e.g. BVP in France, PAOS in Spain) and decision to limit advertising aimed at children as part of a European commitment alongside 10 other major players in the food industry
- support for the CIAA's initiative on nutritional labelling based on Guideline Daily Amounts,
- support for the EU Regulation calling for better supervision of nutritional and health claims
- support for the principles of PNNS2 (the French National Health and Nutrition Programme), etc.

# Performance indicators

This governance-based approach has led the Group to formally adopt nine commitments, set down in the Food, Nutrition & Health Charter.

## **The Food, Nutrition & Health Charter: a rigorous approach**

The Food, Nutrition and Health Charter is the reference text used by all Groupe DANONE employees across the world, to ensure suitable products and responsible communication. It was drafted by a working group including representatives from each of the Group's various functions: General Secretariat, R&D, Quality, Marketing, Nutritional Affairs, Regulation, Communications, External Relations, etc. Groupe DANONE's senior management takes the lead in implementing and complying with these commitments at the highest level.

Nine commitments with regard to nutrition and the health of consumers:

- 1) Offering products suited to consumers' needs and tastes
- 2) Engaging in dialogue with scientists
- 3) Supporting research
- 4) Promoting shared knowledge with the scientific community, health professionals and the public
- 5) Listening to public opinion
- 6) Communicating clearly and transparently
- 7) Guaranteeing the scientific validity of our products' claimed benefits
- 8) Promoting responsible health and nutrition advertising
- 9) Encouraging physical exercise

## **Health Nutrition governance tools at Groupe DANONE**

The Health Nutrition governance approach has led Groupe DANONE to produce rules and tools (charter, guidelines, etc.). They are defined and deployed by the General Secretariat, with close involvement by R&D, Marketing, Regulations, Nutritional Affairs, Quality Assurance and the general management of subsidiaries.

### **• The International Nutritional Framework: a precise nutritional "framework"**

For each category of Groupe DANONE products, this tool provides minimum-maximum thresholds for ingredients and nutrients (sugars, fats, proteins, vitamins, minerals) used in their composition, in accordance with the recommendations of the WHO (World Health Organisation), the FAO (Food and Agriculture Organisation) and the European Eurodiet programme. Each Groupe DANONE subsidiary is responsible for adapting the composition of its products to reflect the needs, tastes, context and specific regulations of the local market, whilst remaining within this framework.

### **• The Brand Nutritional Guidelines: nutritional "ID cards" for brands**

The Guidelines are a practical application of the International Nutritional Framework, and provide the international nutritional reference framework for the main brands, ensuring consistency with the positioning of each brand and the specific needs of the consumers at which they are aimed.

### **• The Brand Nutritional Platforms:**

#### **"ID cards for brands with claims"**

This approach aims to provide a precise description of each brand's global identity: positioning, claims, nutritional characteristics (defined in the corresponding Brand Nutritional Guidelines), health-nutrition benefits and scientific basis, and possible areas for future development. It is an excellent way of ensuring that a product's nutritional profile (recipe, composition, etc.) is consistent with the advertising promises associated with it. It also enables us to define a very strict framework for renewing and developing our products, particularly when adapting their specific nutritional compositions for deployment in several different countries. The "Brand Nutritional Platforms" approach is currently being rolled out worldwide for all Groupe DANONE's major brand, such as Activia, Actimel, Taillefine / Vitalinea, Danonino, Danacol, Essensis, etc.

### **• Nutritional mapping: the "Nutripack"**

"Nutripacks" set out a detailed map of nutritional and health conditions in the countries where Groupe DANONE operates. Developed in partnership with local experts (paediatricians, nutritionists, scientists), they consist of the following:

- defining a country's nutritional profile: quantitative and qualitative intake from foods consumed, breakdown of meals, deficiencies in certain nutrients, etc,
- analysing public health problems: rates of the main diet-related diseases, principal local institutions and major national programmes under way on these issues, etc.

The resulting in-depth knowledge of nutrition and public health issues enables Groupe DANONE to adapt its existing products, and also to identify the potential for developing new products that might satisfy local health and nutrition priorities.

To date, 17 Nutripacks have been created and others are planned.

### **• The Communication Guidelines**

See PR2.

### **• Procedure for validating communications including claims**

See PR2.

### **• The Information Charter**

See PR2.

## **Controls on the application of Health Nutrition governance at Groupe DANONE**

The deployment of Groupe DANONE's Health Nutrition governance rules and tools by subsidiaries is subject to self-evaluation, piloted by the Sustainable Development and Social Responsibility Department, within the Group's subsidiaries. DANONE Way Ahead Fundamental n° C02 is intended to assess the application of Groupe DANONE's health nutrition policy by its subsidiaries. The subsidiaries are assessed on their ability to comply with local regulations (level 1), implement the Group's main commitments and apply the corresponding tools (level 2), implement all the Group's commitments and apply the corresponding tools (level 3), and even to further and anticipate requirements (level 4).

## Products and services

### PR2 Description of policy, procedures/management systems and control mechanisms concerning product information for consumers and product labelling.

Groupe DANONE is keen to provide consumer and stakeholders with information about its products that is relevant, reliable, transparent, easy to understand and practical (nutritional composition, beneficial health effects, recommendations for consumption), in order to help them make the right dietary choices. It is also Groupe DANONE's responsibility to help inform and educate consumers about the importance of good eating habits and an active lifestyle. It is on this point that players in the health sector make significant demands on food manufacturers.

#### • Procedure for validating communications including claims

The Group undertakes only to issue communications regarding nutritional or health benefits, if these are based on proven scientific arguments

Any communication conveying a health and/or nutrition claim is therefore subject to an internal validation procedure, involving several functions (Marketing, R&D, Quality, Regulations, Legal, etc.), with the aim of:

- Ensuring correct information for consumers
- Raising awareness of nutrition problems and social challenges among the teams at marketing, quality, regulations, etc.
- Protecting the Group's reputation and ensuring consistency in messages
- Putting in place rules of good conduct for the Group, even if the assessment is partly subjective and local.

This procedure concerns all forms of communication: TV ads, radio, packaging, brochures, etc.

#### • The Communication Guidelines: strict controls for translating science into benefits for consumers

These communication guidelines, intended for marketing teams and local advertising agencies, are used to prepare product communications. For each of the major Groupe DANONE brands (Vitalinea, Actimel, Activia, Danonino, Danacol, etc.), they set out the scientific bases for the products, and provide advice and rules to be followed in order to turn them into benefits for consumers (claims, visuals and graphic representations illustrating the benefits, descriptions of scientific arguments, etc.). They are put together by multidisciplinary teams including experts in research and development, nutrition and regulatory affairs.

For example:

- The image (diagram, film, etc.) showing how Actimel reinforces the defences of the intestine wall, or the curve illustrating the effect of Danacol on cholesterol, can be expressed in a range of creative ways. Yet they must comply with the instructions laid down in the guidelines, and accurately reflect scientific fact.
- The expression of the benefits of products is governed by a strict framework: the communication guidelines for Activia provide a reminder that it is possible to promote Activia's effect on the intestinal transit or elimination, but never on digestion, purification or detoxification for example.

#### • The Nutrition Information Charter: or how to satisfy consumers' expectations in terms of nutritional information

Created in 2007, Groupe DANONE's nutritional information charter reflects the Group's desire to provide reliable, transparent and practical information on the nutritional composition of its products, with the aim of helping consumers to make healthy and informed purchases. It includes all the key principles of the nutritional information plan defined by the CIAAA (information per serving and as a % of GDAs) and requires each product to carry:

- In the form of a symbol on the front of the packaging: energy quantity
- In the form of a table on the back of the packaging: quantity of energy, protein, carbohydrates including sugars, lipids including saturated fatty acids, fibre and sodium. The charter also provides specific graphic codes for presenting this information (shape, colours, typeface, minimum and maximum font size, etc.), to ensure legibility and consistency with the CIAA scheme adopted by other economic players. This nutritional information must also be available on the Internet, where it should be accompanied by more general information on a balanced diet and healthy lifestyles. In addition to information about its products, Groupe DANONE and its subsidiaries are working with various partners, healthcare and/or education professionals in particular, on increasing numbers of awareness campaigns and educational initiatives on diet and nutrition, notably aimed at children. Many of these are run by the DANONE Institute, not-for-profit organisations financed by Groupe DANONE's subsidiaries.



## **The DANONE Institutes: informing and disseminating knowledge**

Since 1991, the DANONE Institutes have played a key role in promoting nutrition research, and also in increasing awareness among healthcare, education and communication professionals, as well as the general public, about the importance of healthy lifestyles (diet, nutrition, exercise). Today, 16 local institutes and one international institute - independent from Groupe DANONE and not acting commercially - are working to reinforce, update and disseminate scientific knowledge in the field of nutrition, by means of workshops, symposia, education programmes and publications. A number of educational programmes have been developed in recent years, aimed at both professionals and the general public, focusing on children's nutrition in particular.

Here are a few examples:

- In Belgium, the DANONE Institute organises several events each year dealing with nutrition: two university chairs for students, and a symposium bringing together around a thousand professionals (doctors, dieticians, pharmacists, etc.)
- In Germany, every year the DANONE Institute organises a nutrition training workshop for journalists from the country's main media outlets, and involving a panel of local experts whose task is to make scientific knowledge accessible to the masses in a rigorous way.
- In the Czech Republic, the DANONE Institute developed a programme in the form of a video game in 2005, to encourage children to adopt good eating habits.
- In France, the educational kit "Faut que ça bouge" (Got To Move) is distributed to primary school teachers, to help them run simple but effective exercise workshops for their pupils.

## **Promoting physical exercise is also important for Groupe DANONE.**

This is why the Group is expanding its education initiative in this area by organising several events, such as the DANONE Nations Cup, sponsored by Zinedine Zidane: a football tournament in which more than 12 million children from all over the world have taken part since 1999.

## **PR7 Number and nature of cases of non-compliance with regulations on consumer product information and product labelling; penalties and fines incurred for these infringements.**

These are generally very localised infringements with a wide range of penalties, and there is no consolidated indicator for Groupe DANONE.

## **PR8 Description of policy, procedures/management systems and control mechanisms concerning customer satisfaction; results of satisfaction surveys. Indicate the geographic zones covered by this policy.**

This data is not available for Groupe DANONE.

## **Privacy**

## **PR9 Description of policy, procedures/management systems and control mechanisms aimed at respecting consumer privacy.**

Consumers expect DANONE to provide them with the keys to understanding nutrition, advice on ensuring a daily diet that meets their needs, and finally information about the Group's own products. DANONE has various tools designed to enable it to build a dialogue with consumers. In managing these tools, it ensures the protection of consumers' privacy and, in all countries, complies with national laws governing personal data protection.

### **1 - The consumer database**

A database of subscribers contains all the names and addresses of consumers who are sent information and offers from the Group and brands, in paper or electronic versions.

At any time, consumers can suspend their subscription by informing the administration centre indicated in the messages that are sent to them. In France, the database covers some four million households and is regularly updated. The answers to the questions put to consumers are based on their volunteering the information and allow offers to be tailored to meet their preferences. Only the minimum of information (name and address) is collected as obligatory data. Socio-demographic information (composition of household) and information about consumption habits are optional. Sensitive information such as credit and bank card numbers is not requested.

### **2 - The Internet site**

Within Groupe DANONE, there are around a hundred brand Internet sites. In most cases, these are promotional or commercial sites.

The DANONEconseils.com site was created in France ten years ago, and is unique in the way it has developed general information on nutrition. In 2007, it received over 3.4 million hits.

The site works according to the opt-in system: consumers decide whether to add their details to the database. Consumers must also tick a box formally authorising DANONE to communicate with them. In 2006, it was replaced by the site DANONEetvous.com.



### 3 - Print

In France, DANONE publishes the DANONE magazine that is distributed three times a year with around three million copies published. The magazine includes information on the Group's products and nutritional advice. Consumers can subscribe either via the Internet site or by calling the call centre.

### 4 - Consumer studies

These studies allow Groupe DANONE to gather more detail on information such as the quality of DANONE products as perceived by consumers; expectations in terms of new products; opinions on information tools, such as the DANONE et vous magazine; opinion and understanding of advertising. The research companies guarantee the anonymity of the responses. Only the overall results are passed to Danone.

### 5 - The call centre

The call centre's main task is to develop and maintain relations with consumers. It is a tool for providing information about the company and for offering advice. It allows comments, suggestions and reactions to be collected from consumers. DANONE considers the call centre to be a proximity service. Its purpose is to give rapid responses to questions, and to create added value for the brands through the service provided.

This service answers all kinds of questions regarding products and brands and, more generally, questions on nutrition and dietetics. It deals with claims linked to product quality. DANONE Conseils has been faced with changes in the types of questions consumers ask. There are comparatively fewer questions about product quality now, whereas those concerning the company's responsibility or advertising are on the increase. In France, the DANONE Conseils consumer service generates around 120,000 contacts a year, by telephone, post or email. Its remit covers all Groupe DANONE products sold on the French market. DANONE Conseils may be reached by telephone (0810 11 12 13) or via the internet, both of which appear on packaging (95% of packaging bears the logo in France). The postal addresses of Group subsidiaries' consumer services are also printed on packaging.

Consumers can choose whether or not to leave their details. Their details are used with their agreement, to send documentation, brochures (dietary advice, recipes, etc.) or coupons in the case of a complaint. There is no follow-up system. Any consumer may ask for their details to be removed from the database at any time. Consumers are reminded of this in every letter they receive from DANONE Conseils.

### PR1 | Number of substantiated complaints made relating to consumers' privacy

This indicator is not consolidated for Groupe DANONE.

## Advertising

### PR3 Description of policy, procedures/management systems and control mechanisms aimed at ensuring compliance with voluntary standards and codes in advertising

Groupe DANONE's ambition to make a practical contribution to public health means that stakeholders have high expectations of it, particularly in terms of advertising. Groupe DANONE, as a food company, believes it is essential for advertising messages to be consistent with the reality of products, in terms of nutritional composition and health benefits. It has set itself the objective of ensuring that its advertising communications are reliable, relevant and easily understood by the consumers at whom they are aimed, and has adopted tools and specific procedures to that end.

#### • Procedure for validating advertising content including claims

See PR2

#### • Compliance with codes of practice recognised by stakeholders

In all forms of communication (packaging, advertising, brochures, etc.), the Group is in favour of the principles of self-discipline and applying codes of practice recognised by stakeholders, such as those of the International Chamber of Commerce (worldwide), the CIAA (in Europe) or the PAOS (in Spain) or BVP (in France).

Any advertising communications by its brands must particularly comply with the following principles:

- Not to mislead the consumer on benefits linked to consumption of the product
- Not to encourage excessive consumption or to eat irresponsibly throughout the day
- Not to encourage inactivity or poor lifestyle, • Not to devalue or minimise parental authority or advice in terms of product consumption

#### • Commitment on advertising aimed at children

Aware of the role that advertising can play in children's dietary choices, in December 2007 Groupe DANONE made a commitment to reducing advertising for its products aimed at this audience.

For media and advertising where the target is mainly made up of children between the ages of 3 and 12 - and where there is no state-recognised self-regulation programme (such as PAOS in Spain) -, Groupe DANONE will restrict its advertising to products whose recipe and portion size are suitable for the requirements of children aged 3 to 12, in line with public health priorities.

To this end, Groupe DANONE applies the nutritional criteria used by the system known as TheFoodProfiler, which evaluates the nutritional quality of foods on the basis of the Eurodiet recommendations. Foods are evaluated according to their potential to rebalance or unbalance the diet, taking into account both nutritional recommendations and the reality of food consumption. The food's nutritional profile is defined, based on its content in five nutrients: four nutrients to be limited in food (total fat, saturated and trans fats, added sugar and added sodium), and one nutrient to be favoured in food (polyunsaturated fats, calcium, fibre or iron).

This means, for example, that for products which do not meet the criteria:

- it will not advertise:
  - in commercial breaks on TV or radio at times of the day when over half the audience is made up of children under the age of 12
  - in the press and on Internet sites mainly aimed at children under the age of 12

Furthermore, in its advertising for these products, it will not use real or fictional characters from films, cartoons, television programmes or printed literature ("licensing").

- it will not organise promotional distributions in schools, except in response to specific requests received from schools and with an educational purpose
- it will not display advertising media near schools. This does not affect sponsoring that promotes physical exercise.

Groupe DANONE has undertaken to fully honour this commitment in Europe by the end of 2008, and to ensure that its compliance is audited by an external body, with the results of the audit made public. This commitment is in line with the EU pledge "We will change our food advertising to children"), announced by Groupe DANONE and 10 other companies in December 2007.

## **PR10 Number and nature of infringements of regulations on advertising and marketing**

This indicator is not consolidated at Groupe Danone.



## Numico Appendix

### Social data

		December 2007
<b>Workforce</b>		
SI.1.1.1_M	Total active workforce – Number of men in managerial posts	1 036,1
SI.1.1.2_M	Total active workforce – Number of women in managerial posts	742,4
SI.1.1.1_O	Total active workforce – Number of men in non-managerial posts	5 372,8
SI.1.1.2_O	Total active workforce – Number of women in non-managerial posts	5 126,3
<b>SI.1.1</b>	<b>Time equivalent total workforce - Personnel "registered"</b>	<b>12 278</b>
SI.1.2.1_M	Total workforce in number of persons – Personnel registered: number of men in managerial posts	1 026
SI.1.2.2_M	Total workforce in number of persons – Personnel registered: number of women in managerial posts	706
SI.1.2.1_O	Total workforce in number of persons – Personnel registered: number of men in non-managerial posts	5 195
SI.1.2.2_O	Total workforce in number of persons – Personnel registered: number of women in non-managerial posts	5 058
<b>SI.1.2</b>	<b>Total workforce registered</b>	<b>11 985</b>
<b>By division</b>		
SI.1.3.1	Total workforce registered – Baby Foods	3 547
SI.1.3.2	Total workforce registered – Medical Nutrition	2 375
SI.1.3.3	Total workforce registered - Dumex	2 045
SI.1.3.4	Total workforce registered - Operations & Others	4 019
<b>By full-time and part-time</b>		
SI.1.4.1	Full-time employees	11 244
SI.1.4.2	Part-time employees	741
<b>By fixed-term / permanent employment contract</b>		
SI.1.5.1	Employees on permanent contracts (in number of persons)	10 535
SI.1.5.2	Employees on fixed-term contracts (in number of persons)	1 450
SI.1.6.3	Total number of hours worked	29 938 170
SI.1.9.6	Accuracy of information	
SI.1.9.7	Improvement measures during the reporting period	
SI.1.9.7	Accuracy of information	
<b>Total interim workforce</b>		
SI.2.1	Total interim workforce (as FTE)	1 924
SI.2.9.6	Reliability of local information	
SI.2.9.6	Accuracy of information	
<b>Staff turnover</b>		
SI.3.1_M	Recruitment Men – number of persons	1 055
SI.3.1_W	Recruitment Women – number of persons	1 299
SI.3.1_TOT	Total recruitment	2 354
SI.3.2.1_M	Voluntary departure – Men – number of persons	627
SI.3.2.1_W	Voluntary departure – Women – number of persons	807
SI.3.2.1	Total voluntary departures	-
SI.3.2.2_M	Compulsory departure - Men - number of persons	370
SI.3.2.2_W	Compulsory departure - Women - number of persons	329



SI.3.2.2	Total compulsory departures	-
SI.3.9.6	Reliability of information	
SI.3.9.6	Accuracy of information	
SI.3.9.7	Improvement measures during the reporting period	
SI.3.9.7	Accuracy of information	
<b>Payroll and social charges</b>		
SI.4.1	Total social charges	(656 024 893)
SI.4.1.1	Payroll	(434 874 513)
SI.4.1.2	Pension benefits	(82 211 257)
SI.4.1.3	Other salary costs	(138 939 122)
SI.4.9.6	Reliability of information	
SI.4.9.6	Accuracy of information	
<b>Social practices and collective agreements</b>		
SI.5.2	Number of employees covered by collective agreements	5 179
SI.5.9.6	Reliability of information	
SI.5.9.6	Accuracy of information	
SI.5.9.7	Improvement measures during the reporting period	
SI.5.9.7	Accuracy of information	
<b>Health and Safety in the workplace</b>		
SI.6.1.1	Absenteeism due to sick leave – number of cases	11 287
SI.6.1.2	Absenteeism due to sick leave – number of hours lost	79 963
SI.6.2.1	Absenteeism due to workplace accidents – number of cases	182
SI.6.2.2	Absenteeism due to workplace accidents – number of hours lost	2 985
SI.6.3	Number of workplace accidents	1
SI.6.9.6	Reliability of information	
SI.6.9.6	Accuracy of information	
SI.6.4	Person dedicated to health and safety in the workplace (YES/NO)	
SI.6.5	Workplace health and safety committee (YES/NO)	
SI.6.6	Workplace health and safety system implemented	
SI.6.7	Number of breaches of local/corporate policies and local legislation on workplace health and safety	3
SI.6.8	Description of these breaches, actions taken, conclusions and results	
SI.6.9.7	Improvement measures during the reporting period	
SI.6.9.7	Accuracy of information	
<b>Professional training</b>		
SI.7.1	Internal and external training plan for employees	
SI.7.2	Number of hours of professional training	256 813
SI.7.3	Training costs	6 194 257
SI.7.9.6	Reliability of information	
SI.7.9.6	Accuracy of information	
SI.7.9.7	Improvement measures during the reporting period	
SI.7.9.7	Accuracy of information	
<b>Individual Development Plan</b>		
SI.8.1	Individual Development Plan in place	
SI.8.2	Number of persons benefiting from the individual development plan	9 266
SI.8.1.2	Succession plan in place	
SI.8.3	Number of persons on the succession plan	1 238
SI.8.4	Number of interviews per year dedicated to individual development	83

# Performance indicators

SI.8.5	Number of interviews per year dedicated to individual performance	96
SI.8.9.6	Reliability of information	
SI.8.9.6	Accuracy of information	
SI.8.9.7	Improvement measures during the reporting period	
SI.8.9.7	Accuracy of information	
<b>Diversity and equal opportunities</b>		
SI.9.4	Policies and programmes to promote diversity and associated indicators	
SI.9.4	Accuracy of information	
SI.9.5	Training on diversity and non-discrimination for new employees	
SI.9.5	Accuracy of information	
<b>Local Community</b>		
S2.0.0	Number of organisations involved in the Supporting Lives programme	
S2.0.1	Programmes and policies in favour of local communities	
S2.0.2	Participation by employees in professional associations	-
S2.0.3	Participation by employees in local associations	-
S2.0.4.1	Amount of donations to Supporting Lives + programmes for children, orphans, mothers	562 428
S2.0.4.2	Amount of donations in favour of the elderly and persons in need	43 907
S2.0.4.3	Other donations	603 337
S2.0.5.1	Donations of products or vouchers to Supporting Lives + programmes for children, orphans, mothers	127 489
S2.0.5.2	Donations of products or vouchers - the elderly and persons in need	3 886
S2.0.5.3	Other donations of products	215 057
S2.0.6.1	Donations (in hours) - children, orphans, mothers	5 114
S2.0.6.2	Donations (in hours) - elderly persons and persons in need	-
S2.0.6.3	Other donations (in hours)	-
S2.0.9.6	Reliability of information	
S2.0.9.6	Accuracy of information	
S2.0.9.7	Improvement measures during the reporting period	
S2.0.9.7	Accuracy of information	
<b>Code of conduct</b>		
S2.1.1.0	Local programmes to promote the code of conduct	
S2.1.1.0	Précision des informations	
S2.1.1.1	Number of employees having signed the code of conduct	9 262
S2.1.2.0	Alert system introduced	
S2.1.2.0	Accuracy of information	
S2.1.2.1	Number of incidents reported	255
S2.1.3.0	Implementation of marketing policy on infant formula	
S2.1.3.0	Accuracy of information	
S2.1.3.1	Number of incidents reported	2
S2.1.4.0	Implementation of non-discrimination policy	
S2.1.4.0	Accuracy of information	
S2.1.4.1	Number of discrimination incidents reported	1
S2.1.5.0	Freedom of organisation of collective bargaining and representation.	
S2.1.5.0	Accuracy of information	

## Environmental data

### Total production

	Numico 2007
Total production (in thousands of tonnes)	148

### Number of ISO 14001 certified sites

	Numico 2007
Total number of sites	20
Total number of ISO 14001 certified sites	4

### Total consumption of raw materials (in thousands of tonnes)

	Numico 2007
Agricultural raw materials (in thousands of tonnes)	20
Consumption of primary and secondary packaging materials (excl. re-used bottles and demijohns) in thousands of tonnes	4

### Direct energy consumption (in MWh)

	Numico 2007
Natural gas	242 019
Heavy fuel	223 524
Domestic fuel	1 235
Butane/propane	2 800
Coal	141 757
Other sources *	0
<b>Thermal energy consumption</b>	<b>620 322</b>

### Indirect energy consumption (in MWh)

	Numico 2007
Steam (purchased)	8 987
Electricity consumption	167 702

### Total energy consumption (in MWh)

	Numico 2007
Total production (in thousands of tonnes)	502

### Total water consumption (in thousands of m3)

	Numico 2007
Total water taken from local environment of which:	4 012
- drilling water	2 021
- mains tap water	1 907
- river water	84
Water consumption by manufacturing sites (excl. water in containers)	3 480

### Greenhouse gas emissions (in tonnes of gas)

	Numico 2007
CO <sub>2</sub> emissions	159 833
CH <sub>4</sub> emissions	14
NO <sub>2</sub> emissions	5
CFC emissions	0,055
HCFC emissions	1,909
HFC emissions	0,035
Halons emissions	0

### Greenhouse gas emissions (in tonnes of CO<sub>2</sub> equivalent)

	Numico 2007
CO <sub>2</sub> emissions	159 833
CH <sub>4</sub> emissions	314
NO <sub>2</sub> emissions	1 524
CFC emissions	581
HCFC emissions	3 245
HFC emissions	45
Halons emissions	0
<b>Total emissions</b>	<b>165 543</b>

### Consumption of ozone layer-depleting substances (in tonnes of CFC equivalent)

	Numico 2007
ECFC	0,05
HCFC	0,10
Halons	0
<b>TOTAL</b>	<b>0,15</b>

### Emissions of NO<sub>x</sub> (in tonnes of NO<sub>2</sub> equivalents) and SO<sub>x</sub> (in tonnes of SO<sub>2</sub> equivalents)

	Numico 2007
Consumption of NO <sub>x</sub> (nitrogen oxides) in tonnes of NO <sub>2</sub> equivalent	422
Consumption of SO <sub>x</sub> (sulphur oxides) in tonnes of SO <sub>2</sub> equivalent	1 793

# Performance indicators

## Quantity of waste generated and waste recycled

	Numico 2007
<b>Total quantity of waste generated</b> (in millions of tonnes, excl. treatment plant effluent)	46
<b>Total quantity of waste disposed of via a specific process</b> (in millions of tonnes, excl. treatment plant effluent)	40
<b>Proportion of waste disposed of via a specific process</b> (excl. treatment plant effluent)	88 %

## Final Chemical Oxygen Demand discharge (in thousands of tonnes)

	Numico 2007
Final DCO discharge (chemical oxygen demand)	0,593





This report has been designed, coordinated and compiled by the Sustainable Development and Social Responsibility department.

This report is the product of a permanent dialogue with our stakeholders. You are invited to share your comments and ideas with us so that Groupe DANONE can improve its approach,

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